
Accounting Standards Advisory Forum meeting

Date	October 2026
Project	Amortised Cost Measurement
Topic	Overview of tentative decisions
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Purpose of this paper

The purpose of this paper is to provide ASAF members with an overview of the IASB's tentative decisions on the Amortised Cost Measurement project

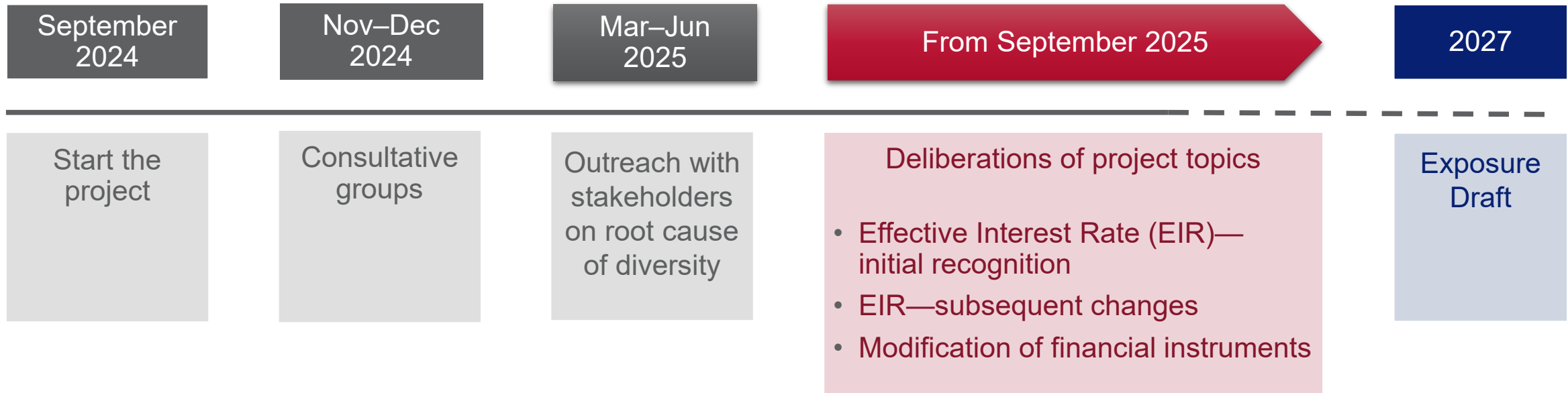


Project overview

Objectives



- to **address challenges** with applying amortised cost measurement requirements in IFRS 9 *Financial Instruments*
- to **improve information** provided to **users** of financial statements about financial instruments measured at amortised cost



Project topics

Key topics for IASB discussion

EIR—initial recognition

Discussion: [September 2025](#)

Outcome:

- No standard-setting

EIR—subsequent changes

Discussion: [April 2026](#)

Outcome:

- Proposed amendment of paragraph B5.4.5 of IFRS 9

(see slide 5)

Modification of financial instruments

Discussion: [February 2026](#) & [June 2026](#)

Outcome:

- Proposed definition of a modification; and
- proposed approach for assessing whether a modification results in derecognition

(see slides 6–8)

Interaction between modification, derecognition and impairment

Discussion: Q4 2026

Outcome: TBD

Contingent settlement provisions

Discussion: Q4 2026

Outcome: TBD

(see Agenda Paper 1B)

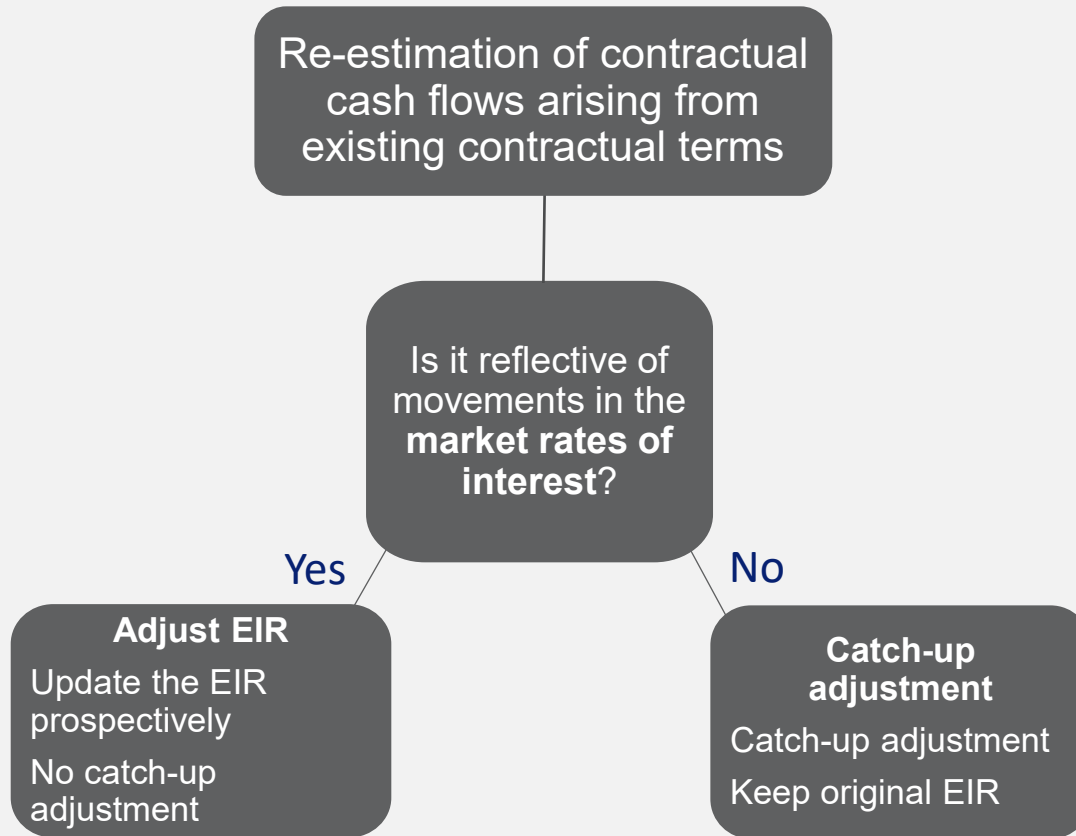
Other matters

Discussion: Q4 2026

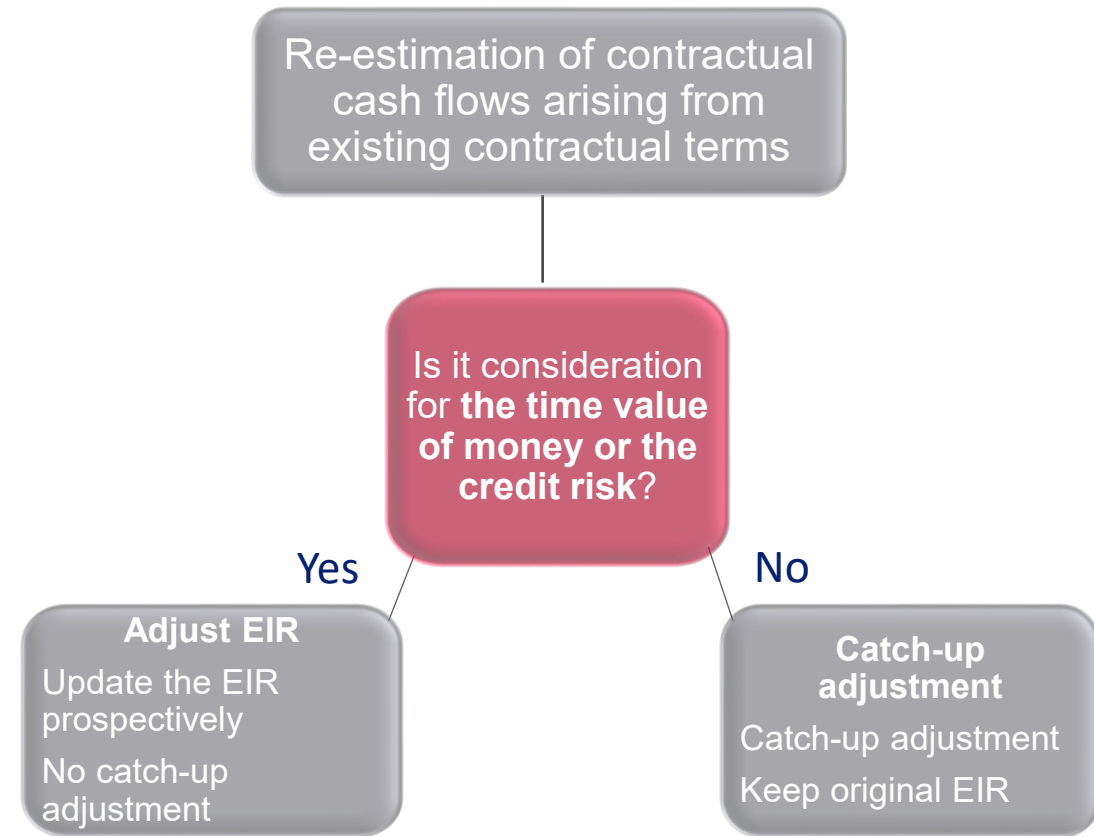
Outcome: TBD

Re-estimation of contractual cash flows

Current IFRS 9 requirements



Tentative decision



What constitutes a modification?

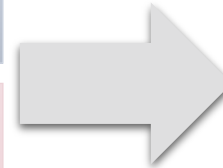
Current IFRS 9 requirements

Financial liabilities

- Paragraph 3.3.2 of IFRS 9—focuses on **modification of the terms** of an existing liability or a part of it

Financial assets

- Paragraph 3.2.3 of IFRS 9—focuses on **contractual rights** when an entity derecognises a financial asset
- Paragraph 5.4.3 of IFRS 9—focuses on **modification of contractual cash flows**



Tentative decision

Financial assets and liabilities

A modification of a financial asset or a financial liability is a change in contractual terms which **changes the nature, timing, amounts or uncertainty** of contractual cash flows

Approach for assessing modifications

Determine whether a modification is substantial...

Is the **nature, timing, amounts, or uncertainty** of the cash flows under the original contractual terms **substantially different** from those under the modified terms?

...considering qualitative and quantitative factors...

Assess a modification using a **holistic analysis** of changes in cash flows, considering qualitative and quantitative factors (see slide 8)

... account for a substantial modification as derecognition

- Derecognise the **existing** instrument
- Recognise modified cash flows as a **'new'** instrument
- Recognise a derecognition **gain or loss** in P/L

Same principle-based approach, applicable to both financial assets and financial liabilities

Approach for assessing modifications (cont.)

- The IASB tentatively decided that assessing whether a modification of a financial instrument is substantial is based on a **holistic analysis** of the changes in the contractual cash flows, considering qualitative and quantitative factors.
- The ‘10 per cent test’ (see paragraph B3.3.6 of IFRS 9) could supplement the analysis but cannot be the decisive factor in isolation.
- The factors an entity considers in determining whether a modification is substantial **include, but are not limited to:**



a change in the **currency** of principal or interest, would suggest the modification is substantial



a change in the **borrower** would suggest the modification is substantial, unless the change is between entities under common control



a change in the **cash flow characteristics** that alters the assessment of solely payments of principal and interest for a financial asset; or whether an embedded derivative is separated from the host for a liability. Such a change would suggest the modification is substantial.



a change in contractual terms for **commercial reasons** that effectively aligns the terms of the financial instrument to current market terms. For example, extending the maturity or reducing the interest rate to align with prevailing market terms for a similar instrument.

The relevance and weight of a factor would depend on the instrument's type and characteristics and general economic conditions, based on reasonable and supportable information available without undue cost or effort.

Question for ASAF members

Overview of tentative decisions

Do you have any questions or comments on the topics discussed by the IASB to date?

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