HM Treasury

Financial Reporting Advisory Board

IFRS Interpretations Committee update

Issue:	A summary of the IFRS Interpretations Committee meetings since the last FRAB Board meeting, noting any particular relevance to the public sector. To note, there has only been one full agenda decision since our last review.
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 adjust for any new IFRS amendments and interpretations. There have been no proposed changes to IFRS following meetings of the Interpretations Committee.
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 is not proposing any adaptations or interpretations in relation to the agenda decision on IAS 7.
Timing:	Ongoing

DETAIL

Background

1. This paper is provided for information and covers the one agenda decision from the IFRS Interpretations Committee since FRAB last met in November.

2. Relevance to the public sector and any impacts on the FReM have been considered and noted. HM Treasury do not anticipate any specific adaptations or interpretations will be required for the public sector as a result of the decision of the Interpretations Committee since the Board's last meeting.

3. There has been one full agenda decision for the IASB's consideration published since the last update. This was published on the 3rd February 2025 and is titled "Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts (IAS 7 Statement of Cash Flows)". More detail on the agenda decision can be found in Annex A.

4. The committee received a request about how an entity presents, in its statement of cash flows, the cash flows related to variation margin call payments made on contracts to purchase or sell commodities at a predetermined price and at a specified time in the future.

5. The committee concluded that the matter described in the request does not have widespread effect, consequently a standard-setting project was not added to the workplan.

Recommendation: No action for the public sector proposed at this time.

HM Treasury
20th March 2025

Annex A: Agenda Decision

Classification of Cash Flows related to Variation Margin Calls on 'Collateralised-to-Market' Contracts (IAS 7 Statement of Cash Flows)

The Committee received a request about how an entity presents, in its statement of cash flows, the cash flows related to variation margin call payments made on contracts to purchase or sell commodities at a predetermined price and at a specified time in the future.

Fact pattern: The request describes a contract to purchase or sell commodities at a predetermined price and at a specified time in the future. An entity may enter into such a contract for different purposes and applies the relevant requirements in IFRS Accounting Standards accordingly. For example, the entity may use such a contract:

a. to receive commodities in accordance with its expected usage requirements;

b. to hedge against fluctuations in the prices of commodities; or

c. for trading purposes.

Such a contract typically has a maturity of up to three years, can be settled physically or net in cash and is both:

a. centrally cleared—that is, after a new contract is entered into, for the purpose of settlement via a central counterparty, the contract is novated by each counterparty to the central counterparty.

b. collateralised-to-market'—that is, during the life of the contract, the counterparties make or receive daily payments based on the fluctuations of the fair value of the contract (variation margin call payments). These variation margin call payments represent a transfer of cash collateral (hence the contract is 'collateralised to market'), rather than a partial settlement of the contract (as in 'settled-to market' contracts).

The request asked how an entity presents, in its statement of cash flows, the cash flows related to variation margin call payments made on such a contract.

Conclusion:

Evidence gathered by the Committee did not indicate that the matter described in the request is widespread. Based on its findings, the Committee concluded that the matter described in the request does not have widespread effect. Consequently, the Committee decided not to add a standard-setting project to the work plan.