



Financial Reporting Advisory Board Paper

IFRS Interpretations Committee meetings – update

Issue:	A summary of the IFRS Interpretations Committee meetings from November-March, noting any particular relevance to the public sector.
Impact on guidance:	Potential adaptation or interpretation in the FReM dependent on outcomes of any Standard Setting adjustments.
IAS/IFRS adaptation?	No adaptations or interpretations proposed but further agenda decisions will be considered as needed.
Impact on WGA?	None.
IPSAS compliant?	This would depend on whether IPSASB make adjustments for any new IFRS amendments and interpretations.
Interpretation for the public-sector context?	No adaptations or interpretations proposed.
Impact on budgetary regime and Estimates?	None.
Alignment with National Accounts	No impact on the National Accounts.
Recommendation:	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.
Timing:	Ongoing

DETAIL

Introduction

1. This paper provides the Board with a summary of announcements from the IFRS Interpretations Committee between November 2021 and March 2022. 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 two agenda decisions published since the last update and set out below:
 - 2.1 Agenda decision - Economic Benefits from Use of a Windfarm (IFRS 16 Leases) – November/December 2021

- 2.2 Agenda decision - TLTRO III Transactions (IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance) – February 2022

IFRS Interpretation Committee Update 30-1 November 2021

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

3.1 **Principal versus Agent: Software Resellers (IFRS 15 Revenue from Contracts with Customers)**

Consideration following a request asking whether, in applying IFRS 15, a reseller of software licences is a principal or agent. In the fact pattern described in the request, the Committee observed that:

- a) The software manufacturer is responsible for the software's functionality as well as issuing and activating the licences. The software manufacturer is therefore responsible in those respects for fulfilling the promise to provide the licences to the customer.
- b) the reseller is the party that engages with the customer both before and after the software licences are transferred to the customer, taking responsibility for unaccepted licences. The reseller is therefore responsible in those respects for fulfilling the promise to provide the licences to the customer.
- c) The reseller has no inventory risk before the licences are transferred to the customer but, in the event of non-acceptance by the customer, the reseller has inventory risk after the transfer.
- d) the reseller has discretion in establishing the price for the software licences.

The Committee observed that the conclusion as to whether the reseller is a principal or agent depends on the specific facts and circumstances, including the terms and conditions of the relevant contracts. 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:

3.2 **Economic Benefits from Use of a Windfarm (IFRS 16 Leases)**

The Committee considered feedback on the tentative agenda decision published in the June 2021 IFRIC *Update* about whether, applying paragraph B9(a) of IFRS 16, an electricity retailer has the right to obtain substantially all the economic benefits from use of a windfarm throughout the term of an agreement with a windfarm generator. The Committee concluded that, in accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the International Accounting Standards Board (IASB) will consider this agenda decision at its December 2021 meeting.

The IASB had no objections to the agenda decision, and therefore an addendum was published in December 2021 to this IFRIC update.

IFRS Interpretation Committee Update – 1 February 2022

4. Committee's tentative agenda decisions which will return to the Committee for further discussion at a later point:

4.1 **Negative Low Emission Vehicle Credits (IAS 37 Provisions, Contingent Liabilities and Contingent Assets)**

Consideration following a request asking whether particular measures to encourage reductions in vehicle carbon emissions give rise to obligations that meet the definition of a liability in IAS 37. The request described government measures that apply to entities that produce or import passenger vehicles for sale in a specified market. The Committee concluded that an entity that has produced or imported vehicles with average fuel emissions higher than the government target has a legal obligation that meets the definition of a liability in IAS 37, unless accepting the sanctions that the government can impose is a realistic alternative to eliminating negative credits for that entity. 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:

4.2 TLTRO III Transactions (IFRS 9 Financial Instruments and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance).

The Committee considered feedback on the tentative agenda decision published in the June 2021 IFRIC *Update* about how to account for the third programme of the targeted longer-term refinancing operations (TLTROs) of the European Central Bank (ECB). The Committee reached its conclusions that in accordance with paragraph 8.7 of the IFRS Foundation's *Due Process Handbook*, the International Accounting Standards Board (IASB) will consider this agenda decision at its March 2022 meeting. If the IASB does not object to the agenda decision, it will be published in March 2022 in an addendum to this IFRIC *Update*.

31st March 2022