

IASB General Update

Executive Summary

Project Type
Influencing
Project Scope
Various
Purpose of the paper
This paper provides the Board with an update on projects the Secretariat is currently monitoring. As agreed with the Board, the Secretariat monitors projects being undertaken by the IASB. This is to inform the Board about the progress and decisions made by the IASB on active projects. Discussion by the Board may also help inform interactions with international standard setter meetings, including the IASB's Accounting Standards Advisory Forum (ASAF), of which the UKEB is a member.
Summary of the Issue
Topics addressed in this paper include topics discussed by the IASB at its July 2026 meeting. It also includes topics to be discussed at the October 2026 ASAF meeting. Topics for discussion • Intangible Assets • Amortised Cost Measurement Topics for noting • Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 <i>Income Taxes</i> (IFRS 18) • Financial Instruments with Characteristics of Equity • Provisions—Targeted Improvements • Statement of Cash Flows and Related Matters • Business Combinations—Disclosures, Goodwill and Impairment • Equity Method

Decisions for the Board

Topics for discussion

Intangible Assets (Appendix A)

1. Does the Board have any feedback on the Secretariat's preliminary views with respect to developments at the September 2026 IASB meeting?

Amortised Cost Measurement (Appendix B)

1. Does the Board have any comments or concerns on the IASB tentative decisions made at the September 2026 IASB meeting?

Topics for noting

Do Board members have any comments or questions on the topics for noting?

Recommendation

N/A

Appendices

Appendix A: Intangible Assets

Appendix B: Amortised Cost Measurement

Appendix C: Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 *Income Taxes* (IFRS 18)

Appendix D: Financial Instruments with Characteristics of Equity

Appendix E: Provisions—Targeted Improvements

Appendix F: Statement of Cash Flows and Related Matters

Appendix G: Business Combinations—Disclosures, Goodwill and Impairment

Appendix H: Equity Method

Appendix I: List of IASB projects

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Appendix A: Intangible Assets

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review
IASB Next Milestone: Decide Project Direction (November 2026) UKEB project page								

Purpose

- A1. The purpose of this paper is to provide an update on the IASB's further discussion of a test case related to 'Software as a Service' i.e. SaaS arrangements, at its September 2026 meeting. The IASB was not asked to make any decisions at this meeting.
- A2. The paper also sets out the UKEB Secretariat's preliminary views with respect to developments at the September 2026 IASB meeting and seeks the Board's comments.

Background

- A3. In July 2026, the IASB held its first substantive discussion on the definition/recognition criteria workstream through preliminary analysis of a test case. The case aimed at developing a customer accounting model for intellectual property (IP) licensing contracts, using a cloud-based software delivery contract (SaaS arrangement). The proposed rights-based model focuses on identifying:
- the underlying item over which the customer has rights;
 - the rights the customer has obtained (a right to direct the use of IP, a right to access it, or a right to receive a service); and
 - determining whether those rights give rise to an asset.
- A4. Applying the model to two basic fact patterns (fact patterns 1–2 in Annex 1), IASB staff concluded that a right to access IP is an asset. For a traditional software licence (fact pattern 1), the right to access is obtained at a point in time and is recognised as an intangible asset and amortised over the licence period. For a basic SaaS arrangement (fact pattern 2), the right to access is obtained over time

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and consumed immediately. This also meets the current definition of an intangible asset. The accounting treatment for such rights was left for a future meeting.

- A5. IASB members broadly supported the rights-based approach at their July meeting, but several IASB members raised substantive concerns that had not been resolved by the paper. These included:
- a) the boundary between a right to access and a right to receive a service;
 - b) determining the correct unit of account;
 - c) whether the customer controls a recognisable asset;
 - d) whether conclusions would apply beyond software arrangements; and
 - e) how the recognition focus relates to the May 2026 finding that investors prefer enhanced disclosure.
- A6. IASB members agreed that identifying the correct unit of account before considering recognition would be important. Several IASB members urged that the fundamental recognition question be tested before proceeding further with detailed model-building.

IASB September 2026 meeting

- A7. At its [September 2026 meeting](#), the IASB continued to develop the model. It considered:
- a) what accounting treatment would provide the most useful information about a right to access IP obtained over time;
 - b) determining the unit of account, and whether control of a group of rights containing a right to access IP is obtained at a point in time or over time; and
 - c) how the model applies to common variations of the basic SaaS fact pattern (fact patterns 3–5 in Annex 1).

Accounting for a right to access IP obtained over time

- A8. Conceptually, IASB staff believe that rights to access IP obtained over time are a series of intangible assets, each obtained and immediately consumed. However, the IASB staff paper does not consider recognising each asset and immediately amortising it in full to be the most appropriate treatment, since they believe that:
- a) Each right exists only momentarily and does not individually have a useful life, so amortisation is not the most appropriate classification of the expense.

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- b) These rights are current assets under paragraph 99(a) of IFRS 18 *Presentation and Disclosure in Financial Statements*, with precedents for simplified treatment of short-lived items in IAS 16 *Property, Plant and Equipment* and IFRS 16 *Leases*.
 - c) Users consulted generally did not favour increased capitalisation, with some concerned about the effects on profitability measures such as EBITDA. Most users who commented were more interested in the scale and nature of related spending and how it links to outcomes and future cash flows.
- A9. The IASB staff paper therefore regards rights to access IP obtained over time as a separate type of intangible asset, which would be recognised as operating expenses when obtained and consumed. Since IAS 7 *Statement of Cash Flows* permits only expenditure that results in a recognised asset to be classified as investing, the IASB staff paper is of the view that cash payments for rights to access IP obtained over time would be classified as operating, whereas those for a right obtained at a point in time would be investing¹.
- A10. The IASB staff paper suggests that useful disclosures could include disaggregation of expenditure on these rights and the nature, extent and timing of related commitments (possibly on an aggregated basis given commercial sensitivity), potentially building on paragraph 128(b) of IAS 38. IASB staff are of the view that if specific requirements are needed, these could be developed in this workstream or in the disclosures workstream.

Unit of account and timing

- A11. The IASB staff paper is a refinement over the July 2026 approach. The paper considers whether the requirements in IFRS 15 *Revenue from Contracts with Customers* on identifying distinct performance obligations (paragraphs 22–30) are more appropriate for determining the unit of account once the rights in a contract have been identified, rather than for identifying the underlying item. The IASB staff paper suggests that, in determining the unit of account, a customer could draw on:
- a) Paragraphs 4.48–4.55 of the *Conceptual Framework*, i.e. whether treating a group of rights as a single unit of account provides more relevant information and faithfully represents the substance of the transaction.
 - b) IFRS 15 paragraphs 22–30 adapted to the customer's perspective, i.e. whether the customer can benefit from a right on its own, and whether the right is separately identifiable. In particular, whether the customer's objective is to obtain rights individually or a combined item to which the rights are inputs (considering a combined output, significant modification or customisation, and high interdependence or interrelation).

¹ IASB September 2026 meeting [Agenda Paper 17, paragraphs 13–14](#).

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A12. To determine the nature of the IP, IASB staff suggested drawing on IFRS 15 paragraph B58². Accordingly, IP is ‘dynamic’ where the supplier is expected to undertake activities that significantly change its form or functionality, the customer is directly exposed to their effects, and those activities do not transfer a good or service to the customer as they occur; otherwise, it is ‘static’. Where a unit of account includes only rights over IP, the timing of control follows IFRS 15 paragraphs B58–B60. Where it also includes rights over another underlying item or rights to receive a service, IASB staff think principles similar to IFRS 15 paragraph 35³ should apply regardless of whether the IP is static or dynamic. In particular, the customer simultaneously receiving and consuming benefits as the supplier performs may be a helpful indicator of control over time.

A13. Applying this to the basic fact patterns:

- a) Fact pattern 1: the IASB staff paper concluded that the IP is static, the right to access the software is the only unit of account, and it is obtained at a point in time.
- b) Fact pattern 2: the IASB staff paper concluded that the IP is dynamic. Depending on the contract terms, the customer obtains either a right to access the supplier’s infrastructure, in which case the infrastructure is a separate underlying item (rather than forming part of a single combined underlying item as in July 2026), or a right to receive a service, in which case the infrastructure is not an underlying item from the customer’s perspective (in July 2026, IASB staff had characterised it as a right to receive a service).

The IASB staff paper did not conclude which view was appropriate, as this was beyond the scope of the paper, noting that the unit of account outcome would be the same. The right to access the software and the rights relating to the infrastructure are combined into a single unit of account, which is obtained over time.

Summary of IASB member views

A14. IASB members broadly supported the direction of travel, including the grounding of the analysis in enforceable rights and obligations and its linkage to IFRS 15. Some IASB members supported recognising rights to access IP obtained over time as operating expenses. Several IASB members observed that the model represents new thinking that will need to be explained carefully to stakeholders.

² Paragraph B58 states: “The nature of an entity’s promise in granting a licence is a promise to provide a right to access the entity’s intellectual property if all of the following criteria are met: (a) the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights...; (b) the rights granted by the licence directly expose the customer to any positive or negative effects of the entity’s activities identified in (a); and (c) those activities do not result in the transfer of a good or a service to the customer as those activities occur...”

³ Paragraph 35 states: “An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if...(a) the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs...”

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- A15. Regarding disclosure, questions were raised about the case for separately disclosing this operating expense, whether aggregation would address commercial sensitivity where an entity has a single material SaaS contract, and whether investors might seek similar disclosure for service contracts.
- A16. Several IASB members questioned whether the work responds to investor needs, and IASB staff were asked to reconcile the project direction with user feedback presented in May 2026, which emphasised better disclosure rather than additional recognition. Some IASB members considered that the model responds to user needs, including indirectly through greater consistency, and that the IASB must ensure that the line between an asset and an expense is not drawn arbitrarily.
- A17. Some IASB members observed that, other than for configuration and customisation costs, the model results in accounting broadly similar to current practice. Some members also questioned how much further detail is needed before consultation, cautioning against developing an IFRS 15-style multi-step allocation model. Some emphasised the need for general principles tested beyond SaaS arrangements.

Common variations of a SaaS contract

- A18. **Configuration and customisation (fact pattern 4).** Many preparers consider that recognising a large expense when configuration and customisation activities occur does not reflect their economics. The IASB staff paper considers that the rights to access the configured software, the rights relating to infrastructure and the right to access customisation code (the right to direct its use remaining with the supplier) form a single unit of account. IASB staff believe that rights to receive data migration services and training/go-live support are separate units of account because they are obtained and consumed at inception, in a different pattern from the access rights. Therefore, the IASB staff paper is of the view that the customer can benefit from the software without them, and they are not significantly integrated with it⁴.
- A19. Configuration and customisation costs would therefore form part of the cost of the series of intangible assets obtained over time. When paid upfront, they would be recognised as a working capital (advance payment) asset and released to operating expenses over the contract term. IASB staff set out two options for determining the term⁵:
- a) the non-cancellable period plus periods covered by options the customer is reasonably certain to exercise (or not to exercise, for termination options), drawing on IFRS 16 paragraph 18; or
 - b) the non-cancellable period only.

⁴ IASB September 2026 meeting [Agenda Paper 17, paragraphs 41, 43-46](#).

⁵ IASB September 2026 meeting [Agenda Paper 17, paragraphs 49-50](#).

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Summary of IASB member views

- A20. Several IASB members identified the unit of account as the primary issues to be resolved. IASB staff were asked to articulate more clearly what makes configuration and customisation integral to the right to access IP while data migration and training are separate. Some IASB members noted that data migration and training could, in some cases, be highly interrelated with the access right. Questions were also raised about how the model would apply where customisation is internally generated or the customer holds the right to direct its use, and whether customisation by a separate supplier more closely resembles a traditional intangible asset. IASB staff were also asked to draw out where the customer's unit of account assessment could differ from a supplier's assessment under IFRS 15.
- A21. IASB members were divided on the contract term, between the non-cancellable period and the inclusion of reasonably certain option periods to better reflect the period of benefit.

Service contracts and the definition of an intangible asset

- A22. IASB staff noted that the IASB has not heard significant concerns about the current accounting for service contracts, and that amendments to IAS 38 should avoid capturing these arrangements. Possible approaches include limiting new requirements to contracts that provide a right to access IP, excluding rights to receive services from the scope of IAS 38, or amending the definition of an intangible asset to capture only rights over an identified non-monetary underlying item. The IASB staff paper is of the view that the last approach could strengthen the definition and help clarify the distinction between a service contract and an intangible asset⁶.

IASB next steps

- A23. [The IASB will continue](#) discussing potential changes to some aspects of the IAS 38 requirements relating to the definition and recognition of intangible assets, using test cases, and will discuss feedback from consultative groups and other research findings that could affect the direction of the project.
- A24. IASB staff expect to present their initial thinking on the agile software development test case in Q4 2026, and to ask the IASB to make decisions on the SaaS-related improvements in early 2027.

⁶ IASB September 2026 meeting [Agenda Paper 17, paragraphs 59-61](#).

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UKEB Secretariat views

- A25. The Secretariat's views continue to be based on those stated at previous meetings. In summary:
- a) a comprehensive, principles-based approach should be taken rather than developing bespoke accounting for specific types of assets;
 - b) the business model concept should be central to any changes to accounting for intangibles;
 - c) the approach should be unified and also accommodate intangible assets held for investment/trading;
 - d) the asymmetry between externally acquired and internally generated intangible assets should be addressed;
 - e) a 'disclosure-first' or 'disclosure-only' approach should be avoided.
- A26. In relation to the discussion at the IASB's July and September meetings, the SaaS test case is a positive first step, but questions of asset existence, unit of account and the distinction between rights categories must be resolved in a sufficiently generalisable manner. This is so that any principles are applicable across a range of existing and new intangibles, as well as being flexible enough to be adapted for any future developments in this space.
- A27. The rationale for treating training, data migration and go-live support as separate service-based units of account requires greater conceptual clarity. Where the benefits of such activities are realised over the period of access rather than at inception, the distinction between a standalone service and a component of the unit of account containing the right to access IP becomes less clear.
- A28. More broadly, the model remains focused on discrete contractual rights and may not adequately consider value created through the combination of those rights with a customer's own resources. Participants in the UKEB's case study research highlighted difficulties in applying existing requirements where value is created through combinations of resources, capabilities and activities⁷. This raises broader questions about the unit of account, the business model, and how value generation is reflected in the accounting model. These are the types of judgement that a business model approach could help anchor, by focusing on how the entity intends to derive value from the rights it obtains, in combination with its other resources.
- A29. Additionally, the current IASB workstream does not yet address an important comparability concern raised by many participants in the UKEB's case study research, i.e. the differences in the accounting for internally generated and

⁷ UKEB, Intangible Assets Research: [Case studies feedback report \(August 2026\), paragraph 1.6.](#)

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acquired intangibles⁸, which the UKEB has consistently highlighted. For example, entities may develop equivalent capabilities internally rather than through SaaS arrangements. Such entities may achieve economically similar benefits without incurring the SaaS access expenditure considered by the model.

Question for the Board

1. Does the Board have any feedback on the Secretariat's preliminary views with respect to developments at the September 2026 IASB meeting?

⁸ UKEB, Intangible Assets Research: [Case studies feedback report \(August 2026\)](#), paragraphs 3.28–3.29.

Annex 1: Fact patterns 1 to 5

Extracted from IASB September 2026 Agenda Paper 17

Fact pattern 1: Software downloaded and run on customer's own infrastructure

- A30. A customer contracts to pay for a licence to utilise a supplier's software for a three-year period from 1 January 20X7 to 31 December 20X9. The licence allows the customer to allocate 250 end users for the duration of the licence. The customer installs and runs the software on its own servers, and all the customer's data associated with the software is stored on those servers. The customer pays the supplier CU1,440,000 for the software licence.
- A31. The supplier retains the intellectual property rights over the software and grants the customer only the contractual right to utilise the software during the licence period.

Fact pattern 2: Software obtained via a SaaS arrangement

- A32. A customer contracts to pay for access to a supplier's software via the cloud for a three-year period from 1 January 20X7 to 31 December 20X9. The contract permits access for 250 users at CU160 per user per month. The SaaS arrangement renews automatically for successive 12-month terms unless terminated within 30 days' written notice. The supplier offers only cloud-based software delivery activities, and the software is not available for digital download or via a physical copy such as a compact disk.
- A33. The customer accesses the software through a web browser and application interface and does not manage or control the underlying infrastructure (networks, servers or storage), operating system or software code. For the software to run as intended, the customer's data associated with the software will be stored on a public cloud on the supplier's infrastructure. At the end of the arrangement, the customer will lose access to the software but retain ownership of, and the ability to extract, its data.
- A34. The software runs on cloud infrastructure managed and controlled by the supplier. The supplier performs regular maintenance and updates to the software and cloud infrastructure. The supplier retains the intellectual property rights over the software and merely grants the customer access to the software during the term of the arrangement.

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Fact pattern 3: Customer pays in advance for subscription fees

- A35. Assume the same facts as in fact pattern 2. In addition, the agreement is finalised on 31 October 20X6, and on this date the customer prepays CU384,000 for the subscription fees for the year ending 31 December 20X7. This represents a 20% discount on the monthly subscription fees of CU40,000 a month.

Fact pattern 4: Configuration and customisation costs

- A36. Assume the same facts as in fact pattern 2. In addition, the supplier agrees to provide configuration and customisation activities for deployment of the software. The work is expected to begin on 31 March 20X6 and take nine months, so that the software is ready for go-live on 1 January 20X7. Total fees for these services are expected to be CU1,820,000 and are billable on completion, comprising:
- a) configuration services (fixed fee): CU420,000—work to set up and deploy the standard software, including changing the default settings of the standard software to function in a particular way—for example, setting various ‘flags’ or ‘switches’ within the software or defining certain values or parameters to implement a particular set-up of the software’s existing functionality.
 - b) customisation services: CU1,150,000—work to modify the supplier’s existing software code or writing new code to change or create additional functionality in accordance with the customer’s requests.
 - c) data migration services: CU160,000.
 - d) training and go-live support: CU90,000.
- A37. The supplier retains the IP rights to the software and to any configuration, customisation code and integration components developed under the contract.

Fact pattern 5: Third party performs configuration and customisation activities

- A38. Assume the same facts as in fact pattern 4, except that the customer enters into two legally separate contracts to obtain access to the supplier’s software which is modified to the customer’s specification. First, the customer enters into a three-year SaaS contract with the supplier for access to the supplier’s software, identical to fact pattern 2. Secondly, the customer enters into a separate contract with a third-party systems integrator to perform configuration and customisation activities. The supplier has approved the systems integrator to perform implementation activities within the supplier’s infrastructure (cloud environment), but the supplier is

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not a party to the implementation contract and is not responsible for the systems integrator's work.

- A39. The systems integrator's activities are expected to begin on 31 March 20X6 and take nine months, so that the software is ready for go-live on 1 January 20X7. The customer pays the systems integrator CU1,570,000 on completion.
- A40. The systems integrator is granted temporary access to the supplier's development environment solely to perform the implementation activities. The supplier retains IP rights in the standard software, the cloud environment and any supplier tools used by the systems integrator. The systems integrator owns the generic implementation methodology, templates and pre-existing code it uses in performing the services and assigns IP rights in any customisation code or implementation components it develops to the supplier. Any customer-specific configuration settings, mapping tables, reports and interfaces developed during the project may be used by the customer only while it has access to the supplier's SaaS platform and cannot be run independently of that platform.
- A41. After go-live, the supplier is responsible for operating the software, hosting the customer's data, maintaining the software and releasing updates. The systems integrator provides only limited post-implementation support for 60 days after go-live to resolve defects arising from the implementation activities. The customer cannot take possession of the software code or host the configured and customised software on its own infrastructure. If the SaaS contract is terminated, the customer retains ownership of its data and may extract that data in a standard format, but it loses the ability to use the customer-specific configuration, reports and interfaces unless it enters into a new arrangement with the supplier.

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Appendix B: Amortised Cost Measurement

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review
IASB Next Milestone: Exposure Draft (expected H2 2027)								

Purpose

- B1. The purpose of this paper is to provide the Board with an update on the IASB's tentative decisions relating to possible changes to the requirements in IFRS 9 *Financial Instruments* in relation to:
- application of the 10-per-cent test to modified financial instruments;
 - effective interest rate (EIR) of a modified financial instrument; and
 - accounting for costs or fees when a financial instrument is modified but not derecognised.

Background

- B2. The IASB commenced its Amortised Cost Measurement project in response to stakeholder feedback seeking greater clarity and consistency in the measurement of financial assets and liabilities. The IASB intends for the project to make targeted improvements to the amortised cost measurement requirements in IFRS 9, addressing application issues that are widespread and have a material effect on entities' financial statements.
- B3. Information about the project was previously presented to the Board in the form of IASB general updates between March 2025 and September 2026¹.

¹ IASB General Update papers presented on this project in March 2025 (Paper 10B), July 2025 (Paper 9A), December 2025 (Paper 7B), May 2026 (Paper 8F), July 2026 (Paper 10A) and September 2026 (Paper 12B).

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IASB September 2026 meeting

- B4. At its [September 2026 meeting](#), the IASB discussed matters related to modifications of financial instrument, following the June 2026 tentative decisions to provide application guidance about how to assess whether a modification of a financial instrument is substantial and therefore results in derecognition².

Application of the 10-per-cent test to modified financial instruments

Background

- B5. Currently under IFRS 9, if a modified financial instrument is considered substantially different from the original one, entities are required to derecognise the original instrument and recognise a new instrument.
- B6. During the post-implementation review (PIR) of IFRS 9, stakeholders expressed concerns about insufficient guidance in IFRS 9 for assessing whether a modification of a financial instrument is substantial. Specifically, they asked:
- a) For financial liabilities: whether the assessment of a modification as 'substantial' is purely based on the quantitative 10-per-cent test (as described in paragraph B3.3.6 of IFRS 9) or if an entity can conclude on the assessment based on qualitative factors, even if the 10 per-cent-test is not met.
 - a) For financial assets: if specific guidance could be introduced, as there is currently no guidance on assessing whether a modification is substantial.
- B7. At its [June 2026 meeting](#), the IASB tentatively decided to propose a holistic analysis of both qualitative and quantitative factors underlying the changes in contractual cash flows for assessing whether a modification of a financial instrument is substantial. The analysis would apply to both financial assets and financial liabilities. The 10-per-cent test could supplement the analysis but would not be the decisive factor in isolation.
- B8. At its [September 2026 meeting](#), the IASB discussed the staff recommendations for addressing stakeholder questions on how to apply the 10-per-cent test. The table below provides a summary of the IASB discussions and tentative decisions made at this meeting, as well as other relevant information.

² Refer to the UKEB's IASB General Update Paper in July 2026 ([Paper 10A](#)) for details.

Application of the 10-per-cent test	
Current requirements	
B9.	Paragraph B3.3.6 of IFRS 9 describes the 10-per-cent test (for financial liabilities only) as: B3.3.6...the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. In determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
IASB tentative decisions	
B10.	The IASB discussed stakeholders' questions about applying the 10-per-cent test in paragraph B3.3.6 of IFRS 9 to financial instruments that have options or contingent terms, and financial instruments that are revolving credit facilities. <u>Applying the 10-per-cent test to financial instruments with options or contingent terms</u> B11. The IASB tentatively decided to clarify that an entity applying the 10-per-cent test to a financial asset or financial liability: a) considers all contractual terms of the financial instrument; and b) determines the contractual cash flows of a financial instrument that includes an option or contingent term on the basis that the option is exercised, or that the contingent event occurs, at the earliest possible date specified in the contract. The probability or estimated timing of the option being exercised, or the contingent event occurring, has no effect on determining those cash flows. B12. Nine out of 12 IASB members agreed with these decisions. <u>Applying the 10-per-cent test to revolving credit facilities</u> B13. The IASB also tentatively decided to clarify that an entity applying the 10-per-cent test to a financial asset or financial liability that is a revolving credit facility determines the facility's contractual cash flows based on the contractual terms of the facility as a whole. In particular, the entity determines the contractual cash flows based on the maximum credit capacity over the remaining term of the facility, under the new and original contractual terms. B14. All IASB members agreed with this decision.

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Summary of the IASB discussions	
B15.	Three IASB members expressed concerns with the direction of travel and voted against the staff recommendations in relation to the assessment of modifications involving contingent terms or options ³ .
B16.	One member proposed a simpler approach, similar to that being explored currently by the FASB, whereby any modification of a financial instrument would lead to derecognition of the previous instrument and recognition of a new instrument (i.e. a substantial modification).
B17.	Two other members also expressed some support for exploring a simpler approach. The acting chair noted that this would be outside the scope of the project.
UKEB Secretariat preliminary view	
B18.	Although the IASB has voted on the direction of travel, it was not totally clear from the discussions how the IASB staff plans to address some of the concerns raised. For example, how to apply the 10-per-cent test when a modification brings in additional contingent clauses (e.g. covenants) to an instrument already containing contingent features.
B19.	The UKEB Secretariat plans to discuss this topic with FIAG members at a future meeting prior to the publication of the ED (expected H2 2027).

Effective interest rate (EIR) of a modified financial instrument

Background

- B20. When a financial instrument is modified but not de-recognised, entities are not required to change the EIR when re-calculating the carrying amount of a financial instrument under IFRS 9. However, during the PIR of IFRS 9, stakeholders indicated that retaining the original EIR does not provide useful information.
- B21. At its [April 2026 meeting](#), the IASB tentatively decided to propose amending paragraph B5.4.5 of IFRS 9 to require that an entity adjust the EIR to account for a re-estimation of the contractual cash flows of a financial asset or a financial liability that provides consideration for the time value of money or credit risk. That tentative decision was made in the context of re-estimating contractual cash flows that arise from **existing** terms of a financial instrument.
- B22. At its [September 2026](#) meeting, the IASB considered whether an entity could revise the EIR when re-calculating the carrying amount of a financial instrument which is **modified** but not derecognised. The table below provides a summary of the IASB tentative decisions and other relevant information.

³ All staff proposals on application of the 10 per cent test are set out in the IASB Agenda Paper [AP11A](#).

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EIR of a modified financial instrument	
Current requirements	
B23.	When a financial instrument is modified but not de-recognised, entities are not required to change the EIR when re-calculating the carrying amount of a financial instrument under IFRS 9.
IASB tentative decisions	
B24.	The IASB tentatively decided to propose amending IFRS 9 to require that, when a modification of a financial instrument does not result in derecognition, an entity adjusts the EIR to reflect a change in the contractual interest rate that provides consideration for the time value of money or for credit risk.
B25.	Eleven of 12 IASB members agreed with this decision.
UKEB Secretariat preliminary view	
B26.	The UKEB Secretariat plans to engage with the FIAG at a future meeting to seek feedback from them on the operability of this tentative decision, and the extent to which this may represent a change in practice for UK entities.

Accounting for costs or fees when a financial instrument is modified but not de-recognised

Background

- B27. During the PIR of IFRS 9, stakeholders raised two application questions in relation to:
- a) whether modification fees received from a borrower in a modification should be treated in the same way as fees paid by a lender, as IFRS 9 refers to 'costs or fees incurred'; and
 - b) the accounting for costs or fees that remain unamortised when a financial instrument is modified but not derecognised.
- B28. The IASB discussed the two application questions at its [September 2026 meeting](#). The table below provides a summary of the IASB tentative decisions and other relevant information.

Accounting for costs or fees when a financial instrument is modified but not de-recognised	
Current requirements	
B29.	Paragraph 5.4.3 of IFRS 9 requires that any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. Paragraph B3.3.6A clarifies how the costs or fees incurred are accounted for when debt instruments are exchanged or modified.

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IASB tentative decisions

B30. The IASB tentatively decided to clarify that:

- a) For the purposes of an entity applying paragraphs 5.4.3 and B3.3.6A of IFRS 9, the term 'costs or fees incurred' includes:
 - i. all fees and points paid or received between parties to the contract that are directly attributable to the modification of the financial instrument, including fees paid or received by either the borrower or the lender on the other's behalf; and
 - ii. transaction costs and all other premiums or discounts that are directly attributable to the modification of the financial instrument.
- b) If the modification of a financial asset or financial liability does not result in derecognition, an entity continues to recognise any unamortised costs or fees at the time of the modification as part of the gross carrying amount of the modified financial asset or the amortised cost of the modified financial liability. Those costs or fees are amortised over the remaining term of the modified financial instrument.

UKEB Secretariat preliminary view

B31. The UKEB Secretariat has not identified any concerns with the tentative decisions, but will explore these at a future FIAG meeting.

Next steps

B32. The IASB will continue to deliberate issues within the scope of the project.

Questions for the Board

1. Does the Board have any comments or concerns on the IASB tentative decisions made at the September 2026 IASB meeting?

Appendix C: Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 *Income Taxes* (IFRS 18)

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Deliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review
UKEB project page IASB Next Milestone: Exposure Draft (expected December 2026)								

Purpose

- C1. The purpose of this paper is to update the Board on the tentative decisions made by the IASB at its meeting in [September 2026](#) regarding the remaining aspects of the proposed amendments to IFRS 18 *Presentation and Disclosure in Financial Statements*. The proposed amendments relate to the presentation of certain tax charges that are outside the scope of IAS 12 *Income Taxes*.

Background

- C2. At its meeting in October 2025, the IASB asked the IFRS Interpretations Committee ('the Committee') to consider a consistent application matter related to the presentation of taxes or other charges that are *not* income taxes within the scope of IAS 12 *Income Taxes* by an entity applying IFRS 18.
- C3. The Committee tentatively concluded that an entity applying IFRS 18 is not permitted to present such taxes or charges in the 'Income tax expense or income' line item or 'Income taxes' category of the statement of profit or loss. The Committee tentatively decided not to add a standard setting project to the work plan and issued a Tentative Agenda Decision (TAD) in November 2025.
- C4. The Committee received 49 comment letters in response to the TAD, of which 34 came from respondents in Saudi Arabia. Respondents from Saudi Arabia were broadly of the view that the TAD would lead to classification of Saudi Arabia's

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zakat (SA zakat) in the operating category. Respondents commented that such classification would fail to reflect the economic substance of SA zakat, which in their view, is similar to that of income taxes. The Committee acknowledged the concerns and decided to report these concerns to the IASB.

- C5. At its meeting in July 2026, the IASB agreed to proceed with the development of an Exposure Draft (ED) to consult on possible amendments to IFRS 18. The amendments would require entities to classify, in the income taxes category (albeit disaggregated from income taxes), tax charges imposed by a government as a direct substitute for income taxes.
- C6. The Board has previously considered this topic at its November 2025¹, January 2026², May 2026³ and June 2026⁴ and September 2026⁵ meetings.

IASB September 2026 meeting

- C7. At its [meeting on 24 September 2026](#), the IASB discussed the remaining aspects of the proposed amendments and the due process steps for publishing an ED.
- C8. The IASB tentatively decided to⁶:
- a) amend IFRS 19 *Subsidiaries without Public Accountability: Disclosures* to require an eligible subsidiary that classifies specified tax charges in the income taxes category to disclose:
 - i. the nature and amount of those charges; and
 - ii. the effect of those charges on management-defined performance measures (MPMs);
 - b) require retrospective application in accordance with IAS 8 *Basis of Preparation of Financial Statements* and provide first-time adopters with no exemption or exception from retrospective application; and
 - c) set a 120-day comment period for the ED.

¹ Refer to [UKEB Public Board Meeting – 20 November 2025](#), Agenda Paper 7 [IASB General Update](#) Appendix AA

² Refer to [UKEB Public Board Meeting – 29 January 2026](#), Agenda Paper 9 [Interpretations Committee Update](#) item II.5

³ Refer to [UKEB Public Board Meeting – 21 May 2026](#), Agenda Paper 9 [Interpretations Committee Update](#) item III.1

⁴ Refer to [UKEB Public Board Meeting – 25 June 2026](#), Agenda Paper 8 [IASB General Update](#) Appendix D

⁵ Refer to [UKEB Public Board Meeting – 17 September 2026](#), Agenda Paper 12 [IASB General Update](#) Appendix G

⁶ [IASB Agenda paper 12: Project: Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 Income Taxes \(IFRS 18\). Topic: Other aspects of the proposed amendments and due process steps, September 2026 meeting.](#)

IASB Discussion

- C9. In discussing the effective date, IASB members emphasised the need to avoid disrupting implementation of IFRS 18. IASB members asked IASB staff to seek feedback on this matter by including a question in the ED.
- C10. IASB members expressed some concerns about the proposals. They noted that:
- a) entities would need time to assess whether taxes in different jurisdictions fall within the proposed scope, including where the classification is not clear-cut; and
 - b) retrospective application may not be straightforward or low-cost.
- C11. Two IASB members indicated an intention to dissent. One IASB member clarified the basis for his dissent during the meeting, that the benefits of addressing a narrow fact pattern affecting only a subset of entities would not outweigh the costs of requiring all IFRS preparers to assess whether their tax charges fall within the proposed scope. The member also noted that preparers can provide MPMs if they believe that the requirements of IFRS 18 do not lead to financial information that reflects management's view of the entity's performance.

UKEB Secretariat preliminary view

- C12. The Secretariat notes that setting a suitable effective date will present a challenge. Entities will require sufficient time to assess whether any taxes they are subject to are in scope of the amendments. Time will also be needed for national standard setters to evaluate and, if deemed appropriate, adopt the amendments. However, consideration must also be given to ensuring the effective date of any amendments neither interferes with IFRS 18 implementation, nor necessitates retrospective restatement of information produced applying IFRS 18 immediately after initial application of the Standard.

Next steps

- C13. The IASB expects to publish the ED in December 2026 with a 120-day comment period.
- C14. The UKEB Secretariat expects to present a Project Initiation Plan to the Board at its November 2026 meeting.

Appendix D: Financial Instruments with Characteristics of Equity

Executive Summary

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review
UKEB project page UKEB Final Comment Letter on Exposure Draft (published 3 April 2024) IASB Next Milestone: Final Amendments H2 2027								

Purpose

- D1. The purpose of this paper is to provide Board Members with an update on tentative decisions and discussions at the September 2026 IASB meeting in relation to obligations to purchase an entity's own equity instruments, after considering feedback to the Exposure Draft Financial Instruments with Characteristics of Equity (ED).

Background

- D2. In November 2023, the IASB issued the ED, which sought to clarify the classification requirements and principles of IAS 32 Financial Instruments: Presentation. The ED also included presentation and disclosure proposals in response to calls from users for "better information about the characteristics of financial liabilities and equity instruments that are not captured by classification alone, and about the amounts attributable to ordinary shareholders of an entity". The UKEB issued its Final Comment Letter (FCL) in response to the ED in April 2024.

- D3. At the June 2026 UKEB1 meeting, the Board provided feedback on possible refinements to the ED proposals for obligations to purchase own equity put forward by IASB staff for consideration at the July 2026 ASAF meeting. At the ASAF meeting, the UKEB representative highlighted UKEB support for the presentation proposals on this topic in the ED, while continuing to highlight UKEB concerns with the measurement proposals.
- D4. At its September 2026 meeting, the IASB discussed feedback provided on the ED proposals relating to obligations to purchase an entity's own instruments. The IASB discussed and voted on proposed refinements to the ED proposals in relation to presentation issues on this topic. The IASB discussed, but did not take any decisions, in relation to the measurement proposals for such obligations.

IASB September 2026 meeting

Presentation proposals

- D5. The ED presentation proposals received mixed feedback. Some stakeholders were concerned that recording an initial debit against parent equity led to perceived double counting in the statement of financial position. To address some of the concerns, the IASB staff proposed that the debit on initial recognition would be "offset" from the non-controlling interest. This would mean the gross amount of the NCI and any debit on initial recognition would be separately disclosed. The IASB staff paper also explained that the net amount could be a debit (i.e. a "negative NCI"), which addressed a question raised at the June 2026 UKEB meeting.
- D6. Following discussion in the IASB meeting, 9 of 12 IASB members voted in favour of the proposals, including relying upon the principles in IFRS 18 Presentation and Disclosure in Financial Statements to determine whether separate presentation of the two gross amounts was required on the face of the statement of financial position, or in the notes.
- D7. The table below provides a summary of the background to the ED proposals, IASB tentative decisions made at this meeting, as well as other relevant information.

Obligations to purchase an entity's own equity instruments	
Current requirements	
D8.	Paragraph 23 of IAS 32 sets out requirements for contracts containing an obligation for an entity to purchase its own equity instruments. Examples of such contracts include a forward contract to purchase the entity's own shares and a written put option that gives the holder the right to require the entity to purchase its own shares.

¹ [UKEB Public Board Meeting - 25 June 2026](#)

D9. IAS 32 requires an entity to recognise a financial liability at the present value of the redemption amount. This amount is removed from equity and included in financial liabilities. The IASB proposes to clarify which component of equity this amount is removed from and how to measure the financial liability at the present value of the redemption amount.

Exposure Draft Proposals

D10. The ED proposed clarifying:

- a) that the requirements in IAS 32 for contracts containing an obligation for an entity to purchase its own equity instruments will also apply to contracts that will be settled by delivering a variable number of another class of the entity's own equity instruments;
- b) the treatment on initial recognition of the obligation to redeem own equity instruments where the entity does not yet have access to the rights and returns associated with ownership of those equity instruments;
- c) the approach for initial and subsequent measurement of the financial liability: measure the liability at the present value of the redemption amount and ignore the probability and estimated timing of the counterparty exercising that redemption right;
- d) that any gains or losses on remeasurement of the financial liability are recognised in profit or loss;
- e) the treatment on expiry of contracts containing an obligation to purchase own equity without delivery; and
- f) the requirement for gross presentation of written put options and forward purchase contracts on an entity's own equity instruments that are gross physically settled.

UKEB comment letter

- D11. The UKEB FCL supported all these proposals apart from those relating to the initial and subsequent measurement of the financial liability.
- D12. The FCL raised concerns at introducing measurement requirements into a presentation standard, and highlighted concerns that the proposals could lead to a change in measurement for some common instruments and could lead to less relevant information for users.
- D13. The FCL recommended retaining the existing cross reference to IFRS 9 in paragraph 23 of IAS 32, and to address any measurement concerns within the IASB's Amortised Cost Measurement project.

IASB tentative decisions

- D14. The IASB tentatively decided to proceed with the proposed presentation² requirements in the ED, subject to minor drafting changes and targeted improvements, including:
- a) The proposed requirement that an entity would recognise in profit or loss any gains or losses on remeasurement of the financial liability.
 - b) The proposed requirements related to the instruments to which paragraph 23 of IAS 32 applies, and gross versus net settlement.
 - c) The proposed requirements relating to the initial debit in equity, subject to clarifications including that:
 - i. An entity assesses whether an obligation issued over a non-controlling interest currently gives the entity access to the returns associated with an ownership interest in accordance with the requirements in IFRS 10 *Consolidated Financial Statements*.
 - ii. An entity whose obligation over non-controlling interest does not currently give it access to the returns associated with an ownership interest:
 - Deducts the debit amount from non-controlling interest on initial recognition but does not derecognise non-controlling interest.
 - Presents the debit amount as a separate line item, deducted from a gross line item for non-controlling interest in the statement of financial position, unless separate presentation is unnecessary for that statement to provide a useful structured summary as described in IFRS 18³.

Secretariat initial view

- D15. The UKEB Secretariat's preliminary view is that these tentative decisions are either consistent with aspects of the ED that the UKEB expressed support for, or, in the case of the presentation of the debit amount, are consistent with clarifications which the UKEB supported at the July 2026 ASAF meeting.

Measurement proposals

- D16. The IASB staff paper on measurement of obligations to purchase own equity instruments⁴ proposed further clarification of the objective and measurement

² Set out in IASB Agenda Papers [5A](#), [5B](#), and [5D](#)

³ The IASB staff presentation at the July 2026 ASAF meeting considered a possible additional income statement attribution presentation to address certain concerns raised about perceived double counting. UKEB Board feedback was provided on this at the June UKEB meeting. In the light of mixed feedback to this proposal at ASAF, IASB staff have not taken this proposal forward for an IASB discussion.

⁴ Set out in IASB [Agenda Paper 5C](#)

principles in determining the present value of the redemption amount, at which these obligations are required to be measured by IAS 32.

- D17. Paragraph 51 of the staff paper explained that the general principle for liabilities within the scope of paragraph 23 of IAS 32 is that they should be measured at an amount 'not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.' The staff paper proposed that no application guidance would be developed on how to determine the discount rate, as this would be outside the scope of the project.
- D18. Paragraph 3 of the staff paper proposed potential refinements to clarify that where a contract specifies variable redemption amounts, the liability is measured based on the entity's expectations of the timing and amount of settlement, subject to the floor referred to in paragraph D17. The paper explained that in their view proposed refinements to the objectives to these proposals would clarify the measurement outcomes in several scenarios, such as where the redemption amount is a multiple of EBITDA at a future date.
- D19. The IASB were not asked to take any decisions on the paper. However, the IASB members provided positive feedback on the direction of travel, and the use of a measurement objective, without developing detailed application guidance.

Secretariat initial view

- D20. The UKEB Secretariat's preliminary analysis is that these refinements do not address the concerns the UKEB has previously expressed in the FCL and at ASAF that:
- a) This creates a new measurement approach within IAS 32, which risks scope confusion between IAS 32 and IFRS 9 *Financial Instruments*.
 - b) Without the development of detailed application guidance, the proposals risk creating more confusion and diversity than currently exists.
- D21. It is anticipated that the IASB will consider these measurement proposals further before the end of 2026.

Next steps

- D22. The Secretariat will continue to monitor developments on this topic as the IASB continues to redeliberate the ED proposals. Final amendments are expected in H2 2027.

Appendix E: Provisions—Targeted Improvements

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review
UKEB project page UKEB Final Comment Letter (published 13 March 2025) IASB Next Milestone: Final Amendments (expected H1 2027)								

Purpose

- E1. This paper provides an update on the IASB's deliberation of proposed amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* at its September 2026 meeting¹.

Background

- E2. The IASB published its [Exposure Draft Provisions—Targeted Improvements](#) (ED) in November 2024 proposing amendments to IAS 37. The Board has received regular updates on IASB's decisions/tentative decisions².

September 2026 IASB meeting

- E3. At its [meeting on 23 September 2026](#), the IASB continued its redeliberation of the project. The IASB discussed remaining aspects of the past-event condition and comments received in response to the ED about executory contracts.

¹ [IASB Agenda Papers 22, 22A, 22B, 22C and 22D – September 2026](#).

² See the [UKEB's project page](#) for links to update papers.

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Past-event condition

Location of requirements

- E4. In May 2026³, the IASB tentatively decided to remove proposed paragraph 14Q, which relates to provisions where an entity undertakes two or more actions, from the general requirements. Only the application requirements for levies will now refer to obligations with two or more activities.
- E5. As a consequence of removing paragraph 14Q, the IASB reconsidered the location of paragraph 14R. This paragraph states:
- “A decision to prepare an entity’s financial statements on a going concern basis implies that the entity has no practical ability to avoid taking an action it could avoid only by liquidating the entity or by ceasing to trade.”
- E6. The IASB tentatively decided to move paragraph 14R so it forms part of the requirements supporting the obligation condition for recognising a provision, instead of the requirements supporting the past-event condition.

Secretariat’s initial view

- E7. The Secretariat is of the view that it is unhelpful to include paragraph 14R in the requirements for the past-event condition. It is sensible to move paragraph 14R to reflect the location of the corresponding paragraph in the *Conceptual Framework for Financial Reporting* (the Conceptual Framework). This change will help to address any questions about the application of the paragraph to provisions for future obligations that an entity has no practical ability to avoid. Such questions could relate to whether an entity should provide for known future payments, such as a levy payment that will arise in the next financial period.

Threshold-triggered costs

- E8. Paragraph 14P of the ED proposed⁴ that if an obligation to transfer an economic resource is triggered when a minimum activity threshold is reached, the past-event condition starts to be met as soon as an entity starts carrying out the activity that contributes to the total being assessed.
- E9. The IASB tentatively decided not to make any changes to the proposed requirements on the basis that:
- a) many respondents agree with the proposed requirements; and

³ See [Appendix B of Paper 6](#) presented to the UKEB at its June 2026 meeting for further detail on this tentative decision.

⁴ For background information on the ED’s proposals relating to threshold-triggered costs and the UKEB’s response to the proposals, see [the Annex to Appendix A of Paper 12](#) presented to the UKEB at its September 2026 meeting.

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- b) concerns about the interaction between paragraphs 14P and 14Q, including questions about which paragraph should be prioritised, are resolved by the removal of paragraph 14Q.

Secretariat's initial view

- E10. The proposed requirements for threshold-triggered costs might work for obligations with income statement-related thresholds (as acknowledged in the UKEB's [Comment Letter](#)). However, the proposed requirements are not expected to change the accounting for obligations if the threshold is a balance sheet-based measure. A balance sheet measure does not generally accrue in a similar manner to an income statement measure, leading to application questions.

Future operating costs

- E11. The ED proposed to remove paragraph 18 of IAS 37, which includes a statement that no provision is recognised for costs that need to be incurred to operate in the future.
- E12. In response to stakeholder feedback that this statement is a clear and well-understood articulation of a fundamental concept in IAS 37, the IASB tentatively agreed to retain the statement in IAS 37. The statement will continue to act as a safeguard against overstating provisions, for example, by including future operating costs in the amount recognised.

Secretariat's initial view

- E13. The UKEB's Comment Letter recommended that the IASB should consider retaining the statement in paragraph 18 in IAS 37. The IASB's tentative decision addresses the UKEB's recommendation.

Executory contracts

- E14. A few respondents to the ED made comments about executory contracts. The feedback included:
- a) concerns that updating the definition in IAS 37 could require entities to disaggregate contracts into portions for the purpose of recognising and measuring onerous contract provisions even if the contract as a whole is profitable; and
 - b) questions about the retention of the scope exclusion for executory contracts; some respondents commented that all executory contracts would be within the scope of IAS 37 but would fail the criteria for recognising a provision unless they were onerous.
- E15. Having considered this feedback, the IASB tentatively decided:
- a) to retain the proposal to update the wording of the definition of an executory contract in IAS 37, which aligns it with the wording in the Conceptual Framework;

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- b) to retain IAS 37's scope exclusion for executory contracts; and
- c) to include a cross reference to link the scope exclusion to proposed paragraph 14L (which discusses executory contracts in the context of the proposed transfer condition).

Secretariat's initial view

E16. The Secretariat considers that the proposed cross reference will provide clarity around IAS 37's scope exclusion for executory contracts.

Levies: indicative drafting

- E17. The IASB papers also set out indicative drafting for the application requirements for levies. It was presented for reference only and the IASB was not asked to make any decisions. IASB members did not comment on this paper during the meeting.
- E18. The UKEB received an update on the indicative application requirements for levies at its September 2026 meeting⁵.

Next steps

- E19. The IASB staff are currently consulting stakeholders on the possible application requirements for levies, focusing on identifying whether the requirements would have major unintended consequences. The IASB will be updated on the outcome of the consultation at a future meeting.
- E20. The IASB will continue redeliberating remaining aspects of the proposals, including:
 - a) amendments to the decision tree and illustrative examples in the *Guidance on implementing IAS 37*; and
 - b) transition requirements.
- E21. The Secretariat will continue to monitor the project and bring updates to the Board where appropriate.

⁵ See [Appendix A of Paper 12](#) for further information.

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Appendix F: Statement of Cash Flows and Related Matters

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review
UKEB project page IASB Next Milestone : Exposure Draft (ED) expected in H2 2027								

Purpose

- F1. This paper provides the Board with an update on the status of the Statement of Cash Flows and Related Matters project, following the IASB's meeting in [September 2026](#).

Background

- F2. Last year, at its [May 2025 meeting](#), the IASB decided that this project would address five topics:
- The transparency of information communicated about cash flow measures not specified in IFRS Accounting Standards.
 - The disaggregation of cash flow information in the financial statements.
 - The reporting of information about non-cash transactions in the financial statements.
 - The consistent application of requirements for classification of cash flows i.e. 'operating', 'investing' or 'financing'.
 - The consistent application of the definition of 'cash equivalents'.
- F3. At the start of the project, the IASB also decided to consider any additional changes to cash flow statement requirements for financial institutions after concluding discussions on the above topics.
- F4. The project moved to the IASB's standard setting work plan in January 2026.

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- F5. The tentative decisions made by the IASB to date on this project can be found in [Appendix A of Staff Agenda Paper 20](#) for the September 2026 IASB meeting.

IASB September 2026 meeting

- F6. At its [September 2026 meeting](#), the IASB discussed two topics:
- a) Classification of cash flows, in particular the [classification of acquisition-related payments](#). In [December 2025](#), the IASB tentatively decided to explore developing requirements to improve the consistent classification and presentation of cash flows in several areas and has discussed some of those topics already.
 - b) Information about non-cash transactions, in particular potential disclosure requirements for information about [specified changes in specific assets and liabilities](#) making up working capital.

Classification of acquisition-related payments

- F7. The IASB discussed alternative approaches to clarifying the classification of acquisition-related payments in the statement of cash flows, in particular:
- a) payments of pre-existing debt;
 - b) deferred consideration;
 - c) contingent consideration; and
 - d) transaction costs.
- F8. The IASB's tentative decisions made at its [September 2026](#) meeting are set out below:

Classification of acquisition-related payments	
Current requirements	
F9.	Paragraph 39 of IAS 7 Statement of Cash Flows requires that the aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be presented separately and classified as 'investing' activities.
F10.	Paragraph 37 of IFRS 3 Business Combinations requires that consideration transferred is measured at fair value, calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer. Examples of potential forms of consideration include cash, other assets, a business or a subsidiary of the acquirer, contingent consideration, ordinary or preference equity instruments, options, warrants and member interests of mutual entities.

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IASB tentative decision

- F11. At its [September 2026 meeting](#), the IASB tentatively decided to propose amending the requirements in [paragraph 39 of IAS 7](#) to state that ‘cash flows arising from obtaining or losing control’ include only payments of items included in ‘consideration transferred’ as described in [paragraph 37 of IFRS 3](#). As a result, in the statement of cash flows:
- a) payments of deferred and contingent consideration arising from a business combination would be classified as ‘investing’ activities.
 - b) payments of pre-existing debt of the acquiree in a business combination would be classified as ‘financing’ activities.
 - c) payments of transaction costs arising in a business combination would be classified as ‘operating’ activities.

UKEB Secretariat views

- F12. The UKEB Secretariat supports the IASB’s objective of improving the consistency of classification of cash flows. UKEB research¹ confirmed that currently judgement is used in classifying acquisition-related costs, leading to diversity in practice.

Contingent consideration

- F13. The Secretariat supports the majority of IASB members’ views that the repayment of debt assumed in a business combination should be treated no differently from any other debt repayment and classified as ‘financing’.

Deferred consideration

- F14. The Secretariat is supportive of the IASB’s decision to take the simpler approach and classify all deferred consideration payments as ‘investing’ activities, given that:
- a) users told the IASB they want acquisition payments in one place;
 - b) the payment remains consideration for acquiring a business regardless of timing;
 - c) introducing a borrowing distinction creates complexity and judgement; and
 - d) investors may not make all the connections through non-cash disclosures.

Pre-existing debt

- F15. The Secretariat supports the IASB tentative decision to classify cash payments to settle pre-existing liabilities of the acquiree, that meet the definition of debt, as ‘financing’ activities. This is consistent with any other debt repayment made by an acquirer, being a repayment of borrowings (‘financing’), rather than part of the

¹ See [paragraph C153 of the UKEB third research paper: Statement of Cash Flows and Related Matters: UK User and Preparer Perspectives](#) (March 2025). A preparer specifically commented that IAS 7 is silent on how transaction costs should be treated in the statement of cash flows and that the standard might benefit from introducing clearer principles in the main body of the standard on how such costs might be classified.

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acquisition transaction itself. Settlement of debt owed to third-party lenders is economically different from payments made to former owners of the acquired business.

Transaction costs

- F16. The UKEB Secretariat supports the IASB's decision to classify cash flows for acquisition-related 'transaction costs' in 'operating' activities. In our response to the IASB in November 2025², the UKEB agreed that 'payments related to business combinations that do not form part of the consideration that leads to the recognition of the acquiree's net assets', do not meet the definitions of 'investing' or 'financing', and therefore should be classified as 'operating', by default.

Other comments

- F17. In our response to the IASB in November 2025, the UKEB commented that it would be useful if other IFRS Accounting Standards included reference to principles (or other specific guidance) in IAS 7 for the classification of cash flows, which would also elevate the importance of the statement of cash flows as a primary financial statement.

Specified changes in specific assets and liabilities

- F18. In [October 2025](#), the IASB tentatively decided to develop requirements for entities to disclose information about specified types of non-cash changes in assets and liabilities that typically form part of working capital, specifically inventories, trade and other receivables, and trade and other payables.
- F19. At its [September 2026 meeting](#), the IASB discussed proposed disclosures to explain differences between:
- a) working-capital-related movements reported in operating cash flow calculations; and
 - b) movements reported in the statement of financial position.
- F20. The proposal focused on differences related to three types of non-cash changes for which users of financial statements would like more information³:
- a) Translation adjustments: unrealised foreign exchange differences and the effects of the translation of the results and financial position of foreign operation.

² In October 2025, the IASB requested its Accounting Standards Advisory Forum (ASAF) members' views (provided in a written response) on various classification issues that stakeholders had brought to the IASB' attention.

³ See [Staff paper Agenda 20B for the IASB September 2026 meeting](#).

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- b) The effect of obtaining or losing control of subsidiaries or other businesses.
- c) Reclassifications in the statement of financial position.

F21. The focus of the discussion was on achieving a balance between intended benefits and the costs of more comprehensive disclosures. The IASB's tentative decisions made at its [September 2026](#) meeting are set out below:

Specified changes in specific assets and liabilities	
Current requirements	
F22.	Paragraphs 43–44 of IAS 7 state [emphasis added]: “ Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these ‘investing’ and ‘financing’ activities” ⁴ .
F23.	Paragraphs 18–20 of IAS 7 require an entity to report cash flows from operating activities using either the ‘direct’ or ‘indirect’ method.
<u>Disclosure requirements for changes in assets and liabilities</u>	
F24.	Paragraphs 35H–35I of IFRS 7 <i>Financial Instruments: Disclosures</i> require an entity to disclose a reconciliation from the opening balance to the closing balance of the loss allowance and an explanation of how significant changes in the gross carrying amounts of financial instruments during the period contributed to changes in the loss allowance.
F25.	Paragraph 118 of IFRS 15 <i>Revenue from Contracts with Customers</i> requires an entity to provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. Such an explanation includes qualitative and quantitative information.
F26.	Paragraph 84 of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> requires an entity to disclose specified changes in the carrying amount of each class of provision.
F27.	Paragraph 36(e)–(f) of IAS 2 <i>Inventories</i> requires an entity to disclose the amount of any write-down of inventories or any reversal of any write-down in the period.
F28.	Paragraphs 140–141 of IAS 19 <i>Employee Benefits</i> require an entity to provide a reconciliation from the opening balance to the closing balance for each of the following, if applicable, the net defined benefit liability (asset), showing separate reconciliations for plan assets, the present value of the defined benefit obligation and the effect of the asset ceiling.

⁴ [Paragraphs 43–44 of IAS 7 *Statement of Cash Flows*](#) describe ‘Non-cash transactions’, whereas ‘other non-cash changes’ are all other changes in balances that do not result from the use of cash and cash equivalents.

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IASB tentative decision	
F29.	At its September 2026 meeting, the IASB tentatively decided to propose: a) Introducing a disclosure objective in IAS 7 that requires an entity to disclose specified non-cash changes in assets and liabilities, and that enables users of financial statements to better understand the relationship between: i. amounts reported in an 'indirect' method reconciliation for changes in assets and liabilities; and ii. the same assets and liabilities presented in the statement of financial position. b) Requiring an entity to satisfy the disclosure objective by disclosing, for each line item in the statement of financial position that includes assets and liabilities included in the indirect reconciliation, the amounts of non-cash changes from: i. translating the results and financial position of foreign operations; ii. obtaining or losing control of subsidiaries or other businesses; and iii. reclassifying assets and liabilities in the statement of financial position. c) Requiring an entity to provide the information in (b) in a table. d) Not providing an exemption from the general requirement⁵ for an entity to disclose [other] material information beyond that specified in (b).
UKEB Secretariat views	
Disclosure objective	
F30.	The UKEB Secretariat supports the IASB's efforts to improve disclosures about specified types of non-cash changes in assets and liabilities that typically form part of working capital. In particular, the Secretariat supports an approach that balances genuine user information needs with the costs of preparing more comprehensive disclosures. This user need was confirmed in the UKEB third research paper.
F31.	The IASB's tentative decisions therefore appear responsive to both users' requests for greater transparency over movements in working capital and the practical challenges identified by preparers in explaining material differences between cash

⁵ Paragraph 31 of IAS 1 (now Paragraphs 19–20 of IFRS 18) include the fundamental materiality principle that an entity is not required to provide a disclosure specified by an IFRS Accounting Standard if the information is not material, and that an entity must provide additional material information when necessary for users to understand the effects of transactions, events and conditions on the entity's financial position, financial performance and cash flow.

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flow movements and changes in the related statement of financial position balances.

F32. The Secretariat notes that the IASB's main concern with the proposal was the disclosure objective, and supports the members view that IASB staff need to significantly refine and narrow the wording before an exposure draft is finalised; many members thought the objective was:

- a) overly complex;
- b) difficult to understand; and
- c) potentially capable of being interpreted too broadly by auditors and regulators.

F33. Concerns were raised that preparers might be forced into providing near-complete reconciliations despite the IASB staff's attempts to avoid that outcome.

Types of non-cash changes

F34. The Secretariat supports the IASB's decision to keep the requirements focused on the three specified items, rather than allowing disclosure to expand.

Tabular format

F35. The Secretariat supports the proposal for a disclosing the information in a structured format and supports the view of several members that narrative disclosures would not be sufficiently accessible; tables make linkages easier to understand.

No materiality exception

F36. The Secretariat supports the IASB's decision not to provide an explicit materiality exception for the proposed disclosure requirements set out in paragraph F29b) above, as this would effectively imply that only the three specified items are required, and could unintentionally suppress information that investors might find useful.

Next steps

F37. The IASB will continue to consider how to improve financial reporting for the topics in the project plan. More specifically, at future meetings, the IASB plans to discuss:

- a) Results of an investor survey on the usefulness of cash flow information required by IAS 7 for financial institutions, and the nature and scope of any potential exemptions.
- b) Potential specified line items in the statement of cash flows.

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- c) Alternatives to clarifying application guidance on the definition of cash equivalents related to an investment with maturity of three months or less.
- d) Consideration of amending the principle for classifying cash flows in paragraph 11 of IAS 7.
- e) Consideration of developing requirements for classification of deferred payments and classification and presentation of cash flows involving third-party finance providers.

F38. The UKEB Secretariat will continue to monitor the IASB's discussions and tentative decisions and provide the Board with updates accordingly.

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Appendix G: Business Combinations—Disclosures, Goodwill and Impairment

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review

[UKEB project page](#)
[UKEB Final Comment Letter on Exposure Draft](#) (published 19 July 2024)
 IASB Next Milestone: [Decide Project Direction Q1 2027](#)

Purpose of this paper

- G1. This paper provides the Board with an update on the International Accounting Standards Board (IASB)'s redeliberation at its [September 2026 meeting](#) of the proposals in the [Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*](#) (the ED)¹.

Background

- G2. The IASB's objective for this project is to explore whether entities can, at a reasonable cost, provide users with more useful information about business combinations, by amending the requirements in IFRS 3 *Business Combinations*.
- G3. The resulting information should assist users to make better decisions, by helping them to understand and assess:
- the strategic rationale behind an acquisition;
 - how the acquired business is performing; and

¹ A summary of the ED proposals, the IASB's redeliberation and tentative decisions to date can be found in [Appendix A of the staff paper Agenda reference 18 for the September 2026 meeting](#).

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- c) whether the acquirer's management has been effective and efficient in using the entity's economic resources to acquire the business.
- G4. Within this project, the IASB aims to improve the effectiveness and reduce the cost and complexity of the impairment test in IAS 36 *Impairment of Assets*.

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Subsequent performance information: two alternative approaches

- G5. At its previous meeting in July 2026², the IASB discussed an updated package of performance and expected synergy information which included changes in response to feedback on the ED and comments and concerns from IASB members. This updated package would require an entity to disclose:
- a) in the year of acquisition, the strategic rationale and key objectives for all material business combinations;
 - b) in the year of acquisition and subsequent reporting periods, information about the subsequent performance of a material business combination.
- G6. At its September 2026 meeting, the IASB discussed further the type of subsequent performance information an entity would be required to disclose as part of the updated package, and considered two alternative approaches³:
- a) The "full management approach": this retains the basic structure of the 'July 2026 updated package', requiring disclosure of the subsequent performance information being reviewed by key management personnel (KMP) to determine whether key objectives are being met, but without restricting disclosure to information measured in currency units⁰⁰¹.
 - b) The "specified metrics approach": which would require disclosure of standardised metrics for an acquired business (such as revenue and operating profit as included in the consolidated statement of comprehensive income), without adjustment for purchase price allocation (PPA) effects.
- G7. Applying the specified metrics approach, disclosure would be required at the lowest practicable level that includes all of the acquiree's business(es), which is the acquiree level, unless that is impracticable.

² For detail on the IASB's previous discussions of proposed disclosure about subsequent performance of a business combination and the July 2026 updated package, see Diagram 3 in the [IASB General Update – Appendix F](#) as presented to the UKEB September 2026 meeting.

³ For more detail about the proposed approaches, refer to [IASB staff paper Agenda reference 18A](#), [IASB staff paper Agenda reference 18B](#) and [IASB staff paper Agenda reference 18C](#) for the September 2026 meeting.

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- G8. Disclosure of subsequent performance would generally be required until the end of the second annual reporting period after the year of acquisition.
- G9. Under either approach, an entity would be required to disclose the strategic rationale, key objectives and subsequent performance information for each material business combination. An entity would not be required to disclose expected synergies, acquisition-date targets or to provide a qualitative statement of whether performance is meeting expectations.
- G10. The IASB was not asked to make any decisions at this meeting. IASB staff will undertake consultation with consultative groups and other stakeholders to inform future decision-making.

IASB members' views

- G10. Some IASB members remained concerned that a key objective for the project (to improve information made available to investors on the success of acquisitions) would not be met. These IASB members expressed the view that the proposals for disclosure of information about the subsequent performance of a business combination have become diluted following a series of compromises, meaning the costs of the proposed requirements would outweigh the benefits.
- G11. However, other IASB members argued that even a modest improvement in disclosure would be preferable to the current situation where little information is provided after the acquisition year.
- G12. IASB members raised a range of concerns with the proposed full management approach, including:
- a) the lack of comparability between entities;
 - b) questions about the auditability/verifiability;
 - c) whether disclosure of certain information goes beyond the boundaries of the financial statements;
 - d) uncertainty about whether management tracks acquisitions separately after integration of the acquiree into the group;
 - e) that this approach is analogous to the management approach used for segment reporting in IFRS 8 *Operating Segments*, and could lead to similar outcomes i.e. information aggregated at a level that investors find unhelpful and uninformative; and
 - f) the usefulness of management metrics given that the proposals would not require disclosure of acquisition date targets, meaning investors lose the benchmark needed to assess subsequent performance.
- G13. IASB members noted that the specified metrics approach would potentially be more straightforward to implement such that the benefits may be more likely to outweigh the costs.

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- G14. However, concerns were raised with the specified metrics approach. In particular, the usefulness of metrics that are not adjusted for PPA effects was questioned. Concerns were also raised around whether revenue- and operating profit-based metrics would provide relevant information in all sectors. Some IASB members highlighted that concerns around PPAs may point to broader shortcomings in IFRS 3 itself, which might be better revisited through the upcoming IASB Fourth Agenda Consultation.

Next Steps

- G15. The IASB staff plan to undertake targeted consultation on the proposals with the IASB's consultative groups, including its Accounting Standards Advisory Forum (ASAF), and other stakeholders in Q4 2026 and will provide feedback to the IASB in Q1 2027.
- G16. To inform the UKEB's input at the ASAF meeting on 30 November – 1 December 2026, the UKEB Secretariat will bring a paper, for Board discussion, to the UKEB meeting in November 2026.
- G17. The UKEB Secretariat will continue to monitor the IASB's redeliberation and tentative decisions and will provide the Board with updates accordingly.

Appendix H: Equity Method

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review
UKEB project page UKEB Final Comment Letter (published 16 December 2024) IASB Next Milestone: Final Amendments (expected Q1 2027)								

Purpose

- H1. The purpose of this paper is to provide an update on the IASB's redeliberation at its September 2026 meeting, on the proposals in the Exposure Draft (ED) [Equity Method of Accounting IAS 28 Investments in Associates and Joint Ventures \(revised 202x\)](#).

Background

- H2. In September 2024, the IASB published its ED, which aimed to:
- clarify and add to the requirements in IAS 28 *Investments in Associates and Joint Ventures*, to answer application questions about the equity method of accounting;
 - reorder the requirements in a more logical and consistent way to help companies apply the Standard i.e. improve the understandability; and
 - improve the disclosure requirements in IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* to complement the proposed amendments to IAS 28.
- H3. The UKEB undertook a 'light touch' approach in responding to the ED and is not aware of pervasive or material concerns for the UK arising from the ED proposals. Therefore, the UKEB supported the proposals in the ED, but did not comment on each specific proposal.

- H4. The Board has received regular updates on IASB's decisions/tentative decisions¹. A summary of the tentative decisions can be found in Appendix B of Staff Agenda Paper 13 for the September 2026 IASB meeting².

IASB redeliberation: September 2026

- H5. At its [September 2026 meeting](#), the IASB completed its redeliberation of the ED proposals and made tentative decisions on:
- a) [Transactions with associates: Implication for IAS 27 Separate Financial Statements](#).
 - b) [Sweep issues](#).
 - c) [Transactions with associates: Implications for IFRS 19 Subsidiaries without Public Accountability: Disclosures](#).
 - d) [Effective date and early application](#).
 - e) [Due process](#).

Transactions with associates: Implication for IAS 27 Separate Financial Statements

Background

- H6. At its [September 2026 meeting](#), the IASB discussed the disclosure requirements in IAS 27 for an entity that uses the equity method to account for investments in subsidiaries and associates³ in its separate financial statements.

Transactions with associates—Implication for IAS 27 Separate Financial Statements	
Current requirements	
H7.	There is no current requirement in IAS 27 to require a parent (if it uses the equity method to account for its investments in subsidiaries in separate financial statements) to disclose the gains or losses resulting from either its 'downstream' or 'upstream' transactions with its subsidiaries.
Exposure Draft proposals	
H8.	The ED proposed that a parent using the equity method to account for its investments in subsidiaries in separate financial statements be required to disclose the gains or losses resulting from its 'downstream' transactions with its subsidiaries.

¹ Refer to the UKEB [project page](#) for IASB General Update papers (see sub-heading monitoring of IASB redeliberation under the section UKEB Meetings).

² See Appendix B of the [IASB Staff Agenda Paper 13: Cover paper for the September 2026 meeting](#).

³ References to 'investor', 'associate' and 'significant influence' should be read as also referring to 'joint venturer', 'joint venture' and 'joint control' in relation to investments in joint ventures in consolidated financial statements.

UKEB Comment Letter	
H9.	The UKEB Final Comment Letter generally supported the ED proposals but did not comment on each specific proposal.
IASB tentative decisions	
H10.	At its September 2026 meeting , the IASB tentatively decided: a) to withdraw the ED proposal that would require a parent to disclose gains or losses from ‘downstream’ transactions with subsidiaries accounted for using the equity method; b) to require a parent to disclose its accounting policy for recognising gains or losses from transactions with investments in subsidiaries, associates or joint ventures accounted for using the equity method, in its separate financial statements⁴; and c) not to add any other disclosure requirements to IAS 27 for separate financial statements⁵.
UKEB Secretariat preliminary view	
H11.	The Secretariat supports the IASB’s tentative decisions, because most information is already available through consolidated financial statements. Therefore, the Secretariat agrees with IASB’s analysis that additional disclosures would not provide sufficient additional benefits to users that would exceed the cost for preparers.

Sweep issues

- H12. The IASB considered three sweep issues:
- a) Retaining a reference to the similarity between some procedures used when applying the equity method to consolidation procedures.
 - b) Disclosure when using the proposed exemption from disclosure of gains or losses from transactions with associates.
 - c) Undue cost or effort transition relief.

⁴ This would provide useful information to users, particularly where an investor chooses a different accounting policy for gains or losses from transactions with associates in its separate financial statements compared to its consolidated and separate financial statements.

⁵ The IASB rationale for not adding further disclosures is because in many cases users of separate financial statements will be able to find information on those associates from the disclosures in the investor’s consolidated financial statements. Therefore, requiring those disclosures in the investor’s separate financial statements would not provide sufficient additional benefit to the users of the financial statements that would exceed the cost to investors of providing the information.

Sweep issues
Current requirements
Reference to consolidation procedures H13. Paragraph 26 of IAS 28 states: “Many of the procedures that are appropriate for applying the equity method are similar to the consolidation procedures described in IFRS 10 <i>Consolidated Financial Statements</i>. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted on obtaining significant influence over an associate or joint control of a joint venture”.
Proposals
Reference to consolidation procedures H14. The ED proposed retaining paragraph 26 of IAS 28 (but reordered as paragraph 55 in the revised standard IAS 28 (20xx)). Exemption from disclosing gains and losses H15. At its July 2026 meeting, the IASB tentatively decided to provide an exemption from disclosing gains and losses from transactions with associates in certain circumstances⁶.
UKEB Comment Letter
H16. The UKEB Final Comment Letter generally supported the ED proposals, which included transition requirements, but the UKEB did not comment on each specific proposal.
IASB tentative decisions
H17. At its September 2026 meeting, the IASB tentatively decided: Reference to consolidation procedures 1. To confirm the ED proposal⁷. Exemption from disclosing gains and losses 2. To require an investor that uses the exemption from disclosing gains or losses from transactions with associates, to disclose that it has done so⁸. Undue cost or effort transition relief 3. To require that, when an investor applies the undue cost or effort exemption on transition, the investor make the assessment either:

⁶ For further detail about this proposed exemption, refer to [Appendix E of Agenda Paper 12](#) as presented to the September 2026 meeting of the UKEB.

⁷ The IASB was concerned that removing the paragraph could be interpreted as the IASB taking a position on the longstanding conceptual debate over whether the equity method is a “one-line consolidation” or a measurement method, which is outside the scope of the project.

⁸ The requirement to disclose the application of the exemption compensates for the lack of disclosure of the quantitative information e.g. it would alert users to the impact of the transactions with the associate on the investor’s financial position and financial performance.

- a) collectively for all gains and losses from past transactions with that associate for which a portion remains unrecognised at the transition date; or
 - b) individually for each such gain or loss.
4. to require that, for associates for which an investor applies the undue cost or effort exemption, the investor apply its new accounting policy prospectively to gains and losses from transactions with those associates occurring after the transition date.

UKEB Secretariat preliminary view

- H18. The Secretariat supports IASB's tentative decision to retain the existing paragraph 26 of IAS 28. Removing that paragraph could be interpreted as the IASB clarifying the conceptual underpinnings of the equity method, which is outside the scope of the project.
- H19. In relation to disclosure when an investor applies the undue cost or effort exemption on transition, the Secretariat agrees that this will be an important signal to the users of financial statements.
- H20. The Secretariat supports the IASB's tentative decisions when an investor applies the undue cost or effort exemption on transition.

Transactions with associates: Implications for IFRS 19 Subsidiaries without Public Accountability: Disclosures

- H21. The IASB discussed the implications of its tentative decisions for the disclosure requirements related to gains and losses on transactions with associates for IFRS 19⁹.

Transactions with associates: Implications for IFRS 19 Subsidiaries without Public Accountability: Disclosures

Current requirements

- H22. There are no current disclosure requirements in IFRS 19 for gains or losses resulting from transactions with associates.

Exposure Draft proposals

- H23. [The ED](#) proposed amendments to IFRS 19 to require an eligible subsidiary to disclose gains or losses resulting from 'downstream' transactions with its associates or joint ventures.
- H24. The ED also proposed an amendment to IFRS 19 to require a subsidiary that chooses to apply the equity method to account for its investments in subsidiaries in separate financial statements, to disclose gains or losses resulting from 'downstream' transactions with those subsidiaries.

⁹ IFRS 19 is a reduced disclosure Standard, which is only available to eligible subsidiaries preparing their accounts under IFRS Accounting Standards. In maintaining IFRS 19, the IASB is guided by six broad principles (per paragraph BC33 of the Basis for Conclusions on IFRS 19) for reducing disclosure requirements.

UKEB Comment Letter	
H25.	The UKEB Final Comment Letter generally supported the ED proposals, which included transition requirements, but the UKEB did not comment on each specific proposal.
IASB tentative decisions	
H26.	The IASB tentatively decided to require an eligible subsidiary that applies IFRS 19 to disclose¹⁰: a) its accounting policy for recognising gains or losses from transactions with associates and joint ventures; b) the amount of gains and losses restricted at the end of the period and where they are included in the statement of financial position (if the eligible subsidiary chooses to restrict the recognition of gains or losses from transactions with associates); and c) its accounting policy for the recognition of gains or losses from transactions with subsidiaries, associates or joint ventures accounted for using the equity method, if an eligible subsidiary prepares separate financial statements in accordance with IAS 27.
H27.	The following disclosures which are required by an entity applying full IFRS Accounting Standards would not be required by IFRS 19: a) the gains or losses from 'downstream' transactions with its associates and joint ventures if the subsidiary chooses to recognise gains or losses in full; b) the gains or losses from 'upstream' and 'downstream' transactions with its associates and joint ventures if the subsidiary chooses to restrict the recognition of gains or losses; c) the nature of transactions with associates and joint ventures and whether they are included in the disclosure of gains and losses; d) disclosure of the line items in the statement of comprehensive income in which restricted gains and losses are recognised; e) the disclosure objective to be added to paragraph 20 of IFRS 12; and f) a reconciliation between the opening and closing balance of restricted gains and losses.
H28.	The IASB also tentatively decided to withdraw the ED proposal to require an eligible subsidiary that is a parent that uses the equity method to account for its investments in subsidiaries to disclose gains or losses from 'downstream' transactions with those subsidiaries.
UKEB Secretariat preliminary view	
H29.	The Secretariat welcomes the IASB's effort to reduce the disclosures related to gains and losses on transactions with associates for an eligible subsidiary

¹⁰ Refer to [Appendix E of Agenda Paper 8](#) presented to the June meeting of the UKEB for more detail on the IASB's tentative decisions regarding an accounting policy choice for recognition of gains or losses on transactions with an associate.

applying IFRS 19. Reducing the disclosures for eligible subsidiaries would maintain the attractiveness of the Standard and meet the objective of a reduced disclosure framework, provided the usefulness of the financial statements to their users is maintained.

Effective date and early application

- H30. The IASB tentatively agreed to require an investor to apply the revised IAS 28 for annual reporting periods beginning on or after 1 January 2029, with early application permitted on the premise that the revised IAS 28 is issued in the first half of 2027.
- H31. The IASB also tentatively decided that if an investor applies the revised IAS 28 before the effective date, it shall disclose that fact.

Due Process

- H32. The IASB unanimously decided to issue the revised IAS 28 without re-exposure as all the IASB's decisions considered stakeholders' feedback and the criteria for re-exposure are not met.
- H33. One IASB member indicated an intention to dissent from issuing the revised IAS 28 in relation to the accounting policy choice that permits an investor to choose either full or restricted recognition of gains or losses on transactions with associates (except for gains or losses on the transfer of businesses, which would be recognised in full). That IASB member is concerned that the accounting policy choice does not fully address the concerns of those stakeholders who disagreed with the ED proposal to require an investor to recognise gains and losses on transactions with associates in full. The final decision of that IASB member to dissent is subject to the drafting of the revised Standard i.e. whether the concerns of stakeholders have been addressed.

Next steps

- H34. After completing their redeliberations in September 2026, the IASB gave the staff permission to begin the balloting process.
- H35. The IASB staff will bring any matters that arise in drafting the revised Standard to the IASB as sweep issues.
- H36. The IASB expects to issue the revised Standard in Q1 2027. The Secretariat plans to present a Project Initiation Plan for the endorsement project to the Board in due course.

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Appendix I: List of IASB projects

This Appendix provides a list of all active IASB projects¹, including links to the IASB project page and where relevant, to the UKEB project page and any UKEB projects or comment letters. Items highlighted in grey are changed from the last report.

List of IASB projects	
<u>Amortised Cost Measurement</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Exposure Draft H2 2027	

¹ This list does not include projects related to the IFRS Interpretations Committee or IASB's project outside the UKEB's work.

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Business Combinations–Disclosures, Goodwill and Impairment

UKEB Project type: Monitoring

IASB Next Milestone: Decide Project Direction Q1 2027

[UKEB project page \(Influencing\)](#)

[UKEB Project Initiation Plan](#) (Published March 2024)

[UKEB Draft Comment Letter](#) (Published May 2024)

[UKEB Final Comment Letter](#) (Published July 2024)

[UKEB Feedback Statement](#) (Published July 2024)

[UKEB Due Process Compliance Statement](#) (Published September 2024)

[UKEB project page \(Discussion Paper\)](#)

[UKEB Final comment Letter on the Discussion Paper](#)
(Published January 2021)

[UKEB Feedback Statement](#) (Published March 2021)

[UKEB project page \(Research – Goodwill\)](#)

[UKEB Report: Subsequent Measurement of Goodwill - A Hybrid Model](#) (Published September 2022)

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<u>Equity Method</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Final Amendments Q1 2027	UKEB project page UKEB Project Initiation Plan (Published October 2024) UKEB Draft Comment Letter (Published October 2024) UKEB Final Comment Letter (Published December 2024) UKEB Feedback Statement (Published December 2024) UKEB Due Process Compliance Statement (Published January 2025)
<u>Financial Instruments with Characteristics of Equity</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Final Amendments H2 2027	UKEB project page UKEB Project Initiation Plan (Published October 2023) UKEB Draft Comment Letter (Published February 2024)) UKEB Final Comment Letter (Published April 2024) UKEB Feedback Statement (Published April 2024) UKEB Due Process Compliance Statement (Published April 2024)

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<u>Intangible Assets</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Decide Project Direction November 2026	<u>UKEB project page</u> <u>Accounting for Intangibles UK Stakeholders' Views'</u> (Published March 2023) <u>UKEB Project Initiation Plan Updated</u> (Published June 2023) <u>Accounting for Intangibles a Quantitative Analysis of UK Financial Reports</u> (Published May 2024) <u>Accounting for Intangibles a Survey of Users' Views'</u> (Published May 2024) <u>UKEB Project Initiation Plan (2025)</u> (Published November 2025) <u>Intangibles Case Study Research Report</u> (Published August 2026)
<u>Post-implementation Review of IFRS 16 Leases</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Project Summary and Feedback Statement November 2026	<u>UKEB Project page</u> <u>UKEB Project Initiation Plan</u> (Published June 2025) <u>UKEB Draft Comment Letter</u> (Published July 2025) <u>UKEB Final Comment Letter</u> (Published October 2025)

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<u>Post-implementation Review of IFRS 9 <i>Financial Instruments</i>—Hedge Accounting</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Request for Information Feedback Q1 2027	UKEB Project page UKEB Project Initiation Plan (Published 24 September 2026)
<u>Presentation of Taxes or Other Charges that Are Not Tax Expense or Tax Income Applying IAS 12 <i>Income Taxes</i> (IFRS 18)</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Exposure Draft December 2026	UKEB Project page
<u>Provisions—Targeted Improvements</u>	
UKEB Project Type: Monitoring IASB Next Milestone: Final Amendments H1 2027	UKEB project page UKEB Project Initiation Plan (Published October 2024) UKEB Draft Comment Letter (Published December 2024) UKEB Final Comment Letter (Published March 2025) UKEB Feedback Statement (Published March 2025) UKEB Due Process Compliance Statement (Published March 2025)

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<u>Risk Mitigation Accounting (formerly Dynamic Risk Management)</u>	
UKEB Project Type: Influencing IASB Next Milestone: Exposure Draft Feedback Q1 2027	<u>UKEB project page</u> <u>UKEB Project Initiation Plan</u> (Published February 2026) <u>UKEB updated Project Initiation Plan</u> (Published May 2026) <u>UKEB Draft Comment Letter - Risk Mitigation Accounting</u> (Published April 2026)

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Statement of Cash Flows and Related Matters

UKEB Project Type: Monitoring

IASB Next Milestone: Exposure Draft H2 2027

[UKEB project page](#)

[UKEB Project Initiation Plan](#) (Published December 2024)

[UKEB updated Project Initiation Plan](#) (Published May 2025)

[UKEB Research Paper 1 Statement of Cash Flows: Background and Key Issues](#) (Published December 2024)

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[UKEB Research Paper 4 Statement of Cash Flows: UK Users' views on ways forward](#) (Published July 2025)

[UKEB Research Paper 5 Statement of Cash Flows: Further research – Net Debt](#) (Published November 2025)

[UKEB Research Paper 6. Statement of Cash Flows: Further research – Financial Institutions, targeted at banks and insurance companies](#) (Published July 2026)