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IASB issues annual improvements to IFRS Accounting Standards

Executive Summary

The International Accounting Standards Board (IASB) has published 'Annual Improvements to IFRS Accounting Standards – Volume 11' addressing non-urgent (but necessary) minor amendments to five Standards, as described below.

Background

The publication is a collection of amendments to IFRS Standards discussed by the IASB during the current project cycle for annual improvements. The IASB uses the Annual Improvements process to make necessary, but non-urgent, amendments to IFRS Standards that will not be included as part of any other project. By presenting the amendments in a single document rather than as a series of piecemeal changes, the IASB aims to ease the burden of change for all concerned. A summary of the issues addressed is set out below:

Accounting Standard	Subject of amendment	IASB's summary of amendment
IFRS 1, *First-time Adoption of International Financial Reporting Standards*	Hedge accounting by a first-time adopter	Amends paragraphs B5–B6 of IFRS 1: to improve consistency with the requirements in IFRS 9, *Financial Instruments*, and to add cross-references to improve the understandability of IFRS 1.
IFRS 7, *Financial Instruments: Disclosures*	Gain or loss on derecognition	Amends paragraph B38 of IFRS 7: 1. to replace an obsolete reference to paragraph 27A of IFRS 7 with a reference to paragraphs 72–73 of IFRS 13, *Fair Value Measurement*, and 2. to replace the phrase 'inputs that were not based on observable market data' with 'unobservable inputs' to make the wording consistent with the wording in paragraph 72 of IFRS 13.
Guidance on implementing IFRS 7 'Financial Instruments: Disclosures'	Disclosure of deferred difference between fair value and transaction price	Amends paragraph IG14 to make its wording consistent with the requirements in paragraph 28 of IFRS 7 and with the wording and concepts in IFRS 9 and IFRS 13.
	Introduction and Credit risk disclosures	Improved clarity by: amending paragraph IG1 to clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7; and amending paragraph IG20B to simplify the explanation of the aspects of the requirements that are not illustrated.

Accounting Standard	Subject of amendment	IASB's summary of amendment
IFRS 9, *Financial Instruments*	Derecognition of lease liabilities	Amends paragraph 2.1(b)(ii) of IFRS 9 to add a cross-reference to paragraph 3.3.3 of IFRS 9 to clarify that when a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.
	Transaction price	Amends paragraph 5.1.3 of IFRS 9 to replace 'their transaction price (as defined in IFRS 15, *Revenue from Contracts with Customers*)' with 'the amount determined by applying IFRS 15' due to an inconsistency between 5.1.3 and the requirements in IFRS 15. As a result, IFRS 9 Appendix A was also amended to remove the term.
IFRS 10, *Consolidated Financial Statements*	Determination of a 'de facto agent'	Amends paragraph B74 of IFRS 10 to use less conclusive language and to clarify that the relationship described in paragraph B74 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de facto agent.
IAS 7, *Statement of Cash Flows*	Cost method	Amends paragraph 37 of IAS 7 to replace the term 'cost method' with 'at cost'.

Effective date

The amendments are effective from annual reporting periods beginning on or after 1 January 2026, with early application permitted.

Our thoughts

The Annual Improvements process is an efficient way to ensure that inconsistencies and terminology within the Standards can be updated without issuing individual amendments to each standard. All the amendments made in 'Annual Improvements to IFRS Accounting Standards – Volume 11' are uncontroversial in nature, and our view is they increase clarity to the impacted Standards.

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