IFRS 9 – Review of impairment requirements

31 May 2023

Global IFRS Institute | Sustainability reporting

Mahesh Narayanasami
Partner
KPMG US, DPP New York

"Companies have applied the expected loss model for some years now and it appears that it is generally working well, including during periods of high economic uncertainty, such as the COVID-19 pandemic. However, some issues have arisen in practice that could benefit from further guidance and clarification. Now is your chance to highlight your thoughts and concerns to the IASB."

Take this opportunity to have your say on their application

Highlights

- **What is the IASB seeking feedback on?**
- **What are its specific areas of interest?**
- **What's next? Share your views by 27 September 2023**

To understand whether the accounting standard is working as intended, the International Accounting Standards Board (IASB) is undertaking a **post-implementation review** (PIR) of the impairment requirements in IFRS 9 *Financial Instruments*.

What is the IASB seeking feedback on?

The IASB is seeking feedback on whether:

- the requirements provide useful information to users of financial statements about a company's expected credit losses (ECL);
- there are fundamental problems with the requirements;
- the costs of applying the requirements are significantly greater than expected; and
- there are specific application questions.

What are its specific areas of interest?

The IASB asks the following specific questions.

Area	IASB's areas of interest
Recognising expected credit losses	• How the general approach affects the usefulness of information about changes in credit risk for users of the financial statements • The costs and benefits of applying the approach to particular financial instruments
Significant increase in credit risk (SICR)	• The use of judgement in determining SICR • The causes and extent of diversity in companies' assessment of SICR

Area	IASB's areas of interest
Measuring ECL	• Using multiple forward-looking scenarios • Measuring ECL in periods of increased economic uncertainty, including the use of post-model adjustments or management overlays • Applying the ECL requirements to off-balance sheet exposures
Simplified approach to recognising ECL for trade receivables, contract assets and lease receivables	• The effects of the relief provided by the simplified approach • Using a provision matrix
Disclosure requirements for credit risk in IFRS 7 *Financial Instruments: Disclosures*	• Whether the combination of disclosure objectives and minimum disclosure requirements achieves an appropriate balance between comparable information and relevant information for users of financial statements about the effect of credit risk on the amount, timing and uncertainty of future cash flows • The compatibility of the requirements with digital reporting
Other	• Purchased or originated credit-impaired financial assets • Applying the ECL requirements alongside other requirements in IFRS 9 (e.g. modification and write-off) or in other IFRS® Accounting Standards • The effects of transition reliefs

Have your say

Take this opportunity to share your feedback with the IASB on the specific areas and any other concerns you may have before 27 September 2023.

Publication name: *IFRS 9 – Review of impairment requirements*

Publication date: May 2023

home.kpmg/ifrs