IFRS® Accounting

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Annual Improvements

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Volume 11

International Accounting Standards Board

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Annual Improvements
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IFRS® Accounting Standards Annual Improvements—Volume 11 is issued by the International Accounting Standards Board (IASB).

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Contents

Introduction

IN1 This document sets out amendments made by the International Accounting Standards Board (IASB). The amendments are part of Annual Improvements to IFRS® Accounting Standards.

IN2 Annual improvements provide a mechanism for the IASB to efficiently issue a collection of minor amendments to the Accounting Standards. In accordance with the IASB's due process as described in the IFRS Foundation *Due Process Handbook*, annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards.

IN3 Table 1 lists the amended Accounting Standards and accompanying guidance and the subjects of the amendments.

Table 1—Summary of amendments

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Approval by the International Accounting Standards Board of *Annual Improvements to IFRS Accounting Standards—Volume 11* issued in July 2024

Annual Improvements to IFRS Accounting Standards—Volume 11 was approved for issue by all 14 members of the International Accounting Standards Board.

Andreas Barckow	Chair
Linda Mezon-Hutter	Vice-Chair
Nick Anderson	
Patrina Buchanan	
Tadeu Cendon	
Florian Esterer	
Zach Gast	
Hagit Keren	
Jianqiao Lu	
Bruce Mackenzie	
Bertrand Perrin	
Rika Suzuki	
Ann Tarca	
Robert Uhl	

Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 39AK is added. For ease of reading, this paragraph has not been underlined.

Effective date

...

39AK *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in July 2024, amended paragraphs B5–B6. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Appendix B
Exceptions to the retrospective application of other IFRSs

Paragraphs B5–B6 are amended. New text is underlined and deleted text is struck through.

Hedge accounting

...

B5 An entity shall not reflect in its opening IFRS statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with IFRS 9 (for example, many hedging relationships where the hedging instrument is a stand-alone written option or a net written option; or where the hedged item is a net position in a cash flow hedge for another risk than foreign currency risk) (see paragraph 6.4.1(a) of IFRS 9). However, if an entity designated a net position as a hedged item in accordance with previous GAAP, it may designate as a hedged item in accordance with IFRSs an individual item within that net position, or a net position if that meets the requirements in paragraph 6.6.1 of IFRS 9, provided that it does so no later than the date of transition to IFRSs.

B6 If, before the date of transition to IFRSs, an entity had designated a transaction as a hedge but the hedge does not meet the qualifying criteria ~~conditions~~ for hedge accounting in paragraph 6.4.1(b)–(c) of IFRS 9, the entity shall apply paragraphs 6.5.6 and 6.5.7 of IFRS 9 to discontinue hedge accounting. Transactions entered into before the date of transition to IFRSs shall not be retrospectively designated as hedges.

Amendments to the Basis for Conclusions on IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraphs BC80ZA–BC80ZD are added after paragraph BC80. For ease of reading, these paragraphs have not been underlined. Footnotes to the subheadings are not reproduced.

Opening IFRS balance sheet

...

Retrospective designation

...

Hedge accounting

...

BC80ZA In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards — Volume 11*, which amended paragraphs B5–B6 of IFRS 1:

(a) to improve their consistency with the requirements in IFRS 9; and

(b) to add cross-references to improve the understandability of IFRS 1.

BC80ZB IFRS 9, issued in July 2014, amended paragraphs B1–B6 of IFRS 1. These amendments replaced references to IAS 39 with references to IFRS 9. The amendments to paragraph B5 of IFRS 1 updated examples of hedging relationships that do not qualify for hedge accounting in accordance with IFRS 9. When the IASB issued IFRS 9, it did not intend to change the requirements in paragraph B5 or paragraph B6 of IFRS 1. Paragraph B5 remains focused on the 'eligibility' of a hedging relationship, and paragraph B6 on the other aspects of the qualifying criteria.

BC80ZC Stakeholders informed the IASB about potential confusion arising from an inconsistency between the wording of paragraph B6 of IFRS 1 and the requirements for hedge accounting in IFRS 9. Paragraph B6 of IFRS 1 referred to 'conditions' for hedge accounting, whereas Section 6.4 of IFRS 9 sets out 'qualifying criteria'. Paragraph B6 of IFRS 1 was originally written to be consistent with the requirements for hedge accounting in IAS 39. However, in accordance with IFRS 1, first-time adopters of IFRS Accounting Standards are required to apply IFRS 9 instead of IAS 39. The IASB therefore updated the wording in paragraph B6 of IFRS 1 to reflect the requirements in IFRS 9.

BC80ZD The IASB observed that the qualifying criteria for hedge accounting in paragraph 6.4.1(a) of IFRS 9 include the requirement for a hedging relationship to consist only of eligible hedging instruments and eligible hedged items. To clarify that the requirements in paragraphs B5–B6 of IFRS 1 are complete and do not override the qualifying criteria for hedge accounting in IFRS 9, the IASB added:

(a) a cross-reference to paragraph 6.4.1(a) of IFRS 9 in paragraph B5 of IFRS 1; and

(b) a cross-reference to paragraph 6.4.1(b)–(c) of IFRS 9 in paragraph B6 of IFRS 1.

Amendments to IFRS 7 *Financial Instruments: Disclosures*

Paragraph 44NN is added. For ease of reading, this paragraph has not been underlined.

Effective date and transition

...

44NN *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in July 2024, amended paragraph B38. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Appendix B
Application guidance

Paragraph B38 is amended. New text is underlined and deleted text is struck through.

Derecognition (paragraphs 42C–42H)

...

Gain or loss on derecognition (paragraph 42G(a))

B38 Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (ie the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole. In that situation, the entity shall also disclose whether the fair value measurements included significant <u>unobservable </u>inputs~~ that were not based on observable market data~~, as described in <u>paragraphs 72–73 of IFRS 13</u>~~paragraph 27A~~.

Amendments to *Guidance on implementing IFRS 7* Financial Instruments: Disclosures

Paragraphs IG1, IG14 and IG20B are amended. New text is underlined and deleted text is struck through. Footnotes to the headings are not reproduced.

Introduction

IG1 This guidance suggests possible ways to apply some of the disclosure requirements in IFRS 7. The guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7, nor does it create additional requirements.

...

Significance of financial instruments for financial position and performance (paragraphs 7–30, B4 and B5)

...

Fair value (paragraph 28)

IG14 ~~At initial recognition an entity measures the fair value of financial instruments that are not traded in active markets. However, when, after initial recognition, an entity will use a valuation technique that incorporates data not obtained from observable markets, there may be a difference between the transaction price at initial recognition and the amount determined at initial recognition using that valuation technique.~~ In some cases, the transaction price of a financial instrument differs from its fair value at initial recognition, and that fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets. In these circumstances, the difference will be recognised in profit or loss in subsequent periods in accordance with IFRS 9 *Financial Instruments* and the entity's accounting policy. Such recognition reflects changes in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of IFRS 9). Paragraph 28 requires disclosures in these circumstances. An entity might disclose the following to comply with paragraph 28(a)–(b) (paragraph 28(c) is not illustrated):

Background

On 1 January 20X1 an entity purchases for CU15 million financial assets that are not traded in an active market. The entity has only one class of such financial assets.

The transaction price is ~~of~~ CU15 million ~~is the fair value at initial recognition~~.

The entity determines that the transaction price differs from the fair value of the financial assets at ~~After~~ initial recognition. ~~,~~ The ~~the~~ entity applies ~~will apply~~ a valuation technique to measure the financial assets' fair value. This valuation technique uses inputs other than data from observable markets.

At initial recognition, the fair value of the financial assets measured using that ~~same~~ valuation technique is ~~would have resulted in an amount of~~ CU14 million, which differs from the transaction price ~~fair value~~ by CU1 million.

At 1 January 20X1, prior to this transaction, the ~~The~~ entity has a balance of existing differences of CU5 million yet to be recognised in profit or loss ~~at 1 January 20X1~~.

Application of requirements

The entity's 20X2 disclosure would include the following:

Accounting policies

The entity uses the following valuation technique to measure the fair value of financial instruments that are not traded in an active market: [description of technique, not included in this example]. Differences may arise between the ~~fair value at initial recognition (which, in accordance with IFRS 13 and IFRS 9, is generally the~~ transaction price~~)~~ and the fair value measured ~~amount determined~~ at initial recognition using the valuation technique. Any such differences are [description of the entity's accounting policy].

In the notes to the financial statements

As discussed in note X, the entity uses [name of valuation technique] to measure the fair value of the following financial instruments that are not traded in an active market. However, in accordance with IFRS 13 and IFRS 9, the fair value of an instrument at initial recognition ~~inception~~ is normally the transaction price. If the transaction price differs from the fair value measured ~~amount determined~~ at initial recognition ~~inception~~ using the valuation technique, that difference is [description of the entity's accounting policy].

continued...

...continued

The differences yet to be recognised in profit or loss are as follows:

	31 Dec X2	31 Dec X1
	CU million	CU million
Balance at beginning of year	5.3	5.0
New transactions	–	1.0
Amounts recognised in profit or loss during the year	(0.7)	(0.8)
Other increases	–	0.2
Other decreases	(0.1)	(0.1)
Balance at end of year	4.5	5.3

Nature and extent of risks arising from financial instruments (paragraphs 31–42 and B6–B28)

...

Credit risk (paragraphs 35A–36, B8A–B10)

...

Illustrating the application of paragraphs 35H and 35I

IG20B The following example illustrates one way of providing information about the changes in the loss allowance and the significant changes in the gross carrying amount of financial assets, other than financial assets that are purchased or originated credit-impaired, during the period that contributed to changes in the loss allowance as required by paragraphs 35H–35I. ~~This example does not illustrate the requirements for financial assets that are purchased or originated credit-impaired.~~

...

Amendments to the Basis for Conclusions on IFRS 7 *Financial Instruments: Disclosures*

Paragraphs BC5C and BC39H are added. Paragraphs BC65NA–BC65NB and their subheading are added after paragraph BC65N. For ease of reading, these paragraphs have not been underlined. The new subheading is underlined. Footnotes to the headings and subheadings are not reproduced.

Introduction

...

BC5C In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraphs IG1 and IG20B of the *Guidance on implementing IFRS 7*. Stakeholders informed the IASB about a lack of clarity related to whether the examples provided in the *Guidance on implementing IFRS 7* illustrate all the requirements in the referenced paragraphs of IFRS 7. Some of those examples (such as paragraph IG20B) state which requirements in the referenced paragraphs of IFRS 7 are not illustrated, while others (such as paragraph IG20C) do not. The IASB resolved the identified lack of clarity:

(a) by amending paragraph IG1 to clarify that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7; and

(b) by amending paragraph IG20B to simplify the explanation of the aspects of the requirements that are not illustrated.

...

Disclosures about the significance of financial instruments for financial position and performance (paragraphs 7–30, B4 and B5)

...

Other disclosures—fair value (paragraphs 25–30)

...

BC39H In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraph IG14 of the *Guidance on implementing IFRS 7*. Stakeholders informed the IASB about inconsistencies between the wording in paragraph 28 of IFRS 7 and paragraph IG14, which illustrates some of the disclosure requirements in paragraph 28. When the IASB issued IFRS 13 in May 2011, it amended paragraph 28 of IFRS 7 to make the wording of that paragraph consistent with the wording and concepts used in IFRS 13 but did not amend paragraph IG14. The amendments to paragraph IG14 through an annual improvement made its wording consistent with the requirements in paragraph 28 of IFRS 7 and with the wording and concepts in IFRS 9 and

IFRS 13. The amendments also improved the internal consistency of the wording in the example in paragraph IG14.

...

Disclosures relating to transfers of financial assets

...

Transferred financial assets that are derecognised in their entirety

...

Gain or loss on derecognition (paragraph B38)

BC65NA In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraph B38 of IFRS 7. Stakeholders informed the IASB that paragraph B38 contained an obsolete reference to paragraph 27A of IFRS 7. When the IASB issued IFRS 13 in May 2011, it amended IFRS 7 to delete paragraphs 27–27B but did not amend paragraph B38 to remove a reference to paragraph 27A.

BC65NB The IASB observed that the requirements in paragraphs 72–73 of IFRS 13 effectively replaced the requirements in paragraph 27A of IFRS 7. The IASB therefore amended paragraph B38:

(a) to replace the reference to paragraph 27A of IFRS 7 with a reference to paragraphs 72–73 of IFRS 13; and

(b) 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.

Amendments to IFRS 9 *Financial Instruments*

Chapter 2 Scope

Paragraph 2.1(b)(ii) is amended. Paragraph 2.1(b)(i) is not amended but is included for ease of reference. New text is underlined and deleted text is struck through.

2.1 **This Standard shall be applied by all entities to all types of financial instruments except:**

...

(b) **rights and obligations under leases to which IFRS 16 *Leases* applies. However:**

(i) **finance lease receivables (ie net investments in finance leases) and operating lease receivables recognised by a lessor are subject to the derecognition and impairment requirements of this Standard;**

(ii) **lease liabilities recognised by a lessee are subject to the derecognition requirements in paragraphs ~~paragraph~~ 3.3.1 and 3.3.3 of this Standard; and**

...

Chapter 5 Measurement

Paragraph 5.1.3 is amended. Paragraphs 5.1.1–5.1.2 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

5.1 Initial measurement

5.1.1 **Except for trade receivables within the scope of paragraph 5.1.3, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset or financial liability.**

5.1.1A **However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall apply paragraph B5.1.2A.**

5.1.2 When an entity uses settlement date accounting for an asset that is subsequently measured at amortised cost, the asset is recognised initially at its fair value on the trade date (see paragraphs B3.1.3–B3.1.6).

5.1.3 Despite the requirement in paragraph 5.1.1, at initial recognition, an entity shall measure trade receivables at <u>the amount determined by applying</u> ~~their transaction price (as defined in~~ IFRS 15~~)~~ if the trade receivables do not contain a significant financing component in accordance with IFRS 15 (or when the entity applies the practical expedient in accordance with paragraph 63 of IFRS 15).

Chapter 7 Effective date and transition

Paragraphs 7.1.14 and 7.2.50 and the subheading before paragraph 7.2.50 are added. For ease of reading, these paragraphs have not been underlined. The new subheading is underlined.

7.1 Effective date

...

7.1.14 *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in July 2024, amended paragraph 2.1(b)(ii), paragraph 5.1.3 and Appendix A. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

...

7.2 Transition

...

Transition for *Annual Improvements to IFRS Accounting Standards—Volume 11*

7.2.50 An entity shall apply the amendment to paragraph 2.1(b)(ii) made by *Annual Improvements to IFRS Accounting Standards—Volume 11* to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment.

Appendix A
Defined terms

The last paragraph of Appendix A is amended. New text is underlined and deleted text is struck through. Footnotes to the text are not reproduced.

...

The following terms are defined in paragraph 11 of IAS 32, Appendix A of IFRS 7~~,~~ or Appendix A of IFRS 13 ~~or Appendix A of IFRS 15~~ and are used in this Standard with the meanings specified in IAS 32, IFRS 7~~,~~ or IFRS 13 ~~or IFRS 15~~:

(a) credit risk;

(b) equity instrument;

(c) fair value;

(d) financial asset;

(e) financial instrument; and

(f) financial liability.~~;~~

~~(g) transaction price.~~

Amendments to the Basis for Conclusions on IFRS 9 *Financial Instruments*

Paragraphs BC2.44–BC2.46 and their subheading are added after paragraph BCZ2.43 and paragraphs BC5.10A–BC5.10B and their subheading are added after paragraph BCZ5.10. For ease of reading, these paragraphs have not been underlined. The new subheadings are underlined. Footnotes to the subheadings are not reproduced.

Scope (Chapter 2)

...

Derecognition of lease liabilities (*Annual Improvements to IFRS Accounting Standards—Volume 11*)

BC2.44 In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraph 2.1(b)(ii). Stakeholders informed the IASB about a lack of clarity related to how a lessee accounts for the derecognition of a lease liability. Some stakeholders said that when a lease liability has been extinguished in accordance with IFRS 9, it was unclear whether the lessee was required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss. The IASB decided to clarify this issue by amending paragraph 2.1(b)(ii) to add a cross-reference to paragraph 3.3.3. The amendment clarifies that, when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 and recognise any resulting gain or loss in profit or loss.

BC2.45 Some stakeholders asked the IASB to clarify the interaction between IFRS 9 and IFRS 16 *Leases*—specifically, how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment (or a partial extinguishment) of a lease liability. The IASB concluded that clarifying that interaction between IFRS 9 and IFRS 16 is beyond the scope of an annual improvement.

BC2.46 The transition requirements in paragraph 7.2.50 reflect the IASB's view that the expected benefits of a lessee retrospectively applying the amendment would not outweigh the potential costs.

...

Measurement (Chapter 5)

Fair value measurement considerations

...

Trade receivables (*Annual Improvements to IFRS Accounting Standards—Volume 11*)

BC5.10A In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraph 5.1.3 and Appendix A. Stakeholders informed the IASB about an inconsistency between paragraph 5.1.3 of IFRS 9 and the requirements in IFRS 15. An entity applying paragraph 105 of IFRS 15 is required to present any unconditional rights to consideration separately as a receivable. However, a receivable might be measured, at initial recognition, at an amount that differs from the amount of the transaction price recognised as revenue (as illustrated by Example 40 accompanying IFRS 15). The IASB therefore amended paragraph 5.1.3 of IFRS 9 to replace 'their transaction price (as defined in IFRS 15)' with 'the amount determined by applying IFRS 15'.

BC5.10B After the removal of the term 'transaction price' from paragraph 5.1.3, IFRS 9 included no remaining uses of that term that relate to the way 'transaction price' is defined in IFRS 15. The IASB therefore decided to delete the reference to 'transaction price' (as defined in IFRS 15) in Appendix A of IFRS 9.

Amendments to IFRS 10 *Consolidated Financial Statements*

Paragraph B74 is amended. Paragraphs B73 and B75 are not amended but are included for ease of reference. New text is underlined and deleted text is struck through.

Assessing control

...

Relationship with other parties

B73 When assessing control, an investor shall consider the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf (ie they are 'de facto agents'). The determination of whether other parties are acting as de facto agents requires judgement, considering not only the nature of the relationship but also how those parties interact with each other and the investor.

B74 Such a relationship need not involve a contractual arrangement. A party is a de facto agent when the investor has~~, or those that direct the activities of the investor have,~~ the ability to direct that party to act on the investor's behalf. <u>A party might also be a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf. The</u> ~~In these circumstances, the~~ investor shall consider its de facto agent's decision-making rights and its indirect exposure, or rights, to variable returns through the de facto agent together with its own when assessing control of an investee.

B75 The following are examples of such other parties that, by the nature of their relationship, might act as de facto agents for the investor:

(a) the investor's related parties.

(b) a party that received its interest in the investee as a contribution or loan from the investor.

(c) a party that has agreed not to sell, transfer or encumber its interests in the investee without the investor's prior approval (except for situations in which the investor and the other party have the right of prior approval and the rights are based on mutually agreed terms by willing independent parties).

(d) a party that cannot finance its operations without subordinated financial support from the investor.

(e) an investee for which the majority of the members of its governing body or for which its key management personnel are the same as those of the investor.

(f) a party that has a close business relationship with the investor, such as the relationship between a professional service provider and one of its significant clients.

Appendix C
Effective date and transition

Paragraph C1E is added. For ease of reading, this paragraph has not been underlined.

Effective date

...

C1E *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in July 2024, amended paragraph B74. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Amendments to the Basis for Conclusions on IFRS 10 *Consolidated Financial Statements*

A footnote is added to the end of paragraph BC143. For ease of reading, this footnote has not been underlined.

* In July 2024 the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraph B74.

Paragraphs BC146A–BC146C and their subheading are added after paragraph BC146. For ease of reading, these paragraphs have not been underlined. The new subheading is underlined.

Assessing control

...

Relationship with other parties

...

De facto agent (2024 amendments)

BC146A In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraph B74 to resolve an inconsistency between paragraphs B73 and B74.

BC146B Stakeholders informed the IASB that the requirements in paragraphs B73 and B74 could have been contradictory in some situations. Paragraph B73 refers to 'de facto agents' as parties acting on the investor's behalf and states that the determination of whether other parties are acting as de facto agents requires judgement. However, the second sentence of paragraph B74 used more conclusive language by stating that a party *is* a de facto agent when those that direct the activities of the investor have the ability to direct that party to act on the investor's behalf.

BC146C Therefore, the IASB amended paragraph B74 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. In the IASB's view, the amendments resolve the inconsistency with the requirement for an entity to use judgement in paragraph B73. The IASB observed that paragraph B75 includes a list of examples of other parties that might act as de facto agents for the investor.

Amendments to IAS 7 *Statement of Cash Flows*

Paragraph 37 is amended. New text is underlined and deleted text is struck through.

Investments in subsidiaries, associates and joint ventures

37 When accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity method or at cost ~~method~~, an investor restricts its reporting in the statement of cash flows to the cash flows between itself and the investee, for example, to dividends and advances.

Paragraph 65 is added. For ease of reading, this paragraph has not been underlined.

Effective date and transition

...

65 *Annual Improvements to IFRS Accounting Standards—Volume 11*, issued in July 2024, amended paragraph 37. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. If an entity applies that amendment for an earlier period, it shall disclose that fact.

Amendments to the Basis for Conclusions on IAS 7 *Statement of Cash Flows*

Paragraph BC8A and its heading are added after paragraph BC8. For ease of reading, this paragraph has not been underlined. The new heading is underlined.

Investments in subsidiaries, associates and joint ventures

BC8A In July 2024, the IASB issued *Annual Improvements to IFRS Accounting Standards—Volume 11*, which amended paragraph 37 of IAS 7 to replace the term 'cost method' with 'at cost'. The IASB had removed the definition of 'cost method' from IFRS Accounting Standards in May 2008 when it issued *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*. However, at that time, the IASB had not amended paragraph 37 of IAS 7.

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