

Interpretations Committee Update

Talking points for episode 111

These talking points summarise the June 2021 discussion of the IFRS Interpretations Committee. The Committee finalised two tentative agenda decisions and discussed two issues for initial consideration.

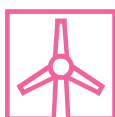


The Committee finalised two tentative agenda decisions on **costs necessary to sell inventories** and **preparation of financial statements when an entity is no longer a going concern**. For further information on these issues, please refer to [IFRS Talks Episode 104](#).



The Committee considered a question about **Targeted Longer-Term Refinancing Operations (TLTRO)**. The TLTRO is a type of funding issued by the European Central Bank (ECB) to banks and other credit institutions. The interest rate on the financing depends on the volume and amount of funding issued by the banks to non-financial corporate and households.

This submission focussed on the third series of TLTRO, where from 24 June 2020 to 23 June 2022 the rates are reduced by 50bp. One of the key question in the submission are whether the loans are below market rate, and if so whether IFRS 9 or IAS 20 applies. The Committee decided not to add a standard-setting project to the workplan. Further information about the issue is available in the [IFRIC Staff paper](#).



The Committee considered a submission about an electricity retailer's accounting for a **Power Purchase Agreements in a Gross Pool Electricity Market**.

- A gross pool electricity market is an arrangement between a market operator and a number of electricity suppliers and customers.
- A power purchase agreement is a contract between a windfarm and a customer, both of which are registered participants in a gross pool electricity market.

The submission asks whether applying paragraph B9(a) of IFRS 16 Leases, the customer has the right to obtain substantially all the economic benefits from use of an identified asset. The Committee unanimously supported the view that, the customer does not have the right to obtain substantially all the economic benefits from use of the windfarm and the PPA does not therefore contain a lease. The committee did not discuss other related issues in dealing with such arrangements, including whether the customer should consolidate the windfarm, or whether the PPA is a derivative, with all changes in fair value recognised in profit or loss. The Committee decided not to add a standard-setting project to the workplan.



We expect the finalised agenda decisions to be published at the end of June. The Committee will give stakeholders an opportunity to respond to the tentative agenda decisions for the issues on TLTRO III and the PPA and is expected to consider the responses after the summer.