

STAFF PAPER

March 2022

Accounting Standards Advisory Forum

Project	Accounting Standards Advisory Forum	
Paper topic	Agenda planning and feedback from the previous ASAF meeting	
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and reported in the IASB[®] *Update*.

Introduction

1. The aim of this paper is to:
 - (a) discuss the agenda topics for the July 2022 meeting of the Accounting Standards Advisory Forum (ASAF); and
 - (b) provide ASAF members with feedback on how the staff or the International Accounting Standards Board (IASB) have considered (or will consider) the advice given at the December 2021 ASAF meeting.
2. Information about the IASB's work plan and the status of projects is available on the IFRS Foundation website.

Structure of the paper and questions for ASAF members

3. There are two appendices to this paper:
 - (a) Appendix A sets out the suggested agenda topics for the July 2022 ASAF meeting; and
 - (b) Appendix B sets out a table summarising the feedback from the December 2021 ASAF meeting and how the staff or the IASB have considered (or will consider) this feedback.

Questions for ASAF members

1. Do ASAF members have any comments on the proposed agenda topics for the July 2022 ASAF meeting or wish to add items arising from their jurisdiction to the proposed agenda topics (Appendix A)?
2. Do ASAF members have any comments on how the feedback from the December 2021 ASAF meeting has been (or will be) used by the staff or the IASB (Appendix B)?

Appendix A—ASAF agenda topics

Agenda topic	Purpose of the discussion
December 2021 ASAF meeting (Actual)	
Disclosure Initiative— Targeted Standards-level Review of Disclosures	Discuss feedback on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> published in March 2021
Disclosure Initiative— Subsidiaries without Public Accountability: Disclosures	Seek ASAF members' views on the scope of the draft Standard <i>Subsidiaries without Public Accountability: Disclosures</i> .
Intangibles (EFRAG)	Discuss ASAF members' preliminary feedback on the Discussion Paper <i>Better Information on Intangibles</i> published by EFRAG in August 2021
Strategic / agenda consultations	Share feedback and decisions, if known, from any recent strategic / agenda consultations in ASAF members' jurisdictions and discuss how it compares to feedback received by the Board on its Third Agenda Consultation.
Goodwill and Impairment	Seek ASAF members' views on staff examples illustrating the information the staff expect an entity to disclose applying the IASB's preliminary views expressed in the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i> .
March 2022 ASAF meeting (Actual)	
Non-current liabilities with covenants	Discuss feedback on the Exposure Draft <i>Non-current Liabilities with Covenants</i> published in November 2021.
Supplier finance arrangements	Discuss feedback on the Exposure Draft <i>Supplier Finance Arrangements</i> published in November 2021.
Primary Financial Statements	Seek ASAF members' advice on how to address some questions and concerns on the analysis of operating expenses.
Rate-regulated Activities	Provide an update on the IASB's discussions on the next steps of the project, seek any advice from ASAF members and discuss whether and how ASAF members would like to provide support during the next steps.

Agenda topic	Purpose of the discussion
July 2022 ASAF meeting (Proposed)	
Dynamic Risk Management	Seek ASAF members' views on the IASB's discussions and tentative decisions on the main challenges identified during 2020 outreach and the proposed DRM project plan. In addition, seek ASAF members' input on any specific topics for the next phase of the project, not included in the project plan.
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	Seek advice from ASAF members on the next steps of the project.
Financial Instruments with Characteristics of Equity	Seek ASAF members' views on whether (a) the IASB tentative decisions to date would resolve practice issues or would have any implementation challenges and (b) there are any other practice issues that the IASB should consider as part of this project, considering the project scoping criteria the IASB set out in October 2019.
Post-implementation Review of IFRS 9 – Classification and Measurement	Seek ASAF members' views on 'other issues' raised in the responses to the Request for Information <i>Post-implementation Review of IFRS 9—Classification and Measurement</i> , including on (a) how prevalent and significant those issues are in ASAF members' jurisdictions and (b) how such issues should rank against the relevant criteria the IASB set out to prioritise matters arising from post-implementation reviews.
Primary Financial Statements	Seek ASAF members' advice on the IASB's tentative decisions on the proposals to date and suggestions for approaching the remaining topics to be redeliberated.

Appendix B—Feedback from the December 2021 ASAF meeting

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Intangibles and Agenda Consultations</p> <p>The objective of these sessions was (a) to obtain ASAF members' preliminary feedback on EFRAG's discussion paper <i>Better Information on Intangibles—Which is the best way to go?</i>, (b) to discuss feedback and decisions from recent consultations on the future agendas of some ASAF members and how it compares to the feedback on the IASB's Third Agenda Consultation.</p>		
<p>Intangibles</p>	<p>ASAF members generally agreed that the issues discussed in the EFRAG discussion paper are relevant and valid and said the IASB should undertake a comprehensive review of IAS 38 <i>Intangible Assets</i>, working with the International Sustainability Standards Board (ISSB) to consider any relationship between intangibles and any future sustainability-related disclosure standards.</p>	<p>The IASB will consider feedback from ASAF members in deciding new financial reporting issues to be added to the IASB's work plan (expected in March-April 2022) and in finalising the feedback statement on the Third Agenda Consultation (expected in July 2022).</p>
<p>Financial reporting issues</p>	<p>ASAF members shared feedback from their recent agenda consultations. Although views vary on the priority of potential projects to be added to the respective work plans, financial reporting issues mentioned by both ASAF members' stakeholders and respondents to the IASB Third Agenda Consultation include:</p> <ul style="list-style-type: none"> (i) intangibles, digital assets, cryptoassets and cryptoliabilities; (ii) climate-related risks and sustainability reporting; (iii) digital financial reporting; (iv) variable and contingent consideration; (v) going concern; (vi) statement of cash flows and related transactions; (vii) operating segments; (viii) other comprehensive income; and (ix) separate financial statements. 	<p>The IASB will consider feedback from ASAF members in deciding new financial reporting issues to be added to the IASB's work plan (expected in March-April 2022) and in finalising the feedback statement on the Third Agenda Consultation (expected in July 2022).</p>

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Projects on the IASB's current work plan	<p>Consistent with feedback from some respondents to the IASB's Third Agenda Consultation, one ASAF member said the IASB should consider reassessing the priority of some projects on its current work plan.</p>	<p>At its February 2022 meeting, the IASB considered how to respond to feedback about projects on its current work plan.</p> <p>The IASB decided not to reprioritise projects on its current work plan, but to continue working on those projects (except for a maintenance project Availability of a Refund (Amendments to IFRIC 14 IAS 19—<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>)).</p>
Cross-cutting themes	<p>ASAF members shared feedback on aspects that may affect available capacity and hence how to balance the need to progress projects on the IASB's current work plan, undertake required post-implementation reviews and address emerging issues in a timely manner, including considering:</p> <ul style="list-style-type: none"> (a) the connectivity between financial and sustainability reporting; and (b) partnering further with national standard-setters to research some of the financial reporting issues, which could alleviate some of the IASB's capacity constraints. 	<p>At its February 2022 meeting, the IASB considered three cross-cutting themes:</p> <ul style="list-style-type: none"> (a) connectivity between the IASB and the ISSB; (b) suggestions that the IASB should partner further with national standard-setters and other regional bodies (NSS); and (c) the priority of matters identified in post-implementation reviews.
<p>Goodwill and Impairment</p> <p>The objective of this session was to obtain feedback from ASAF members on staff examples illustrating the information the staff expect an entity to disclose when applying the IASB's preliminary views about adding disclosure requirements to IFRS 3 <i>Business Combinations</i>.</p>		
Commercial sensitivity	<p>ASAF members reported that:</p> <ul style="list-style-type: none"> (a) preparers in their jurisdictions overall said some or all information in the staff examples is, in their view, commercially sensitive; and (b) users of financial statements consulted expressed mixed views on the usefulness of staff examples: some users said this type of information would also be useful for investments other than business combinations (for example, if an entity starts to operate in a new market), whereas some users 	<p>The staff are testing examples with stakeholders to understand better the practical concerns raised by respondents about disclosures that would be required applying the IASB's preliminary views set out in the Discussion Paper <i>Business</i></p>

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	<p>were concerned that the information might be unreliable.</p> <p>ASAF members suggested:</p> <ul style="list-style-type: none"> (a) to include examples that address concerns about commercial sensitivity by including commercially sensitive information in the underlying fact patterns; and (b) to consider statements management makes about a business combination in investor roadshows, to try to bridge the natural tension between feedback from preparers and users. 	<p><i>Combinations—Disclosures, Goodwill and Impairment.</i> The staff are also analysing specific aspects of feedback on the subsequent accounting for goodwill including (i) whether it is feasible to make a reliable estimate of the useful life of goodwill and the pattern in which it diminishes; and (ii) the potential effects of derecognising significant amounts of goodwill on transition to an amortisation-based model were the IASB to decide to reintroduce amortisation.</p>
Litigation risk	<p>Regarding whether any information in the disclosure section would raise significant additional litigation risk if disclosed in financial statements, ASAF members said that ‘safe harbours’—which provide entities with protection from litigation by users of forward-looking information published in some documents other than financial statements—exist only in some ASAF members jurisdictions.</p>	
Other comments	<p>ASAF members suggested that:</p> <ul style="list-style-type: none"> (a) the IASB should consider that the performance of business combinations could be affected by events outside management’s control. Following a principle-based approach without being too specific, the IASB should focus on the key success factors of a business combination, rather than detailed information, because circumstances change and business units evolve. (b) in improving the staff examples, it should be considered that not all business combinations are done to obtain material synergies and that it might be difficult to disclose quantitative information about management’s objectives if management does not make decisions using quantitative information. (c) the IASB should: <ul style="list-style-type: none"> (i) consider the need to provide guidance on how to measure and audit any ‘non-GAAP’ information the IASB would require to disclose, given that information would become part of GAAP; and (ii) communicate with auditors to assess the auditability of the information, considering that auditors might be exposed to additional risk if required to audit information they do not currently audit (for example, information about an entity’s market share). (d) the IASB should consider whether information similar to value creation and sustainability information, as well as forward-looking information, could be disclosed outside the 	<p>The staff expect to discuss these topics with the IASB in H1 2022.</p>

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	financial statements (for example, in the management commentary).	
<p>Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures</p>		
<p>The objective of this session was to seek ASAF members’ preliminary views on the scope of the IASB’s Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i> (draft IFRS Standard) published in July 2021 and open for comment until 31 January 2022.</p>		
Scope	<p>ASAF members said their stakeholders’ views on the proposed scope of the draft IFRS Standard varied.</p> <p>Some ASAF members’ stakeholders agreed with the proposed scope of the draft IFRS Standard. Reasons provided include:</p> <ul style="list-style-type: none"> (a) retaining the scope of the draft IFRS Standard as proposed in the Exposure Draft would ensure that the project maintains its objective and would enable locally domiciled parent companies with international subsidiaries and others to reduce the costs of preparing financial statements; (b) extending the scope to all entities without public accountability would delay the IASB’s progress on this project; (c) there are benefits, particularly for material subsidiaries, to provide all IFRS disclosures especially when the parent is merely an investment holding entity; and (d) the approach in the draft IFRS Standard is new and, therefore, the IASB should test the draft IFRS Standard with the smaller set of entities, as proposed, before considering extending the scope to other entities. <p>Other ASAF members’ stakeholders suggested the IASB extend the scope of the draft IFRS Standard to all entities without public accountability because:</p> <ul style="list-style-type: none"> (a) it would facilitate the entities’ transition to IFRS Accounting Standards in the future and the adoption of IFRS Accounting Standards and therefore improve comparability within jurisdictions; (b) all entities without public accountability in a jurisdiction are permitted to provide fewer disclosures when applying the local framework for cost-benefit reasons; (c) the approach used by the IASB in developing the draft IFRS Standard (and thus its disclosure requirements) is suitable for all entities without public accountability, rather than just subsidiaries without public accountability, according to some ASAF members; (d) no significant concerns about the disclosure requirements in the <i>IFRS for SMEs</i> Standard and, 	<p>The staff will consider ASAF members’ preliminary views and any additional feedback in members’ comment letters in developing feedback summary on the Exposure Draft for the IASB’s discussion in Q2 2022.</p>

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	<p>therefore, the scope of the draft IFRS Standard have been raised.</p> <p>One ASAF member said the scope of the draft IFRS Standard should be extended to include associates and joint ventures.</p> <p>One ASAF member said the IASB should not define the scope of the draft IFRS Standard; instead, local regulators or authorities in each jurisdiction should decide which entities would be eligible to apply it to enable an entity to apply the draft IFRS Standard as the entity's secondary GAAP, regardless of whether the entity has public accountability.</p> <p>One ASAF member supported the scope of the draft IFRS Standard, however the member disagreed with the draft IFRS Standard being optional and suggested that the IASB allow local regulators or authorities in each jurisdiction to decide whether to permit or require application of the draft IFRS Standard.</p>	
<p>Cost-benefit assessment</p>	<p>ASAF members commented on the costs and benefits of applying the draft IFRS Standard. Comments included:</p> <ul style="list-style-type: none"> (a) the proposed scope of the Standard would lead to cost savings and reduce group-reporting costs, especially for parent companies with international subsidiaries; (b) in balancing cost savings for preparers with user information needs, there will be the need to consider the potentially varied user information needs of wholly-owned subsidiaries and non-wholly-owned subsidiaries; and (c) cost savings of the draft IFRS Standard may be limited because some parent entities would still require subsidiaries to provide all IFRS disclosures or use a group-reporting template. 	<p>The staff will consider ASAF members' preliminary views and any additional feedback in members' comment letters in developing feedback summary on the Exposure Draft for the IASB's discussion in Q2 2022.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Disclosure Initiative: Targeted Standards-level Review of Disclosures</p> <p>The purpose of this session was to hear initial feedback from ASAF members on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> (Exposure Draft) published in March 2021 and open for comment until 12 January 2022.</p>		
<p>Initial feedback on the Exposure Draft</p>	<p>ASAF members shared initial feedback from their stakeholders on the proposals in the Exposure Draft related to:</p> <ul style="list-style-type: none"> (a) the Guidance for the Board; (b) new disclosure requirements for IFRS 13 <i>Fair Value Measurement</i>, and (c) new disclosure requirements for IAS 19 <i>Employee Benefits</i>. <p>The initial feedback provided by ASAF members is summarised in paragraphs 83–92 of the December 2021 meeting summary note.</p>	<p>The staff will consider initial feedback from the ASAF meeting and the feedback in comment letters from ASAF members as part of developing the feedback summary on the Exposure Draft for the IASB’s discussion in Q2 2022.</p>