

March 2023 IFRIC Update

Talking points for episode 142



Tentative agenda decision

The tentative agenda decision, Definition of a lease – substitution rights, was finalised. This is dependent on no objections at the IASB meeting.

In addition, there were three new submissions. For two of the submissions (i) Homes and home loans provided to employees and (ii) Guarantee over a derivative contract, the Committee concluded that the submissions should not be added to the work plan given the relevant due process requirements were not met.



The third submission was on the accounting of premiums receivable from an intermediary (refer to [PwC In transition](#)). The issue is whether an insurer should remove the premiums receivable from the measurement of a group of insurance contracts under IFRS 17, and instead recognise a separate financial asset under IFRS 9 when the policyholder has paid the premiums to the intermediary, but the insurer has not yet received the premiums from the intermediary.

The Committee concluded that as IFRS 17 is silent as to when the future cash flows within the boundary of an insurance contract are removed from the measurement of the insurance contract, and that the premiums receivable from the intermediary could be accounted for under IFRS 17 or IFRS 9.



Potential annual improvements - accounting for lease payments forgiven (IFRS 9 and IFRS 16)

The Committee discussed potential annual improvements following the March 2022 submission on rent concessions focussing on the lessee accounting. The submission had asked whether the forgiven lease payments be an extinguishment or partial extinguishment under IFRS 9 (which would likely result in the difference being recognised in the profit or loss statement) or a lease modification under IFRS 16 (which would result in an adjustment to the lease liability and the related right-of-use asset).

The proposed annual improvements suggested an amendment to the definition of a lease modification in IFRS 16 and an amendment to the scope of IFRS 9 in relation to lease liabilities. Most Committee members were not supportive of the potential annual improvement. There were concerns that this would not resolve the issue and it would remain unclear for some rent concessions which standard should be followed. There was also concern about possible broader implications.



Business combinations — disclosures, goodwill and impairment

The purpose of this session was to obtain feedback on suggestions from stakeholders following the IFRS 3 Post implementation review. Potential changes to the impairment test of cash-generating units (CGUs) containing goodwill included suggestions aiming to reduce management optimism, shielding, as well as the cost and complexity of the impairment test. The board will consider the Committee's feedback along with feedback from other stakeholders when considering possible changes to the impairment test in IAS 36.