IFRS
Accounting

July 2024

Project Summary and Feedback Statement

IFRS® Accounting Standards

Post-implementation Review

IFRS 9 *Financial Instruments*—Impairment

Post-implementation Review

After issuing a new IFRS Accounting Standard (Accounting Standard) or major amendment, the International Accounting Standards Board (IASB) stands ready to act if evidence indicates a need for improvement to financial reporting. This evidence may arise from a variety of mechanisms, one of which is a post-implementation review.

This Project Summary and Feedback Statement (Report) summarises the work the IASB completed and the conclusions it reached in the Post-implementation Review of IFRS 9—Impairment (Post-implementation Review).

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At a glance

The IASB carried out the Post-implementation Review between 2022 and 2024.

The objective of the Post-implementation Review was to assess whether the effects of applying the impairment requirements in IFRS 9 on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those requirements.

The Post-implementation Review also provided an opportunity for the IASB to learn lessons that could be helpful for future standard-setting projects.

The IASB's conclusions on the Post-implementation Review

After analysing the evidence gathered in the Post-implementation Review, the IASB concluded that the impairment requirements in IFRS 9 are working as intended. In particular, the IASB concluded that:

- there are no fundamental questions (fatal flaws) about the clarity or suitability of the core objectives or principles in the requirements.
- in general, the requirements can be applied consistently. However, further clarification and application guidance is needed in some areas to support greater consistency in application.
- the benefits to users of financial statements from the information arising from applying the impairment requirements in IFRS 9 are not significantly lower than expected. However, targeted improvements to the disclosure requirements about credit risk are needed to enhance the usefulness of information for users.
- the costs of applying the impairment requirements and auditing and enforcing their application are not significantly greater than expected.

Outcomes of the Post-implementation Review

Matters to be added to the research pipeline

Applying the approach to assessing evidence, as described on pages 9–10 of this Report, the IASB classified the matters identified by stakeholders relating to credit risk disclosures as a medium priority. Consequently, the IASB will add to its research pipeline a project to consider targeted improvements to specific disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* about credit risk (see Table C9 of Appendix C to this Report on page 36).

The IASB will also consider matters that arise from the intersection of the impairment requirements and the requirements for the modification, derecognition and write-off of financial assets in IFRS 9 in the Amortised Cost Measurement project (see Table C7 of Appendix C to this Report on page 33).

Matters to be considered at the next agenda consultation

The IASB classified the matters relating to accounting for financial guarantee contracts as a low priority. It will consider these matters during the next agenda consultation (see Table C4 of Appendix C to this Report on page 29).

Matters on which no further action is required

The IASB decided to take no further action on the other matters identified in the Post-implementation Review.

Appendix C to this Report provides a summary of the feedback and the IASB's response to each of the matters identified in the Post-implementation Review.

Introduction

Post-implementation reviews

A post-implementation review is a mandatory step in the IFRS Foundation's due process. The IASB is required to conduct a post-implementation review of each new Accounting Standard or major amendment to an Accounting Standard.

The IFRS Foundation Due Process Handbook sets out what happens in the two phases of a post-implementation review. During both phases, the IASB reviews relevant academic research and other reports.

In the first phase, the IASB identifies matters to be examined, drawing on discussions with the IFRS Interpretations Committee (Committee), the IASB's advisory groups and other interested parties. The IASB consults publicly on the matters identified in the form of a request for information.

In the second phase, the IASB considers the comments from the public consultation along with the information it has gathered from any additional analysis and its other consultative activities.

A post-implementation review ends when the IASB presents its findings and sets out the steps it plans to take, if any, as a result of the review.

Objective of a post-implementation review

When the IASB issues a new requirement, it includes an effects analysis of the likely benefits and costs that might arise from the new requirement. Costs in this context comprise initial and ongoing financial and other costs.

The objective of a post-implementation review is to assess whether the effects of applying the new requirements on users of financial statements, preparers, auditors and regulators are as intended when the IASB developed those new requirements.

During a post-implementation review, the IASB revisits important or contentious matters that it considered when developing the new requirements. It also considers how an entity applying the new requirements has been affected by market developments since those requirements were issued.

The IASB concludes a post-implementation review by deciding:

- whether the new requirements are generally working as intended. Fundamental questions (that is, fatal flaws) about the clarity and suitability of the core objectives or principles in the new requirements would indicate that they are not working as intended.
- whether there are specific questions about the application of the new requirements. If there are specific application questions, the IASB might still conclude that the new requirements are working as intended. However, those specific application questions will be addressed if they meet the criteria necessary for the IASB to take further action (see the section 'Approach to assessing evidence' on pages 9–10 of this Report).

A post-implementation review is not a standard-setting project and does not automatically lead to standard-setting. It is also not intended to lead to the resolution of every application question.

However, a post-implementation review can identify potential improvements to a new requirement, to the standard-setting process or to the structure of an Accounting Standard.

Introduction *continued...*

The IASB's objectives when issuing IFRS 9—Impairment

IFRS 9 was issued in 2014 and became effective for annual periods beginning on or after 1 January 2018.

The IASB developed IFRS 9 with the overall objective of improving the requirements for financial reporting on financial instruments. Its purpose was to enhance the relevance and understandability of information about financial instruments for the benefit of users of financial statements. IFRS 9 was issued in three discrete stages, reflecting the main areas of the requirements: classification and measurement, impairment, and hedge accounting.

The IASB's main objective in developing the impairment requirements was to provide users of financial statements with more useful information about expected credit losses on an entity's credit exposures to facilitate users' assessment of the amount, timing and uncertainty of future cash flows. In the IASB's view, to achieve this objective, the expected credit loss model:

- had to address the delayed recognition of credit losses under the incurred loss model in IAS 39 *Financial Instruments: Recognition and Measurement*; and
- had to reduce the complexity arising from applying multiple impairment models for financial instruments.

The expected credit loss model in IFRS 9, complemented by the credit risk disclosures required by IFRS 7, resulted in the following key differences compared to the requirements in IAS 39:

- the same impairment model is applied to all financial instruments that are subject to impairment accounting, removing a major source of complexity in IAS 39.
- the expected credit losses are recognised on a more timely basis because they are recognised throughout the life of a financial instrument and the amount of expected credit losses recognised is updated at each reporting date to reflect changes in credit risk. IFRS 9 removed the threshold for recognising credit losses only after such losses were incurred.
- the impairment model is forward-looking, broadening the information required to be considered. The measurement of expected credit losses is based on reasonable and supportable information about past events, including historical credit loss information for similar financial instruments, current conditions and forecasts of future economic conditions.
- the disclosures about credit risk are improved, requiring an entity to provide information that explains the basis for its expected credit loss calculations and how it measures expected credit losses and assesses changes in credit risk.

Timeline

The timeline of the Post-implementation Review is presented in Appendix D to this Report.

More information

More information about this project, including recordings of public meetings, is available on the IFRS Foundation's website.

First phase—Identifying matters and gathering feedback

Identifying matters to be examined

To inform the first phase of the Post-implementation Review and to gather evidence on the application of the impairment requirements in IFRS 9, the IASB reviewed relevant Agenda Decisions published by the Committee, academic research and other literature, and external benchmark analyses.

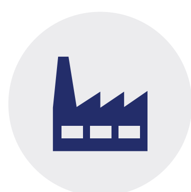
The IASB also considered matters that were important or contentious during the development of the impairment requirements in IFRS 9 (as described in the Basis for Conclusions on, and the Effects Analysis of, IFRS 9, and the Basis for Conclusions on IFRS 7). Those matters included:

- the recognition of 12-month versus lifetime expected credit losses, specifically the recognition of lifetime expected credit losses only after a significant increase in credit risk.
- the principle-based assessment of significant increases in credit risk since initial recognition. This matter included the approaches for determining whether a significant increase in credit risk had occurred (for example, collective versus individual assessment, and absolute versus relative assessment of changes in credit risk).
- the recognition of expected credit losses for unrecognised financial instruments such as loan commitments and financial guarantee contracts.
- the development of objective-based disclosure requirements to reflect the differences in how an entity manages credit risk.

Furthermore, the IASB attended 30 outreach meetings with a wide range of stakeholders, including meetings with the IASB's consultative bodies (the Capital Markets Advisory Committee, the Global Preparers Forum, the Accounting Standards Advisory Forum and the Islamic Finance Consultative Group). The meetings included those with small groups that have a particular interest in the impairment requirements in IFRS 9 (such as analysts of financial entities, representative groups for financial and non-financial entities, regulators, auditors and academics).

The IASB also called for further research on the effects of the impairment requirements in IFRS 9 and credit risk disclosure requirements in IFRS 7. The IASB partnered with a reputable academic journal to publish the resulting papers.

Appendix B to this Report summarises how the IASB gathered evidence for the Post-implementation Review.


Preparers

Academics

Regulators

Users

Auditors

Standard-setters

First phase—Identifying matters and gathering feedback *continued...*

Feedback from the first phase

Feedback from the first phase provided evidence that:

- the forward-looking expected credit loss model in IFRS 9 resulted in more timely recognition of credit losses compared to the incurred loss model in IAS 39;
- the impairment requirements in IFRS 9 work well in practice, including in periods of increased economic uncertainty such as during the covid-19 pandemic; and
- the requirements have resulted in greater alignment between the entities' accounting and credit risk management functions and in improvements to their internal control systems.

However, stakeholders identified areas of diversity in the application of the requirements, including the credit risk disclosure requirements in IFRS 7, and they also identified challenges relating to the application of specific requirements. Stakeholders generally suggested the IASB consider:

- providing additional application guidance or clarification to support the consistent application of specific requirements; and
- requiring entities to disclose specific items of information to achieve greater consistency in how entities provide disclosures about credit risk applying IFRS 7.

Based on the evidence gathered in the first phase, the IASB decided to focus the Request for Information on particular matters relating to the impairment requirements in IFRS 9 and credit risk disclosure requirements in IFRS 7. In April 2023 the IASB approved the publication of the *Request for Information: Post-implementation Review of IFRS 9—Impairment*. The Request for Information was published on 30 May 2023, with comments due on 27 September 2023 (a 120-day comment period).

Appendix A to this Report sets out the questions asked in the Request for Information.

Second phase—Summary of findings and the IASB's response

Gathering evidence

In the second phase of the Post-implementation Review, the IASB gathered further evidence on the matters identified in the first phase. The evidence was collected from four main sources:

- 79 comment letters received on the Request for Information;
- 18 further meetings with stakeholders (including academics, preparers, users of financial statements, prudential and securities regulators, auditors and standard-setters);
- updated review of academic literature; and
- an academic research report and staff analysis of current practice examining how entities provide credit risk disclosures in accordance with IFRS 7.

Appendix B to this Report summarises how the IASB gathered evidence for the Post-implementation Review.

Approach to assessing evidence

The IASB considers whether to take any action on matters identified in a post-implementation review if there is evidence that:

- there are fatal flaws in the clarity and suitability of the core objectives or principles in the new requirements; or
- the benefits to users of financial statements of the information arising from applying the new requirements are significantly lower than expected (for example, there is significant diversity in application); or
- the costs of applying some or all of the new requirements and auditing and enforcing their application are significantly greater than was expected (or there has been a significant market development since the new requirements were issued as a result of which it is now costly to apply the new requirements consistently).

The prioritisation of matters as 'high', 'medium' or 'low' depends on the extent to which evidence gathered during a post-implementation review indicates that:

- the matter has substantial consequences.
- the matter is pervasive.
- the matter arises from a financial reporting issue that can be addressed by the IASB or the Committee.
- the benefits of any action would be expected to outweigh the costs. (To determine this, the IASB considers the extent of the disruption and operational costs that would arise were the proposed change to be made, and the importance of the matter to users of financial statements.)

Second phase—Summary of findings and the IASB's response *continued...*

The IASB prioritises matters in the second phase of a post-implementation review based on the characteristics set out in Table 1:

Table 1—Prioritisation of matters raised

Priority	Action to be taken	Matters to which the priority level applies
High	Address as soon as possible	Matters: • that relate to the core objective or principles of a new requirement and lead the IASB to conclude in a post-implementation review that the new requirement is not working as intended; or • for which most of the prioritisation characteristics are present to a large extent, the benefits of any action are expected to exceed the costs, and solutions are needed urgently. This category is expected to be used rarely.
Medium	Add to the IASB's research pipeline or the Committee's pipeline for action before the next agenda consultation	Matters for which: • most of the prioritisation characteristics are present to a large extent; and • the benefits of any action are expected to exceed the costs.
Low	Consider in the next agenda consultation and explore if the IASB decides, in its deliberations on the feedback to that agenda consultation, to take action	Matters for which: • some of the prioritisation characteristics are present to some extent; and • the remainder of the prioritisation characteristics are not present or there is insufficient information to conclude that they are.
No action	Not applicable	Matters for which few or none of the prioritisation characteristics are present. Matters in this category will not be further explored unless: • stakeholders identify the matters as a priority in their feedback on a future agenda consultation; and • the IASB decides, in its deliberations on the agenda consultation feedback, to take action.

Second phase—Summary of findings and the IASB's response *continued...*

Overall conclusions

The IASB concluded that:

- there are no fatal flaws regarding the clarity or suitability of the core objectives or principles in the impairment requirements.
- in general, the requirements can be applied consistently. However, further clarification and application guidance is needed in some areas to support greater consistency in application.
- the benefits to users of financial statements from the information arising from applying the impairment requirements in IFRS 9 are not significantly lower than was expected. However, targeted improvements to credit risk disclosures are needed to enhance the usefulness of information for users.
- the costs of applying the impairment requirements and auditing and enforcing their application are not significantly greater than was expected.

Outcomes

The IASB applied the approach to assessing evidence (described on pages 9–10 of this Report) to the matters raised in the Post-implementation Review. Table 2 sets out the matters on which the IASB decided that further action or consideration would be needed based on feedback from stakeholders.

Table 2—Outcomes of matters that require further action or consideration

Matters to be added to the research pipeline	Outcome
Credit risk disclosures (See Table C9 of Appendix C to this Report for further details)	In May 2024 the IASB decided to add to its research pipeline a project to consider targeted improvements to the credit risk disclosure requirements in IFRS 7. Potential targeted improvements include: • clarifying particular requirements in IFRS 7 or adding requirements for disclosure of specific items of information that would satisfy the applicable disclosure objectives in most cases. These improvements would aim to link a specific disclosure objective with items of information that an entity is required to disclose to satisfy that objective, thereby assisting entities in meeting the disclosure objectives; and • considering whether the disclosure burden could be reduced for entities with no significant exposure to credit risk, for example, by reducing the disclosure requirements for financial instruments in the scope of the simplified approach for recognising expected credit losses.

Second phase—Summary of findings and the IASB's response *continued...*

... continued

Table 2—Outcomes of matters that require further action or consideration

Matters to be added to the research pipeline	Outcome
Application of the impairment requirements with other requirements in IFRS 9 (See Table C7 of Appendix C to this Report for further details)	As part of the IASB's response to the feedback on the Post-implementation Review of IFRS 9—Classification and Measurement, in July 2022 the IASB added to its research pipeline the Amortised Cost Measurement project to consider potential clarifications and further application guidance on the IFRS 9 requirements for modification, derecognition and write-off of financial instruments. At the time, the IASB acknowledged that there is an intersection between those requirements and the impairment requirements in IFRS 9. Therefore, the related matters identified in this Post-implementation Review would be considered as part of that project, including: • whether, or when, to account for changes in expected cash flows as a modification, derecognition, write-off or as expected credit losses; • whether to present a modification gain or loss as part of the impairment expense for the period or separately; • how to present a loss arising from writing-off a financial asset in the statement of profit or loss; and • how to account for the recovery of amounts after a financial asset has been written-off.
Matters to be considered as part of the next agenda consultation	**Outcome**
Financial guarantee contracts (See Table C4 of Appendix C to this Report for further details)	In April 2024 the IASB decided to classify as low priority the matters about financial guarantee contracts and to consider these matters in the next agenda consultation. These matters relate to: • determining whether a financial guarantee contract held qualifies for inclusion in the measurement of expected credit losses for the related financial instrument; • determining how to account for a financial guarantee contract held that does not qualify for inclusion in the measurement of expected credit losses; and • accounting for a financial guarantee contract issued, especially if the premiums are received over time.

The IASB decided to take no further action on the other matters identified in the Post-implementation Review.

A summary of the feedback on all these matters, including matters that were important or contentious when developing the requirements, and the IASB's responses are set out in Appendix C to this Report.

Appendix A—Questions in the Request for Information

Table A1—Questions in the Request for Information	
Number	**Questions**
1	**Impairment** **Do the impairment requirements in IFRS 9 result in:** **(a) more timely recognition of credit losses compared to IAS 39 and address the complexity caused by having multiple impairment models for financial instruments? Why or why not?** **(b) an entity providing useful information to users of financial statements about the effect of credit risk on the amount, timing and uncertainty of future cash flows? Why or why not?** Please provide information about the effects of the changes to the impairment requirements introduced by IFRS 9, including the ongoing costs and benefits of preparing, auditing, enforcing or using information about financial instruments. This question aims to help the IASB understand respondents' overall views and experiences relating to the IFRS 9 impairment requirements. Sections 2–9 of the Request for Information seek more detailed information on specific requirements.
2	**The general approach to recognising expected credit losses** **(a) Are there fundamental questions (fatal flaws) about the general approach? If yes, what are those fundamental questions?** Please explain whether requiring entities to recognise at least 12-month expected credit losses throughout the life of the instrument and lifetime expected credit losses if there has been a significant increase in credit risk achieves the IASB's objective of entities providing useful information about changes in credit risk and resulting economic losses. If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core objectives or principles of the general approach. **(b) Are the costs of applying the general approach and auditing and enforcing its application significantly greater than expected? Are the benefits to users significantly lower than expected?** If, in your view, the ongoing costs of applying the general approach to particular financial instruments are significantly greater than expected or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain your cost–benefit assessment for those instruments.

Appendix A—Questions in the Request for Information *continued...*

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Table A1—Questions in the Request for Information

Number	Questions
3	**Determining significant increases in credit risk** **(a) Are there fundamental questions (fatal flaws) about the assessment of significant increases in credit risk? If yes, what are those fundamental questions?** Please explain whether the principle-based approach of assessing significant increases in credit risk achieves the IASB's objective of recognising lifetime expected credit losses on all financial instruments for which there has been a significant increase in credit risk since initial recognition. If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core objectives or principles of the assessment of significant increases in credit risk. **(b) Can the assessment of significant increases in credit risk be applied consistently? Why or why not?** Please explain whether the requirements provide an adequate basis for entities to apply the assessment consistently to all financial instruments within the scope of impairment requirements in IFRS 9. If diversity in application exists for particular financial instruments or fact patterns, please explain and provide supporting evidence about how pervasive that diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. If you have identified diversity in application of the assessment, please provide your suggestions for resolving that diversity. In responding to (a) and (b), please include information about applying judgement in determining significant increases in credit risk (see Spotlight 3 of the Request for Information).

Appendix A—Questions in the Request for Information *continued...*

... continued

Table A1—Questions in the Request for Information

Number	Questions
4	**Measuring expected credit losses** **(a) Are there fundamental questions (fatal flaws) about requirements for measuring expected credit losses? If yes, what are those fundamental questions?** Please explain whether the requirements for measuring expected credit losses achieve the IASB's objective of providing users of financial statements with useful information about the amount, timing and uncertainty of an entity's future cash flows. If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core objectives or principles of the measurement requirements. **(b) Can the measurement requirements be applied consistently? Why or why not?** Please explain whether the requirements provide an adequate basis for entities to measure expected credit losses consistently for all financial instruments within the scope of impairment requirements in IFRS 9. If diversity in application exists for particular financial instruments or fact patterns, please explain and provide supporting evidence about how pervasive that diversity is and explain what causes it. Please also explain how the diversity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. If you have identified diversity in application of the requirements, please provide your suggestions for resolving that diversity. In responding to (a) and (b), please include information about forward-looking scenarios (see Spotlight 4.1 of the Request for Information), post-model adjustments or management overlays (see Spotlight 4.2 of the Request for Information) and off-balance-sheet exposures (see Spotlight 4.3 of the Request for Information), as relevant.
5	**Simplified approach for trade receivables, contract assets and lease receivables** **(a) Are there fundamental questions (fatal flaws) about the simplified approach? If yes, what are those fundamental questions?** Does applying the simplified approach achieve the IASB's objective of reducing the costs and complexities of applying IFRS 9 impairment requirements to trade receivables, contract assets and lease receivables? If not, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core objectives or principles of the simplified approach. **(b) Are the costs of applying the simplified approach and auditing and enforcing its application significantly greater than expected? Are the benefits to users significantly lower than expected?** If, in your view, the ongoing costs of applying the simplified approach are significantly greater than expected, or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain your cost–benefit assessment.

Appendix A—Questions in the Request for Information *continued...*

... continued

Table A1—Questions in the Request for Information

Number	Questions
6	**Purchased or originated credit-impaired financial assets** **Can the requirements in IFRS 9 for purchased or originated credit-impaired financial assets be applied consistently? Why or why not?** Please explain whether the requirements can be applied consistently to these types of financial assets and lead to accounting outcomes that faithfully reflect the underlying economic substance of these transactions. If there are specific application questions about these requirements, please describe the fact pattern and: (a) explain how the IFRS 9 requirements are applied; (b) explain the effects of applying the requirements (for example, the quantitative effect on an entity's financial statements or an operational effect); (c) explain how pervasive the fact pattern is; and (d) support your feedback with evidence.
7	**Application of the impairment requirements in IFRS 9 with other requirements** **Is it clear how to apply the impairment requirements in IFRS 9 with other requirements in IFRS 9 or with the requirements in other IFRS Accounting Standards? If not, why not?** If there are specific questions about how to apply the impairment requirements alongside other requirements, please explain what causes the ambiguity and how that ambiguity affects entities' financial statements and the usefulness of the resulting information to users of financial statements. Please describe the fact pattern and: (a) indicate the requirements in IFRS 9 or in other IFRS Accounting Standards to which your comments relate; (b) explain the effects of applying the requirements (for example, the quantitative effect on an entity's financial statements or an operational effect); (c) explain how pervasive the fact pattern is; and (d) support your feedback with evidence. In responding to this question, please include information about matters described in this section of the document.

Appendix A—Questions in the Request for Information *continued...*

... continued

Table A1—Questions in the Request for Information

Number	Questions
8	**Transition** **Were the costs of applying the transition requirements and auditing and enforcing their application significantly greater than expected? Were the benefits to users significantly lower than expected?** Please explain whether the combination of the relief from restating comparative information and the requirement for transition disclosures achieved an appropriate balance between reducing costs for preparers of financial statements and providing useful information to users of financial statements. Please explain any unexpected effects or challenges preparers of financial statements faced applying the impairment requirements retrospectively. How were those challenges overcome?
9	**Credit risk disclosures** **(a) Are there fundamental questions (fatal flaws) about the disclosure requirements in IFRS 7 for credit risk? If yes, what are those fundamental questions?** Please explain whether the combination of disclosure objectives and minimum disclosure requirements for credit risk achieves an appropriate balance between users of financial statements receiving: (i) comparable information—that is, the same requirements apply to all entities so that users receive comparable information about the risks to which entities are exposed; and (ii) relevant information—that is, the disclosures provided depend on the extent of an entity's use of financial instruments and the extent to which it assumes associated risks. If an appropriate balance is not achieved, please explain what you think are the fundamental questions (fatal flaws) about the clarity and suitability of the core objectives or principles of the disclosure requirements. **(b) Are the costs of applying these disclosure requirements and auditing and enforcing their application significantly greater than expected? Are the benefits to users significantly lower than expected?** If, in your view, the ongoing costs of providing specific credit risk disclosures are significantly greater than expected or the benefits of the resulting information to users of financial statements are significantly lower than expected, please explain your cost–benefit assessment for those disclosures. Please provide your suggestions for resolving the matter you have identified. If, in your view, the IASB should add specific disclosure requirements for credit risk, please describe those requirements and explain how they will provide useful information to users of financial statements. Please also explain whether entities' credit risk disclosures are compatible with digital reporting, specifically whether users of financial statements can effectively extract, compare and analyse credit risk information digitally.

Appendix A—Questions in the Request for Information *continued...*

... continued

Table A1—Questions in the Request for Information

Number	Questions
10	**Other matters** (a) **Are there any further matters that you think the IASB should examine as part of the post-implementation review of the impairment requirements in IFRS 9? If yes, what are those matters and why should they be examined?** Please explain why those matters should be considered in the context of this post-implementation review and the pervasiveness of any matter raised. Please provide examples and supporting evidence. (b) **Do you have any feedback on the understandability and accessibility of the impairment requirements in IFRS 9 that the IASB could consider in developing its future IFRS Accounting Standards?**

Appendix B—How the IASB gathered evidence

Public consultation through the Request for Information

In May 2023 the IASB published the Request for Information for public comment. The Request for Information was open for comment until 27 September 2023. The IASB received 79 comment letters, which are available on the IFRS Foundation's website.[1]

The data in these tables should be considered in conjunction with the stakeholder engagement events that were held during the project (see Tables B3 and B4).

Respondents to the Request for Information represented various stakeholder groups:

Table B1—Respondents by stakeholder type		
Type of respondent[2]	**Number of comment letters**	**Percentage of respondents (%)**
Accounting firms	9	12
Preparers and industry organisations	24	30
Regulators	7	9
Standard-setters or accountancy bodies	35	44
Users of financial statements	1	1
Other	3	4
Total	**79**	**100**

Respondents to the Request for Information represented various geographical regions:

Table B2—Respondents by geographical region		
Geographical region	**Number of comment letters**	**Percentage of respondents (%)**
Africa	5	6
Asia-Oceania	23	29
Europe	31	39
Latin America	4	5
North America	3	4
Global[3]	13	17
Total	**79**	**100**

1 Included in this total is one comment letter which was received after the comment period deadline.

2 Some comment letters include views of a group of mixed stakeholders which is not captured in Table B1 of this Report (for example, some comment letters from standard-setters also include the views of preparers or users of financial statements).

3 Includes comment letters from worldwide organisations.

Appendix B—How the IASB gathered evidence *continued...*

Stakeholder engagement

During the Post-implementation Review, the IASB met with a wide range of stakeholders at 30 stakeholder-engagement events which were held during the first phase of the project and 18 events which were held during its second phase. Stakeholders consulted included academics, users of financial statements, preparers, prudential and securities regulators, auditors, standard-setters and the IASB's consultative bodies (the Capital Markets Advisory Committee, the Global Preparers Forum, the Accounting Standards Advisory Forum and the Islamic Finance Consultative Group). Standard-setters or professional accountancy bodies facilitated some of these meetings.

Participants from various stakeholder groups attended the events:

Table B3—Participants by stakeholder type

Type of participant	Number of events	Percentage of events (%)
Academics	2	4
Accounting firms	6	12
Preparers and industry organisations	13	27
Regulators	3	6
Standard-setters	9	19
Users of financial statements	7	15
Mixed groups	8	17
Total	**48**	**100**

Participants from various geographical regions attended the events:

Table B4—Participants by geographical region

Geographical region	Number of events	Percentage of events (%)
Africa	1	2
Asia-Oceania	8	17
Europe	17	35
North America	3	6
Global[4]	19	40
Total	**48**	**100**

4 Includes worldwide participants.

Appendix B—How the IASB gathered evidence *continued...*

Review of academic research

During the Post-implementation Review, the IASB reviewed academic research papers that were:

- identified in the Social Science Research Network, Google Scholar or other databases of academic studies through a search using a set of keywords based on topics within the scope of the Post-implementation Review;
- submitted by academics who participated in meetings and the 2020 IASB Research Forum and the Special Issue of the 2022 Australian Accounting Review;
- submitted to a conference ('Accounting for an Ever-Changing World') jointly hosted in November 2022 by the IASB, the Financial Accounting Standards Board and the Accounting Review; or
- identified through other engagement between academics and the IASB.

During the Post-implementation Review, the IASB undertook two academic literature reviews, one before and the second after it published the Request for Information. However, the reviews did not identify any academic research which focused specifically on the application and effect of the credit risk disclosure requirements in IFRS 7. Consequently, in 2023, the IASB engaged a group of external academics to do so. In May 2024 the IASB discussed the resulting research.

The academic research found that:

- by applying IFRS 9, entities recognise credit losses on a more timely basis and provide more useful information to users of financial statements than they did by applying IAS 39;
- in most cases, the allowance for credit losses increased on transition to IFRS 9;
- some evidence suggests that the management judgement involved in applying IFRS 9 resulted in increased earnings management;
- users of financial statements face challenges in comparing credit risk information because of substantial diversity in how entities disclose credit risk information in financial statements;
- some evidence suggests that financial institutions decreased lending to small and medium-sized enterprises following the implementation of the impairment requirements of IFRS 9; and
- entities incurred higher audit fees after their transition to IFRS 9.

Appendix C—Feedback and the IASB's responses

Overall assessment of impairment requirements

<table>
<tr><th colspan="2">Table C1—Question 1 of the Request for Information</th></tr>
<tr><th>Summary of feedback</th><th>Summary of the IASB's response</th></tr>
<tr><td>Overall, feedback from stakeholders was positive. Almost all stakeholders shared the view that the impairment requirements in IFRS 9:
• result in more timely recognition of credit losses compared to IAS 39. They said that applying these requirements helped to resolve the problem of entities recognising credit losses 'too little, too late'.
• work as intended with no fatal flaws regarding the objectives and principles in the requirements; and
• generally result in an entity providing useful information about the effect of credit risk on the entity's future cash flows.
Most stakeholders said that the application of the impairment requirements during periods of economic crisis, such as the covid-19 pandemic, showed that the principles in IFRS 9 are robust and capable of representing changes in economic conditions and circumstances.
Although stakeholders did not identify any fatal flaws, they identified some areas for improvement. Most of this feedback related to two areas:
• the intersection between the impairment requirements and the requirements in IFRS 9 for modification, derecognition and write-off (see Table C7 of Appendix C to this Report); and
• the credit risk information disclosed to satisfy the disclosure objectives in IFRS 7 (see Table C9 of Appendix C to this Report).
Stakeholders acknowledged that, based on their overall positive experience with applying the requirements, no fundamental changes to the impairment requirements are needed.
Instead, they suggested that the IASB should clarify how the impairment requirements would apply in specific circumstances or to particular financial instruments, either by making narrow-scope amendments to the requirements or by including additional application guidance or illustrative examples.</td><td>This question was intended to help the IASB understand the overall views of stakeholders about the impairment requirements in IFRS 9.
The IASB considered stakeholders' overall feedback, the responses to questions 2–10 of the Request for Information, feedback from stakeholders in outreach meetings and the findings from the academic research.
The IASB concluded that the impairment requirements in IFRS 9 are working as intended and that no fundamental changes to the requirements are needed.[5]</td></tr>
</table>

5 For further details see Agenda Paper 27A from the IASB's November 2023 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

The general approach to recognising expected credit losses

Table C2—Question 2 of the Request for Information

Summary of feedback	Summary of the IASB's response
Almost all stakeholders said the general approach to recognising expected credit losses has no fatal flaws and that it works well for most financial instruments. Many stakeholders said that requiring an entity to distinguish between 12-month and lifetime expected credit losses based on the extent of increases in credit risk since initial recognition provides useful information about changes in credit risk over time. Users of financial statements said that, in their view, a significant increase in credit risk since initial recognition is an indication that an economic loss has occurred. Therefore, the movement from 12-month to lifetime expected credit losses is an important element of their analysis of an entity's exposure to credit risk. However, some stakeholders suggested the IASB should clarify how the general approach to recognising expected credit losses is applied to specific types of financial instruments. In their view, such clarification is needed to achieve a better balance between the costs of applying the requirements and the benefits to users of financial statements. The specific types of instruments identified by stakeholders include: • financial instruments between entities under common control, such as intragroup financial instruments; and • financial instruments not issued on market-based terms or for reasons that are not solely commercial. A few stakeholders also asked the IASB to reconsider the application of the general approach to purchased financial assets that are not credit-impaired at initial recognition. This feedback included questions about the intersection between requirements in IFRS 9 and IFRS 3 *Business Combinations* related to initial recognition of purchased financial assets.	The IASB decided to take no action on matters related to the general approach. Feedback indicated that the approach works well for most financial instruments. In considering matters raised by some stakeholders, the IASB noted that the impairment approach in IFRS 9 is principle-based and thus requires the application of judgement. The IASB emphasised that IFRS 9 requires an entity to recognise expected credit losses based on reasonable and supportable information that is available to the entity without undue cost or effort. IFRS 9 therefore both requires and allows entities to adjust their approach to determining expected credit losses according to the circumstances. The IASB also noted that IFRS 9 does not require an entity to follow a mechanistic approach to estimating expected credit losses or to determining whether a significant increase in credit risk has occurred. In the IASB's view, by tailoring its approach and making use of reasonable and supportable information, as well as using the simplifications and practical expedients available in IFRS 9, an entity would avoid application costs that exceed the benefits from the resulting information to users of financial statements. The IASB also considered the feedback from a few stakeholders that suggested the IASB should amend the approach for recognising expected credit losses on purchased financial assets that are not credit impaired at initial recognition. However, the IASB noted that such a change would not only be a fundamental change to IFRS 9 but would also create an arbitrary distinction between originated and purchased financial assets. In the IASB's view, based on the overall feedback that the requirements are working as intended and that there are no fatal flaws, making such a fundamental change to the impairment requirements is not justified.[6]

6 For further details see Agenda Paper 27A from the IASB's February 2024 meeting and Agenda Paper 27C from the IASB's May 2024 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

Determining significant increases in credit risk

Table C3—Question 3 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
Almost all stakeholders supported the principle-based approach to assessing whether significant increases in credit risk had occurred. They said the approach generally works as intended and has no fatal flaws. Many preparers said the principles allow them to align the approaches to assessing significant increases in credit risk with their credit risk management practices. Doing so reduces the incremental costs of applying the requirements and ultimately results in a faithful representation of changes in credit risk and the resulting expected credit losses. Although stakeholders did not identify any fatal flaws in the requirements, many said that they are not necessarily applied consistently. They said the differences in the approaches used to assess significant increases in credit risk cannot always be attributed to differences in how entities manage credit risk. To support a more consistent and robust application of the requirements, some of these stakeholders suggested the IASB should clarify the requirements and provide further application guidance or illustrative examples in some areas. Specifically, stakeholders suggested the IASB should: • clarify the objective of determining significant increases in credit risk; • provide more explicit application guidance about the use of the low credit risk exemption in paragraph 5.5.10 of IFRS 9; and • provide more explicit application guidance or examples to illustrate how an entity could assess significant increases in credit risk on a collective basis.	The IASB decided to take no action on matters related to the requirements for determining significant increases in credit risk. Feedback indicated that the principle-based assessment of significant increases in credit risk is generally working as intended. In considering requests from stakeholders for further clarifications, application guidance or illustrative examples, the IASB noted that such requests provide no evidence that the IFRS 9 requirements or related guidance are unclear, inappropriate, or insufficient. Most of the requests for more explicit guidance related to the application of judgement, particularly in complex fact patterns. IFRS 9 acknowledges that the credit risk assessment is a multifactor and holistic analysis based on information relevant for a particular financial instrument and subject to the availability of reasonable and supportable information. In the IASB's view, IFRS 9 already provides robust principles, simplifications, rebuttable presumptions and illustrative examples to enable entities to align the assessment with their internal credit risk management practices. Adding further requirements or application guidance would risk making the requirements rule based. Determining significant increases in credit risk is a fundamental element of the expected credit loss model. The IASB considered that adding more prescriptive application guidance could also reduce the alignment with entities' internal credit risk management practices, which would ultimately reduce the usefulness of information for users of financial statements. Therefore, in the IASB's view, any amendments or clarifications to the requirements would have a significant risk of unintended consequences, which is not justified by the overall feedback.[7]

7 For further details see Agenda Paper 27B from the IASB's February 2024 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

Measuring expected credit losses

Table C4—Question 4 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
Overall Feedback Almost all stakeholders said the principle-based requirements to measure expected credit losses work well in practice; no fatal flaws in the requirements were identified. However, many stakeholders identified diversity in the application of the requirements in some areas. Most of this feedback related to forward-looking information, post-model adjustments or management overlays, loan commitments and financial guarantee contracts. See the feedback and the IASB's response for each topic below.	

Appendix C—Feedback and the IASB's responses *continued...*

... continued

Table C4—Question 4 of the Request for Information

Summary of feedback	Summary of the IASB's response
Forward-looking information Many stakeholders said there is diversity in practice related to: • the number of forward-looking scenarios that entities use; • the variables on which forward-looking scenarios are based; and • the weightings entities assign to a particular scenario. Stakeholders also identified diversity in how information about forward-looking scenarios is disclosed in entities' financial statements (see Table C9 of Appendix C to this Report). These stakeholders suggested that the IASB should clarify the objective of forward-looking scenarios—that is, what entities are expected to achieve in developing them. A few of these stakeholders suggested that the IASB should specifically require an entity to consider material non-linearities in the distribution of potential credit losses, in developing the forward-looking scenarios for use to measure expected credit losses. Some stakeholders also suggested the IASB should add application guidance and examples to IFRS 9 to illustrate whether, and if so how, entities are required to include the effect of climate-related risks when measuring expected credit losses.	The IASB decided to take no action on matters related to forward-looking information. Feedback indicated that the requirements on forward-looking information are working as intended. However, the IASB decided to explore making targeted improvements to the disclosure requirements about credit risk in this area (see Table C9 of Appendix C to this Report). The IASB has already tentatively decided to add an illustrative example as part of its project on Climate-related and other uncertainties in the financial statements about disclosure of the effect of climate risk on an entity's expected credit losses. In considering other matters raised by stakeholders, the IASB noted that IFRS 9 requires an estimate of expected credit losses to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. Accordingly, an entity is required to apply judgement in determining the appropriate number of forward-looking scenarios and the probabilities assigned to each scenario that will provide an unbiased outcome, which by its nature also captures significant non-linearities. The IASB considered that such judgements will depend on facts that are present and circumstances that are specific to the entity and its exposure to credit risk. Therefore, in the IASB's view, any amendment to elaborate on the objective of scenario analysis would not automatically result in more consistent outcomes. IFRS 9 requires an entity to consider reasonable and supportable information that could affect the measurement of expected credit losses. Accordingly, entities are required to consider at the reporting date reasonable and supportable information that is available without undue cost or effort about the effect of climate risk—similar to any other type of risk—on an entity's credit risk exposures.

Appendix C—Feedback and the IASB's responses *continued...*

... continued

Table C4—Question 4 of the Request for Information

Summary of feedback	Summary of the IASB's response
Post-model adjustments or management overlays Many stakeholders said that in recent years entities have been increasingly making use of post-model adjustments or management overlays to capture the effect of emerging risks in measuring expected credit losses. Stakeholders said these adjustments are a helpful tool to support the timely recognition of expected credit losses because they compensate for a lack of appropriate data or limitations in entities' statistical models. Many stakeholders acknowledged that IFRS 9 and IFRS 7 set out the requirements for the measurement and disclosure of expected credit losses and the same requirements apply, regardless of the method or technique that an entity uses to recognise them. However, stakeholders said diversity in practice has developed in the way post-model adjustments or management overlays are used, including how they are recognised and repurposed. Stakeholders also said there is a general lack of transparency about why a post-model adjustment is recognised and what information an entity considers in determining the magnitude of the adjustments. In their view, the lack of appropriate disclosure about the use of post-model adjustments reduces the usefulness of information about expected credit losses for users of financial statements. Some stakeholders suggested that the IASB should provide guidance on the application of IFRS 9 to achieve greater consistency in when and how entities make use of post-model adjustments. Other stakeholders suggested that the IASB should include specific disclosure requirements in IFRS 7 to enhance transparency about the use of such adjustments.	The IASB decided to take no action on matters related to the use of post-model adjustments when measuring expected credit losses. Feedback indicated that amending IFRS 9 in this respect is not warranted. However, the IASB decided to consider potential improvements in the disclosure requirements about credit risk, including on the disclosure of adjustments made by management in measuring expected credit losses (see Table C9 of Appendix C to this Report). When developing the requirements in IFRS 9, the IASB decided not to list acceptable techniques or methods for measuring expected credit losses. The IASB was concerned that doing so might rule out other appropriate methods for measuring expected credit losses or be interpreted as providing unconditional acceptance of a particular method. Regardless of the techniques used for measuring expected credit losses, IFRS 9 sets out robust principles in accordance with which an entity is required to measure expected credit losses. That measurement reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. When such information cannot be included in an entity's statistical models for estimating expected credit losses, post-model adjustments may need to be made to meet the measurement objective. The IASB noted that determining whether, or how, to make use of post-model adjustments in a way that is consistent with the principles of IFRS 9 requires the use of judgement.

Appendix C—Feedback and the IASB's responses *continued...*

... continued **Table C4—Question 4 of the Request for Information**	
Summary of feedback	**Summary of the IASB's response**
Loan commitments Some stakeholders identified application matters about the requirements for recognising expected credit losses on loan commitments and suggested the IASB should clarify the requirements or provide additional application guidance to support consistent application. Those matters mainly focused on: • the lack of a definition for a loan commitment; • the scope of the exception to measure expected credit losses over a period that is longer than the maximum contractual period; and • how to apply the requirements for determining the period over which an entity is exposed to credit risk when that period is longer than the contractual period.	The IASB decided to take no action on matters related to loan commitments. To identify the root cause of the application matters raised and gather evidence on whether such matters result in substantial consequences in practice, the IASB further consulted with members of the Committee and the Accounting Standards Advisory Forum. The additional input from members of the Committee and the Accounting Standards Advisory Forum indicated that the impairment requirements in IFRS 9 work well for most loan commitments. In particular: • applying the definition of a financial instrument in IAS 32 *Financial Instruments: Presentation* and the description of a loan commitment in the Basis for Conclusions on IFRS 9 provide an adequate basis to determine whether a financial instrument is a loan commitment; and • the application guidance in IFRS 9 appropriately describes the characteristics of the financial instruments to which the measurement exception applies and how to determine the period over which an entity is exposed to credit risk. The IASB concluded that the evidence gathered indicates that although loan commitments are pervasive, no substantial operational or financial reporting consequences arise from the matters raised because, in most cases, the applicable requirements in IFRS 9 and the application guidance provide an adequate basis for entities to determine the appropriate accounting outcome.

Appendix C—Feedback and the IASB's responses *continued...*

... continued Table C4—Question 4 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
Financial guarantee contracts Stakeholders raised three application questions on financial guarantee contracts: • how to assess whether a held financial guarantee contract qualifies for inclusion in the measurement of expected credit losses for the related financial instrument; • if a held financial guarantee contract does not qualify for inclusion in the measurement of expected credit losses, how to separately account for it applying IFRS Accounting Standards; and • how to account for an issued financial guarantee contract, including how to calculate expected credit losses, if premiums are received over time. Stakeholders suggested the IASB should clarify the requirements or provide additional application guidance to support consistent application.	The IASB noted that some of these questions also relate to the requirements in other IFRS Accounting Standards (for example, requirements in IFRS 17 *Insurance Contracts* or in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). To identify the root cause of the application questions raised and gather evidence on whether such matters result in substantial consequences in practice, the IASB further consulted with members of the Committee and the Accounting Standards Advisory Forum. The additional input from members of the Committee and the Accounting Standards Advisory Forum indicated that, even though no substantial financial reporting consequences arise in practice, these questions arise frequently. These members said that these questions arise because of insufficient specific requirements for financial guarantee contracts in IFRS Accounting Standards. The IASB decided to classify matters related to financial guarantee contracts as low-priority matters and consider them in the next agenda consultation. Considering the matters as part of the agenda consultation would help the IASB to obtain a more complete view about the application of the requirements in various IFRS Accounting Standards to financial guarantee contracts. Accordingly, considering the matters that way would provide the IASB with better information in order to assess whether actions are needed to effectively address the accounting for financial guarantee contracts.[8]

8 For further details see Agenda Paper 27A from the IASB's March 2024 meeting and Agenda Paper 27A from the IASB's April 2024 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

Simplified approach for trade receivables, contract assets and lease receivables

<table>
<tr><th colspan="2">Table C5—Question 5 of the Request for Information</th></tr>
<tr><th>Summary of feedback</th><th>Summary of the IASB's response</th></tr>
<tr><td>Most stakeholders who provided feedback about the simplified approach said it has no fatal flaws. The approach achieves the objective of reducing preparers' application costs without significantly reducing the usefulness of information for users of financial statements.

These stakeholders noted that the simplified approach is widely applied by non-financial entities and is generally appropriate for entities without sophisticated credit risk management systems.

Some stakeholders nonetheless identified difficulties:
• in including forward-looking information in the measurement of expected credit losses; and
• in applying the simplified approach to financial instruments for which there is a lack of historical loss data (such as trade receivables arising in new markets or between related parties).

These stakeholders suggested the IASB should provide application guidance or illustrative examples to assist entities in applying the simplified approach.</td><td>The IASB decided to take no action on the matters related to the simplified approach for recognising expected credit losses. The feedback indicated that the simplified approach is working as intended.

In response to the matters raised by stakeholders, the IASB noted that IFRS 9 requires an entity to measure expected credit losses based on reasonable and supportable information that is available to the entity without undue cost or effort. IFRS 9 acknowledges that, in some cases, the best reasonable and supportable information available to an entity could be unadjusted historical information.

IFRS 9 also provides several reliefs that are relevant to the simplified approach. For example:
• an exhaustive search for information is not required. IFRS 9 explains that an entity may use various sources of data (internal or external) that are relevant to the estimate of expected credit losses. This relief may mean that entities with little historical information could base their estimates on (i) internal reports and statistics (which may, for example, have been generated when deciding whether to launch a new product), (ii) information they have about similar products, or (iii) information from peer group experience for comparable financial instruments.
• IFRS 9 provides practical expedients to estimate expected credit losses—for example, using a provision matrix for trade receivables.[9]</td></tr>
</table>

9 For further details see Agenda Paper 27C from the IASB's May 2024 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

Purchased or originated credit-impaired financial assets

<table>
<tr><th colspan="2">Table C6—Question 6 of the Request for Information</th></tr>
<tr><th>Summary of feedback</th><th>Summary of the IASB's response</th></tr>
<tr><td>Most stakeholders said the requirements in IFRS 9 for purchased or originated credit-impaired financial assets can be applied consistently to these types of financial assets and lead to accounting outcomes that faithfully reflect their underlying economic substance.

However, some of these stakeholders raised application questions, such as:
• whether decreases in credit risk beyond the initial estimate are recognised against the allowance for expected credit losses or as an adjustment to the gross carrying amount of the financial asset; and
• the intersection of the requirements for purchased or originated credit-impaired financial assets and the requirements for modification and derecognition in IFRS 9.</td><td>In response to findings from the Post-implementation Review of IFRS 9—Classification and Measurement, the IASB has already decided to consider, as part of the Amortised Cost Measurement project, potential clarifications and application guidance about assessing whether the modification of a financial asset results in derecognition (see Table C7 of Appendix C to this Report).

The intersection of the modification requirements with the requirements for purchased or originated credit-impaired financial assets will also be considered as part of that project.

The IASB decided to take no action on the other matters raised. The applicable IFRS 9 requirements and related application guidance already provide an adequate basis for determining the accounting outcomes in the fact patterns identified by stakeholders.

In particular:
• IFRS 9 requires an entity to recognise cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. The term 'cumulative' makes it clear that all changes in expected credit losses (increases or decreases) since initial recognition of a purchased or originated credit-impaired financial asset are recognised as a loss allowance in the statement of financial position.
• Appendix A to IFRS 9 provides sufficient clarity on assessing whether a financial asset meets the definition of a 'credit-impaired' asset.[10]</td></tr>
</table>

10 For further details see Agenda Paper 27B from the IASB's April 2024 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

Application of impairment requirements with other requirements in IFRS 9

Table C7—Question 7 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
Intersection between impairment and other requirements in IFRS 9 Most stakeholders identified some application matters relating to the intersection between the impairment requirements and the requirements in IFRS 9 for modification, derecognition (including forgiveness) and write-off of financial assets. Most feedback suggested the IASB should clarify the definition of a credit loss in IFRS 9 or add clarifications and application guidance about requirements on modification, derecognition, write-off, and their consequential effects on the recognition of expected credit losses. *Definition of a credit loss in IFRS 9* Although many stakeholders acknowledged that the definition of a credit loss in IFRS 9 refers to 'all cash shortfalls', they raised concerns about the potential implications of this definition.[11] Some of these stakeholders said the recognition of expected credit losses should be limited to the cash shortfalls resulting from the deterioration of a borrower's credit risk and not include cash shortfalls that might arise for other reasons. They asked the IASB to amend the definition of a credit loss accordingly. *...continued*	The IASB decided it need not amend the definition of a credit loss in IFRS 9 because the feedback provides no evidence that applying the definition results in inappropriate accounting outcomes. The IASB also considered that amending the definition of a credit loss, as suggested by some stakeholders, could result in an entity overstating the carrying amount of a financial asset. A credit loss might not be recognised, even when information available indicates that the entity expects not to recover all cash flows included in the gross carrying amount or to recover those cash flows later than when contractually due. Such an outcome would be inconsistent with the objective of the impairment requirements in IFRS 9 and cause delay in recognition of credit losses. However, the IASB acknowledged that an expectation of not recovering all contractual cash flows does not automatically result in recognition of a credit loss. The IASB noted that it is important for an entity to apply the various applicable requirements in IFRS 9 in the correct order. Specifically, the impairment requirements are applied based on the gross carrying amount of a financial asset. An entity, therefore, first applies the applicable requirements in IFRS 9 to adjust the gross carrying amount. Thereafter, an entity applies the impairment requirements to measure the expected credit losses based on the gross carrying amount using reasonable and supportable information that is available without undue cost or effort.

11 Appendix A of IFRS 9 defines a credit loss as the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (ie all cash shortfalls), discounted at the relevant effective interest rate. This definition is consistent with requirements in IFRS 9 (see paragraphs B5.5.28–B5.5.29 of IFRS 9).

Appendix C—Feedback and the IASB's responses *continued...*

... *continued* **Table C7—Question 7 of the Request for Information**	
Summary of feedback	**Summary of the IASB's response**
Intersection between requirements in IFRS 9 Some other stakeholders said, although they agree with the current definition of a credit loss, the IASB should clarify the requirements and provide application guidance about how to distinguish between cash shortfalls that are accounted for as credit losses versus those accounted for as modifications, derecognitions or write-offs applying IFRS 9. Many stakeholders also asked the IASB to clarify the accounting for financial assets that have been modified, including both those that are credit-impaired at the time of the modification and those that are not.	In response to the findings from the Post-implementation Review of IFRS 9—Classification and Measurement, the IASB had added to its research pipeline the Amortised Cost Measurement project to consider potential clarifications and further application guidance on the IFRS 9 requirements for the modification, derecognition and write-off of financial instruments. The IASB noted that these requirements intersect with the impairment requirements in IFRS 9 and, consequently, the related findings from the post-implementation review of impairment requirements ought to be considered in the same project, to avoid risk of unintended consequences. Feedback on this Post-implementation Review confirmed the IASB's view. Therefore, matters identified in this Post-implementation Review—related to that intersection—will be considered as part of the Amortised Cost Measurement project. These matters include: • whether, or when, to account for changes in expected cash flows as a modification, derecognition, write-off or as expected credit losses; • whether to present a modification gain or loss as part of the impairment expense for the period or separately; • how to present a loss arising from writing-off a financial asset in the statement of profit or loss; and • how to account for the recovery of amounts after a financial asset has been written-off.

Appendix C—Feedback and the IASB's responses *continued...*

... continued	
Table C7—Question 7 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
Intersection between the impairment requirements in IFRS 9 and other IFRS Accounting Standards Some stakeholders said they experience challenges in applying the impairment requirements in IFRS 9 with the requirements in IFRS 15 *Revenue from Contracts with Customers*. These stakeholders raised a few application matters, such as how to account for price reductions when an entity accepts lower consideration from a customer. Such price reductions could arise because of a deterioration in a customer's credit risk or for commercial reasons (such as to enhance a customer relationship). These stakeholders asked whether entities are required to account for such reductions by applying IFRS 15 (as a price concession which reduces revenue) or by applying IFRS 9 (as expected credit losses). A few stakeholders also raised application questions related to applying IFRS 9 with other IFRS Accounting Standards, such as IFRS 16 *Leases*.	The IASB decided to take no action on matters related to the intersection between the impairment requirements in IFRS 9 and the requirements in other IFRS Accounting Standards. No action is required because the feedback indicated that there are no fatal flaws in these requirements. The IASB noted that the impairment requirements in IFRS 9 are applied to the gross carrying amount of trade receivables and contract assets arising from IFRS 15 or of lease receivables arising from IFRS 16. In other words, the impairment requirements are applied to these assets after their gross carrying amount has been determined in accordance with another IFRS Accounting Standard.[12]

12 For further details see Agenda Paper 27C and Agenda Paper 6A from the IASB's April 2024 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

Transition

Table C8—Question 8 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
Stakeholders provided little feedback on this topic. Some stakeholders said the transition requirements generally worked well and that the reliefs provided were helpful in reducing costs for preparers. Stakeholders also said the combination of the relief from restating comparative information and the requirement for transition disclosures achieved an appropriate balance between reducing preparers' costs and providing useful information to users of financial statements. Disclosure of the reconciliation of impairment allowances under IAS 39 and IFRS 9 was considered particularly useful. A few stakeholders suggested a similar approach be considered in the future for major amendments to IFRS Accounting Standards.	This question was intended to help the IASB understand whether the transition approach for the impairment requirements in IFRS 9 was adequate. The IASB made no decisions in relation to this question because the feedback generally acknowledged that the requirements and reliefs provided on transition to IFRS 9 achieved a good balance between costs and benefits.[13]

13 For further details see Agenda Paper 27D from the IASB's May 2024 meeting.

Appendix C—Feedback and the IASB's responses *continued...*

Credit risk disclosures

Table C9—Question 9 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
Most stakeholders were of the view that the credit risk disclosure requirements in IFRS 7 had no fatal flaws. They said the combination of disclosure objectives and specific disclosure requirements is the right approach for a general-purpose—rather than an industry-specific—Standard, such as IFRS 7. These stakeholders also viewed the disclosure objectives as appropriate and complete. However, most stakeholders—including users of financial statements—reported diversity in the information entities disclose about their credit risk exposures and expected credit losses. Most feedback related to specific disclosures, such as: • sensitivity analysis; • post-model adjustments or management overlays; • significant increases in credit risk; • forward-looking information; and • the reconciliation of the expected credit loss allowance and changes in gross carrying amounts. To achieve greater consistency in the credit risk information disclosed by entities, most stakeholders suggested the IASB should add or amend specific disclosure requirements to meet the objectives, accompanied by application guidance or illustrative examples. However, some of the stakeholders who suggested improvements to IFRS 7 also asked the IASB to consider the proportionality of any potential improvements. They noted the importance of requiring comprehensive disclosures by entities that have significant credit risk exposures (such as financial institutions) while not unnecessarily burdening entities that have no significant credit risk exposures.	The IASB decided to add a narrow-scope project to its research pipeline to make targeted improvements to the credit risk disclosure requirements in IFRS 7. The feedback received identified no fatal flaws in the clarity and suitability of the credit risk disclosure objectives or principles in IFRS 7. However, in the light of feedback about diversity in the volume and quality of information being disclosed about credit risk, the IASB decided to explore making targeted improvements to the credit risk disclosure requirements in IFRS 7. Potential targeted improvements include: • clarifying particular requirements in IFRS 7 or adding requirements for disclosure of specific items of information that would satisfy the applicable disclosure objectives in most cases. These improvements would aim to link a specific disclosure objective with items of information that an entity is required to disclose to satisfy that objective, thereby assisting entities in meeting the disclosure objectives; and • considering whether the disclosure burden could be reduced for entities with no significant exposure to credit risk, for example, by reducing the disclosure requirements for financial instruments in the scope of the simplified approach for recognising expected credit losses. The IASB noted that the potential targeted improvements to IFRS 7 would be developed using the Guidance for developing and drafting disclosure requirements in IFRS Accounting Standards.[14]

14 For further details see Agenda Paper 27B from the IASB's May 2024 meeting.

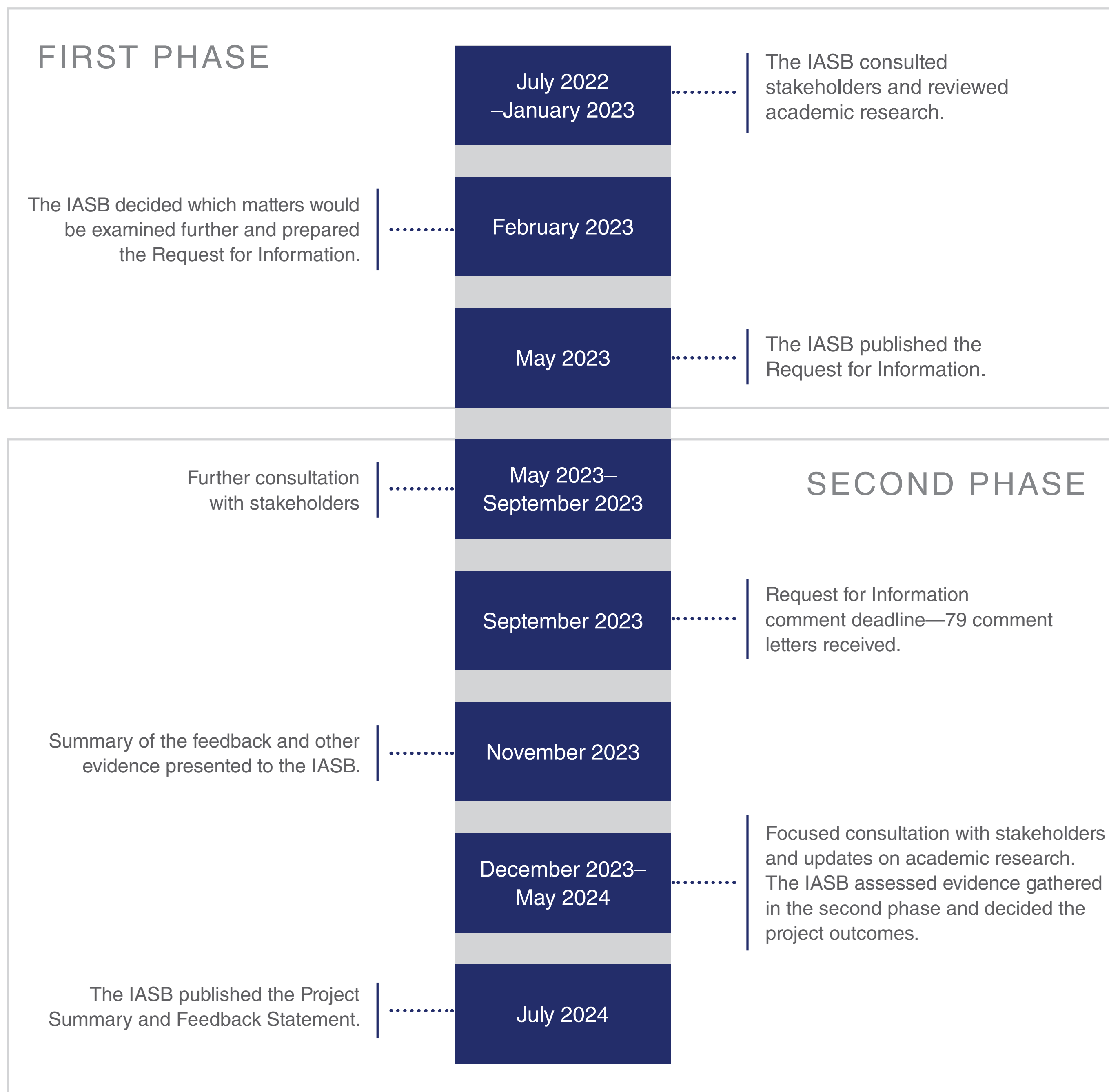
Appendix C—Feedback and the IASB's responses *continued...*

Other matters

Table C10—Question 10 of the Request for Information	
Summary of feedback	**Summary of the IASB's response**
The main matter reported in response to this question—related to accounting for financial guarantee contracts issued by an entity for which premiums are received over time—is discussed in a separate table (see Table C4 of Appendix C to this Report).	See Table C4 of Appendix C to this Report.[15]

15 For further details see Agenda Paper 27D from the IASB's May 2024 meeting.

Appendix D—Timeline of the Post-implementation Review



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