



## Financial Reporting Advisory Board Paper

### IFRS Interpretations Committee meetings – update

<b>Issue:</b>	A summary of the IFRS Interpretations Committee meetings from March to May (details of the June announcements was not available at the time of writing this paper), noting any particular relevance to the public sector.
<b>Impact on guidance:</b>	Potential adaptation or interpretation in the FReM dependent on outcomes of any Standard Setting adjustments.
<b>IAS/IFRS adaptation?</b>	No adaptations or interpretations proposed but further agenda decisions will be considered as needed.
<b>Impact on WGA?</b>	None.
<b>IPSAS compliant?</b>	This would depend on whether IPSASB make adjustments for any new IFRS amendments and interpretations.
<b>Interpretation for the public-sector context?</b>	No adaptations or interpretations proposed.
<b>Impact on budgetary regime and Estimates?</b>	None.
<b>Alignment with National Accounts</b>	No impact on the National Accounts.
<b>Recommendation:</b>	For the Board to note, HM Treasury proposes to make no adaptations or interpretations in relation to any outcome from the IFRS IC meetings summarised below.
<b>Timing:</b>	Ongoing

#### DETAIL

##### Introduction

1. This paper provides the Board with a summary of announcements from the IFRS Interpretations Committee between March 2021 and May 2021. The paper is provided for the Board's information and presented by meeting date in chronological order. The paper covers the main agenda decisions of the Interpretations Committee and tentative agenda decisions but does not represent an exhaustive commentary on all agenda items. Relevance to the public sector and any impacts on the FReM have been considered and noted.
2. There were three agenda decisions published since the last update and set out below:
  - Agenda decision – Configuration or customisation costs in a cloud computing arrangement (IAS38) – March 2021
  - Agenda decision – Attributing benefit to periods of service (IAS19) – April 2021

- Agenda decision – Hedging variability in cash flows due to real interest rates (IFRS9)  
– April 2021

### ***IFRS Interpretation Committee Update 16 March 2021***

3. Committees tentative agenda decisions which will return to the Committee for further discussion at a later point:

**3.1 Non-refundable Value Added Tax on Lease Payments (IFRS 16 Leases)**

Consideration following a request about how a lessee accounts for any non-refundable value added tax (VAT) charged on lease payments. The request asked whether, in applying IFRS 16, the lessee includes non-refundable VAT as part of the lease payments for a lease. The Committee concluded that it had not [yet] obtained evidence that the matter has widespread effect, and has or is expected to have, a material effect on those affected. Therefore, the Committee decided not to add a standard-setting project to the work plan.

*No action for the public sector proposed at this time.*

**3.2 Accounting for Warrants that are Classified as Financial Liabilities on Initial Recognition (IAS 32 Financial Instruments: Presentation).**

The committee received a request about the application of IAS 32 in relation to the reclassification of warrants. The Committee concluded that the matter described in the request is, in isolation, too narrow for the Board or the Committee to address in a cost-effective manner. Therefore, the Committee decided not to add a standard-setting project to the work plan.

*No action for the public sector proposed at this time.*

Agenda decision for Board consideration:

**3.3 Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets).**

The Committee considered feedback on the tentative agenda decision published in the December 2020. The IASB considered this agenda decision at its April 2021 meeting and went on to publish an addendum on the matter, see below:

Addendum to IFRIC Update—Committee’s agenda decisions (*published April 2021*):

**3.4 Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets).**

A request was received about how a customer accounts for costs of configuring or customising a supplier’s application software in a Software as a Service (SaaS) arrangement. The Committee concluded that the principles and requirements in IFRS Standards provide an adequate basis for a customer to determine its accounting for configuration or customisation costs incurred in relation to the SaaS arrangement described in the request. Therefore, the Committee decided not to add a standard-setting project to the work plan.

*No action for the public sector proposed at this time.*

### ***IFRS Interpretation Committee Update 20 April 2021***

4. Agenda decisions for Board consideration: **Attributing Benefit to Periods of Service (IAS 19 Employee Benefits)**

**4.1** The Committee considered feedback on the tentative agenda decision published in the December 2020 IFRIC *Update* about the periods of service to which an entity attributes benefit for a particular defined benefit plan. The Committee concluded that the principles and requirements in IFRS provide an adequate basis for an entity to determine the periods to which retirement benefit is attributed and as such, decided not to add a standard-setting project to the work plan. The Board is set to consider this agenda decision. If the Board does not object to the agenda decision, it will be published in an addendum.  
*No action for the public sector proposed at this time.*

**4.2 Hedging Variability in Cash Flows due to Real Interest Rate (IFRS 9 Financial Instruments)**

The Committee considered feedback on the tentative agenda decision published in the December 2020 IFRIC *Update* about applying the hedge accounting requirements in IFRS 9 when the risk management objective is to 'fix' the cash flows in real terms. The Committee concluded that the requirements in IFRS 9 provide an adequate basis for an entity to determine whether a hedge of the variability in cash flows arising from changes in the real interest rate, rather than the nominal interest rate, could be accounted for as a cash flow hedge. Consequently, the Committee decided not to add a standard setting project to the work plan. The Board will consider this agenda decision and if it does not object to the agenda decision, it will be published as an addendum.  
*No action for the public sector proposed at this time.*

5. Work in progress - Further consideration to the tentative agenda decision:

**5.1 Classification of Debt with covenants as current or non-current (IAS1 Presentation of Financial Statements)**

IAS 1 was amended in January 2020 with an effective date of 1 January 2023 and clarified how to classify debt and other financial liabilities as current or non-current in particular circumstances.

The Committee considered feedback on the tentative agenda decision published in December 2020 IFRIC *Update* about how an entity applies classification of liabilities as current or non-current in fact patterns. Before finalising the agenda decision, the Committee decided to report to the Board on 2 matters; its technical analysis and conclusions on the matter; and respondents' comments on the outcomes and potential consequences of applying the amendments highlighting those that might provide information the Board did not consider when developing the amendments. The Board is due to discuss the matter at a future meeting.

*The amended Standard is to be applied in the public sector from the effective date, 2023-24 financial year and further consideration will be given to any future agenda decision.*