Summary note of the Accounting Standards Advisory Forum

Held on 29 September 2016 at the IASB office, 30 Cannon Street, London.

This note is prepared by staff of the International Accounting Standards Board (the Board), and summarises the discussion that took place with the Accounting Standards Advisory Forum (ASAF).[1] *A full recording of the meeting is available on the IASB® website.*

ASAF members attending

Andreas Barckow	Accounting Standards Committee of Germany (DRSC)
Alexsandro Broedel Lopes	Group of Latin American Standard-Setters (GLASS)
Kim Bromfield	South African Financial Reporting Standards Council (SAFRC)
Patrick de Cambourg	Autorité des normes comptables (ANC)
Alberto Giussani	Organismo Italiano di Contabilità (OIC)
Russ Golden	Financial Accounting Standards Board (FASB)
Jee In Jang	Asian-Oceanian Standard-Setters Group (AOSSG)
LU Jianqiao	China Accounting Standards Committee (CASC)
Linda Mezon	Accounting Standards Board of Canada (AcSB)
Yukio Ono	Accounting Standards Board of Japan (ASBJ)
Kris Peach/Kimberley Crook	Australian Accounting Standards Board/New Zealand Accounting Standards Board (AASB)/(NZASB)
Andrew Watchman	European Financial Reporting Advisory Group (EFRAG)

Information Needs of Users of New Zealand Capital Markets Entity Reports

1. Kimberley Crook, chair of the New Zealand Accounting Standards Board (NZASB), presented a research report on the information needs of users of the financial statements of for-profit entities operating in New Zealand capital markets (agenda paper 2).

2. ASAF members and IASB members commented on the research methodology as well as the research findings and recommendations. ASAF members also provided more general comments related to users' information needs.

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Research methodology

3. The study consisted of an online survey (145 participants) and in-depth interviews (10 participants) of different types of users (ie investors, lenders, intermediaries and regulators). The DRSC representative commented that the small sample size makes it difficult to perform meaningful statistical analysis on the results. Ms. Crook replied that New Zealand is a small market so it is difficult to obtain a large number of responses. The AOSSG representative noted that the sample includes a very large number of intermediaries, which may skew the results.

Research findings

Use of financial reports

4. Most (79 per cent) respondents indicated that they use corporate financial reports in their decisions relating to investments and/or corporate performance. A Board member asked why some (12 per cent) regulators do not use corporate financial reports. Ms. Crook replied that in some cases these regulators receive information tailored to meet their specific needs such as prudential regulators.

Components of financial statements

5. Respondents were asked to assess the usefulness of each financial statement component in making decisions. The statement of profit or loss and other comprehensive income and the statement of financial position were ranked as the two most useful statements.

6. In response to questions, Ms. Crook clarified that users were not asked to distinguish between profit or loss and other comprehensive income and that the usefulness ratings are absolute rather than relative.

Information in the financial statements

7. Most respondents (76 per cent) indicated that all information in financial statements is useful. Lenders and intermediaries strongly supported this view, whereas investors and regulators were more divided. Most investors (73 per cent) and lenders (53 per cent) indicated they require information that is not currently included in the financial statements, whereas most intermediaries (75 per cent) and regulators (57 per cent) said the opposite.

8. Putting these results into context, Ms. Crook said that many New Zealand companies have already streamlined their financial statements.

9. The GLASS representative commented that these results suggest that users of financial statements do not agree with the comment made by some stakeholders that the financial statements contain 'too much irrelevant information'. The GLASS representative added that when companies in Brazil cut back on the information provided in the notes, many lenders complained.

Suggestions for improving financial statements

10. A Board member asked whether the research had any particular implications for the Board's Primary Financial Statements project. Ms. Crook replied that the call for standardisation of the primary financial statements was a key message. IASB staff and Board members said they would like more detail on how users think this should be achieved.

11. The DRSC representative advised the Board to decide whether the intended audience for the statement of financial performance is investors, lenders, data aggregators, non-sophisticated users or other users.

12. The FASB representative asked if respondents wanted the additional information (eg forecasts) they had suggested to be included in the financial statements, rather than made available in some other way, and whether that additional information should be audited. Ms. Crook said the study did not ask that question.

Other information in financial reports

13. Respondents were asked to indicate the level of usefulness of different types of supplementary information. The IASB Chairman asked why the usefulness of wider corporate reporting, eg sustainability reporting, had not been investigated. Ms. Crook replied that this part of the study only focused on information commonly reported today. She added that Integrated Reporting is currently not mandatory in New Zealand.

General comments

14. The EFRAG representative commented that the findings of a recent study commissioned by EFRAG and ICAS were in line with those of the NZASB study, though the EFRAG and ICAS research had a different design and sought information from a different population (ie professional investors). This study found that:

    (a) different objectives (ie assessing stewardship or predicting future cash flows) lead to different information needs; and

    (b) investors would like more information on liquidity and solvency, such as borrowing facilities and covenants.

15. The AcSB representative referred to research by a Canadian investment research firm on the use of alternative performance measures (APMs) by the largest Canadian firms and the implications for standard-setters and regulators. The need for more comparability among companies is an emerging theme in Canada.

16. The DRSC representative said the DRSC had heard complaints from users about conflicting signals from published financial statements and ad hoc information in the market.

17. The CASC representative advised the Board to consider broadening its remit from the financial statements to the financial report as a whole. The CASC representative also asked whether the usefulness of information depends on the user's objective (ie making investment decisions or assessing corporate performance). Ms. Crook replied that, unlike the EFRAG/ICAS study, their research did not investigate users' objectives.

18. The SAFRC representative commented that the mandatory publication of an Integrated Report in South Africa had led to a significant decline in the use of financial statements. Integrated reports include only limited extracts from the financial statements and tend to focus on APMs, often without reconciliation to IFRS figures. Because of the focus on the integrated report, preparers no longer have an incentive to make financial statements concise and user-friendly.

19. The OIC representative encouraged the IASB to include in the *Management Commentary* Practice Statement guidance on APMs that is similar to recommendations recently issued by the Italian stock exchange regulator.

20. The ANC representative made the following comments:

(a) further research is needed on the structure of financial reports as a whole and the boundaries between components; and

(b) intermediate APM subtotals in the statement of financial performance should be standardised and distinguished from ad hoc measures that cannot be standardised and might need to be prohibited.

Rate-regulated activities

21. At this meeting, ASAF members considered:

(a) Agenda Paper 3A—research on the economic value of financial information on rate-regulated activities, prepared by the staff of the AcSB; and

(b) Agenda Paper 3B—accounting for Rate-regulated Activities from a conceptual perspective, prepared by the KASB.

Agenda Paper 3A

22. Linda Mezon, Chair of the AcSB, introduced Agenda Paper 3A, which is an AcSB staff paper. The paper presents preliminary research on the rate-regulated environment and decision-useful information for users of financial statements. It also highlights the importance of rate-regulated entities in Canada and the interconnectedness of these entities in the North American markets. The research focuses mostly on Canada, with some information from other jurisdictions. A major objective of the discussion was to encourage ASAF members to compare and contrast the information with the situation in their own jurisdictions or regions.

23. During the discussion, ASAF members agreed that it is important for users of financial statements to receive information about the entity’s rights and obligations created by the rate regulation and how the rate regulation could affect future rates and cash flows. However, members had mixed views about whether the information could be provided merely through note disclosure or should also be provided through recognition of regulatory assets and liabilities in the primary financial statements.

24. The NZASB representative stated that, in New Zealand, some entities are subject to the type of rate regulation identified in Canada and described in the paper. The strength of the regulatory framework and the legally protected monopoly position

demonstrate that the regulatory arrangement creates enforceable rights and obligations.. The NZASB representative also stated that rate-regulated entities in her jurisdiction generally do not recognise regulatory balances in financial statements because the regulatory balances do not themselves represent separate assets and liabilities. She considered that they form part of an intangible asset (represented through the rate-regulatory 'licence'), instead of creating separately recognisable assets and liabilities. She also acknowledged the limitations of existing accounting requirements for increases or decreases in the value of intangible assets but cautioned about the risk of creating a separate accounting model for regulatory balances. Determining its scope would be difficult and unless its scope was clearly defined, those outside the scope or in entirely different industries might inappropriately analogise to a standard on rate-regulated activities.

25. The FASB representative stated that the US was similar to Canada in regards to rate regulation. He also noted that in some jurisdictions, including the US and Canada, there is a long history of entities recognising regulatory assets and regulatory liabilities. It is important to continue to provide users of financial statements with information to enable them to analyse the effects of rate regulation on entities. He observed that users of financial statements would analyse an entity not subject to rate regulation entirely different from an entity that is affected by the regulatory agreement (sometimes termed the regulatory compact). The GLASS representative noted that, in his jurisdiction, some entities that recognised regulatory items prior to adopting IFRS Standards no longer recognised such items in their IFRS financial statements. However, the member noted that those entities tend to now issue an additional set of financial statements to provide meaningful information to their users about the effects of rate regulation.

26. The ASBJ representative mentioned that entities in his jurisdiction do not generally recognise regulatory assets. He suggested that, in order to set a clear scope for any new accounting model for rate-regulated activities, the Board should consider the strength and enforceability of the regulatory framework.

27. A Board member mentioned that it is important to distinguish two different uses of the term 'enforceability'. One use focuses on *Conceptual Framework* definitions of assets and liabilities, and the concept of 'control'—for example, enforceability could arise from a regulatory framework that precludes others from competing with the

entity in providing the regulated good or service. Another use of the term focuses more on the probability of recovery or reversal of any regulatory balance, which is incorporated into users' assessment of cash flow or operating risk.

28. The same Board member highlighted questions about information included in Agenda Paper 3A relating to business combinations. She encouraged ASAF members to carry out research, and share findings with the Canadian member, about how the rights and obligations arising from rate regulation are reflected in business combination valuations, as well as in business breakups or under deregulation.

Next steps

29. It is hoped that inputs from other ASAF members will help supplement the Canadian-focused information in Agenda Paper 3A.

Discussion of Agenda Paper 3B

30. Sungsoo Kwon, deputy chair of the KASB introduced Agenda Paper 3B. This paper explored how the *Conceptual Framework* and IFRS 15 *Revenue from Contracts with Customers* could be used as a starting point for developing a new accounting model to report the financial effects of rate regulation. Such a model, referred to in Agenda Paper 3B as a 'revenue-approach', focuses on the reporting entity's obligations and rights, which are created through a combination of its contracts with customers and the regulatory agreement with the rate regulator. Two examples were used:

    (a) the future rate charged to customers is adjusted to reflect price and quantity variances from estimates (see Agenda Paper 3B(b)); and

    (b) the rate charged to customers is adjusted to reflect costs incurred in constructing an asset that is subsequently used to deliver regulated goods or services to customers (described in Agenda Paper 3B(c) as an 'input activity').

31. ASAF members discussed the 'unit of account' for the accounting treatment. Representatives of CASC and NZASB suggested that the unit of account for revenue recognition should be individual customer contracts. This, they suggested, means that any revenue-approach accounting model should reflect the contractual relationship between the entity and each of its customers, without regard to the regulatory agreement.

32. However, the majority of ASAF members agreed that, to provide more relevant information to users of financial statements, it would be worth exploring a new model to reflect the tripartite relationship between the rate-regulated entity, its customers and the rate regulator. Any new model should reflect the entity's obligations and rights created by both the regulatory agreement and the contracts with customers.

33. Many ASAF members agreed that the principles behind IFRS 15 should be the starting point for developing a new accounting model for rate-regulated activities. They acknowledged that the IFRS 15 requirements for variable consideration could be helpful in a situation such as the price variance example in Agenda Paper 3B(b). However, the ASAF members acknowledged that it is more problematic to identify how IFRS 15 principles could be adapted to reflect the 'input activity' described in Agenda Paper 3B(c).

34. Many ASAF members suggested that revenue should not be recognised during the input activity (ie when the entity is constructing the plant), because the entity has not at that time provided any goods or services to customers (ie its IFRS 15 performance obligation is not satisfied). However, there was no clear view about when and how the revenue should be recognised once the construction is complete and the plant comes into use for delivering regulated goods or services to customers.

35. Representatives of EFRAG, DRSC, NZASB and SAFRC raised the following points for consideration as the model is developed:

(a) It is important to consider the 'balance sheet perspective' as well as the performance perspective. This means that any model developed should reflect the definitions of assets and liabilities and the criteria for recognising them.

(b) If a new 'revenue-approach' model is developed, it must distinguish any 'regulatory revenue' recognised from any revenue recognised applying IFRS 15 and it must avoid any double-counting of revenue.

(c) Clear principles are needed to define 'performance' in a rate-regulated context and to identify when revenue should be recognised for that performance.

(d) If an entity is prohibited from recovering the carrying amount of an asset from customers (eg because it has already received funding through a government grant or previous billings to customers), should an impairment loss be recognised on the asset or should the model address this by adjusting the timing of revenue recognition?

Next steps

36. IASB staff will, at a future meeting, present an overview of its preliminary proposals for a new accounting model for recognising regulatory balances and ask ASAF members to explore those proposals in light of the issues raised so far.

Conceptual Framework

37. ASAF members were asked to consider:

    (a) a paper on measurement prepared and presented by EFRAG (Agenda Paper 4A *Measurement and the Conceptual Framework*);

    (b) an IASB staff draft of proposed revisions to the discussion of factors to be considered in selecting a measurement basis (Agenda Paper 4B *Measurement: redrafting the factors to consider in selecting a measurement basis* and Agenda Paper 4C *Measurement: suggested redraft of parts of Chapter 6*);

    (c) an update on the Board's tentative decisions on presenting information about financial performance (Agenda Paper 4D *Information about financial performance*); and

    (d) a paper on financial performance and measurement prepared by the ASBJ (Agenda Paper 4E *The Linkage between Financial Performance and Measurement*).

Agenda Paper 4A *Measurement and the Conceptual Framework*

38. The EFRAG paper suggested how the *Conceptual Framework* guidance on the selection of a measurement basis can be improved.

39. EFRAG's paper highlighted the following ideas:

    (a) similar assets can play different roles for different entities; categorising assets based on the different roles can help in the selection of a measurement basis.

(b) a key question is whether and when value changes should be reported in the statement of financial performance.

(c) if the measurement basis that best reflects financial performance differs from the measurement basis that best reflects financial position, one of those two measures should be selected as a compromise, if possible. If not, financial performance and financial position should be measured on different bases.

40. The AOSSG and ASBJ representatives expressed support for the direction suggested by the EFRAG's paper. However, they did not support all aspects of the EFRAG suggestions. In particular, the ASBJ representative provided the following comments:

(a) the measurement basis for financial performance should be considered first;

(b) in identifying what information is most relevant for performance reporting, it is necessary to consider whether changes in value are irreversible, not whether those changes are short- or long-term in nature; and

(c) if the appropriate measurement basis for financial performance differs from the appropriate measurement basis for financial position, they should be measured using different measurement bases instead of using a compromise measurement base for both.

41. The AASB and AcSB representatives agreed with the view expressed in the EFRAG's paper that users' input is necessary for assessing relevance. The AcSB representative suggested testing of some of EFRAG's suggestions using an approach similar to the one adopted at the September 2016 World Standard Setters' Meeting for testing asset and liability definitions. Additionally, the AASB representative suggested that concerns about the use of current values expressed by some users of financial statements may be rooted in their mistrust of management and valuation methodologies rather than in the view that current values do not provide useful information.

42. The AASB representative also expressed a view that the EFRAG's approach seemed too reliant on management intent. She cautioned against embedding that thinking in the *Conceptual Framework*.

43. The ANC representative suggested that information about stewardship was important in the European context. He stated that transactions with assets, unlike impairment losses, result from management decisions.

44. ASAF members also discussed the example in EFRAG's paper illustrating the application of the proposed approach in selecting a measurement basis for a race horse. EFRAG's paper concluded that historical cost would be the most relevant basis in that case. Some ASAF members disagreed and made the following points:

(a) users would need to assess management's decisions to sell or hold the horse and current values would assist in making that assessment;

(b) the current value of the horse would reflect the expected cash flows arising from prize money earnings;

(c) current value would be more aligned with how the horse is managed; that is, horse owners tend to focus on the current value of the horse rather than its historical cost; and

(d) application of the historical cost measurement basis would require an estimate of residual value to calculate depreciation, and therefore, valuation methodologies could not be completely avoided on this measurement basis.

Agenda Paper 4B and Agenda Paper 4C *Measurement: redrafting the factors to consider in selecting a measurement basis*

45. Agenda Paper 4B and Agenda Paper 4C discussed the factors to consider when selecting a relevant measurement basis and sought ASAF members' views on the staff's proposed redraft of the Measurement Chapter of the *Conceptual Framework*.

46. Overall ASAF members were supportive of the direction of the proposed redraft. However, several ASAF members, namely EFRAG, ANC, AASB and AcSB, suggested that the discussion about current value and historical cost needs to be more balanced. For example, the AcSB pointed out that while the proposed Measurement Chapter directly describes attributes of historical cost, it also discusses disadvantages of current values to support the use of historical cost.

47. The ASBJ representative was concerned that the staff's proposed redraft appears not to discuss dual measurement. The staff clarified that the paper presented at this meeting does not focus on this section of the Measurement Chapter and that they expected to recommend that the Board retain a discussion of dual measurement.

48. The EFRAG representative expressed the view that representational faithfulness would be an ineffective factor in the selection of a measurement basis, as representational faithfulness can be achieved under any measurement basis, if accompanied by adequate disclosure. He suggested that the *Conceptual Framework* should instead make it clear that there are degrees of representational faithfulness. He also suggested that the *Conceptual Framework* explain the extent to which the total change in fair value provides useful information.

49. The ANC representative supported the discussion of the contribution of the asset to cash flows, but expressed the view that the discussion of characteristics of the asset was biased towards fair value. In particular, the member stated that current value is not the only relevant measurement basis for an asset, such as a bond, with volatile cash flows or volatile current value. He argued that a cost-based measure would also provide relevant information for both a fixed-rate bond and a variable-rate bond.

50. The AOSSG representative shared a comment from a member of its Working Group about consistency between the staff's proposed redraft and existing Standards. He pointed out that the staff's proposed redraft implies the use of one measurement basis for a particular item whereas existing Standards sometimes permit a choice of

measurement. For example, IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Property* permit entities to choose between a cost and a fair-value model. He suggested that the Board review the proposals' consistency with existing Standards.

51. The AcSB and the DRSC representatives expressed a concern that the staff's proposed redraft would provide the Board with no clear direction in selecting a measurement basis. In particular, DRSC representative noted that the discussion did not explain how to weigh factors that lead to different conclusions. The AASB representative said that providing more definitive guidance on selecting a measurement basis would be difficult in the absence of an overarching capital maintenance objective.

Agenda Paper 4D *Conceptual Framework: Information about financial performance*

52. The staff provided an overview of key tentative decisions made to date on presenting information about financial performance in the *Conceptual Framework*.

53. EFRAG and the SAFRC representatives asked the staff to elaborate on the tentative decision to use other comprehensive income (OCI) in rare circumstances.

54. The staff explained that this idea was already implicit in the Exposure Draft *Conceptual Framework for Financial Reporting* (Exposure Draft) that proposed a rebuttable presumption for the use of profit or loss. However, in the light of feedback received, the Board decided to replace that rebuttable presumption with a principle. That principle would clarify that income and expenses are normally included in profit or loss because including income and expenses in OCI would only rarely enhance relevance or faithful representation in profit or loss.

55. The SAFRC representative observed that the tentative decisions imply that only in rare circumstances would a measurement basis that best reflects financial performance differ from that which best reflects financial position. The staff agreed with that observation.

56. The EFRAG representative asked the staff to clarify whether the Board's tentative decisions mean that only changes in fair values or also changes in other types of current values could be included in OCI. The staff confirmed that the proposed concepts would capture changes in all current values—not just changes in fair value.

57. The CASC representative asked the staff to clarify the meaning of ‘no clear basis for recycling’. The CASC representative argued that for a non-traded equity investment classified at fair value through OCI applying IFRS 9, there is a clear basis for recycling which is when the investment is sold; however, that Standard prohibits recycling.

58. The staff pointed out that both the Exposure Draft and the tentative decisions state that the Board may decide to prohibit recycling if there is no clear basis. In addition, the staff noted that the basis for recognising fair value gains and losses on such equity investments in OCI is that those gains and losses are not considered relevant to profit or loss. Accordingly, recycling of those gains and losses when the investment is sold would not be relevant either.

59. A Board member noted that the Conceptual Framework is intended to be aspirational and in some cases may be inconsistent with current requirements. She confirmed that limiting the use of OCI was a deliberate decision by the Board.

60. The ASBJ representative expressed concern that setting out a principle according to which income and expenses should be included in the statement of profit or loss may suggest that items currently included in OCI should instead be included in profit or loss. The ASBJ representative argued that the tentative decision could change how profit or loss is used, which, in his view, would be inappropriate, and that it would instead be appropriate to define defining financial performance or profit or loss.

Agenda Paper 4E *The Linkage between Financial Performance and Measurement*

61. On behalf of the ASBJ, Yukio Ono presented a paper on financial performance and measurement. He emphasised that:

    (a) the measurement bases for the statement of financial position and for the statement of profit or loss should be determined independently;

    (b) the measurement basis for the statement of profit or loss should be determined first and any difference between the two measurement bases included in OCI;

    (c) the *Conceptual Framework* should, at a minimum, describe the fundamental characteristics of profit or loss;

(d) if profit or loss is be useful, the measurement basis for the statement of profit or loss should be selected in the light of those fundamental characteristics; and

(e) the *Conceptual Framework* should explicitly acknowledge the linkage between profit or loss and measurement.

62. ASAF members provided the following comments on the paper:

(a) The ANC representative commended the paper for describing clearly the selection of the measurement basis for the statement of financial position and the statement of profit or loss. However, the paper prompts a question about the relevance of differences between those measures and questions the usefulness of using a current value in the statement of financial position but not in the statement of profit or loss, especially if the OCI item would not be recycled. He also shared preliminary findings from an ANC study that suggest users of financial statement focus more on the profit or loss number rather than on comprehensive income. These users are not interested in OCI as a measure in itself and analyse OCI items only in assessing the risk profile of the company and its exposure to market risks.

(b) Some representatives mentioned the common ground between the ASBJ paper and the EFRAG paper.

(c) EFRAG and AASB representatives stated that the statement of financial performance the statement of financial position should be given equal prominence.

Definition of a business

Update on the FASB project

63. The FASB representative provided an update on the FASB project on the Definition of a Business.

64. FASB published the Proposed Accounting Standards Update *Clarifying the Definition of a Business* (FASB ED) in November 2015. The comment period ended on 4 January 2016. The FASB received 37 comment letters. Overall, respondents expressed support for the objective of the proposed Update.

65. In redeliberations the FASB:

(a) confirmed that the threshold is a determinative factor. Therefore, the set of activities is not a business if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

(b) clarified that when applying the threshold, deferred tax assets and deferred tax liabilities should be excluded from calculation of the gross assets acquired.

(c) decided not to provide guidance on how to assess whether contracts for future goods or services entered into at the same time with the same counterparty are part of the set of assets acquired.

The IASB project

66. The purpose of this session was to obtain advice from ASAF members on the IASB Exposure Draft on the definition of a business (the IASB ED). ASAF members were asked for their views on the wording differences between the IASB ED and the FASB ED, including any differences in practice that could emerge because of the different wording.

67. Most ASAF members expressed their support for the IASB goal to provide clearer application guidance regarding the definition of a business. They encouraged IASB and FASB to align the wording of their amendments as much as possible.

68. Some ASAF members suggested that IASB clarify in the Basis for Conclusions that even though the IASB wording is different from the FASB wording, it is intended to have the same outcome.

69. The AOSSG representative said that the screening test using the threshold might result in unintended consequences in certain acquisitions. For example, when an acquisition includes an organised workforce critical to the production of outputs, the screening test might result in the acquisition being treated as an asset acquisition, instead of as a business combination. This is because an organised workforce often constitutes an insignificant portion of the overall fair value. Consequently, this member suggested including a rebuttable presumption that the acquired set of assets is

not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets.

70. The DRSC representative said that some illustrative examples in the IASB ED seem inconsistent with the proposed amendments.

71. The AOSSG representative said the FASB's ED is clearer than the IASB ED in describing and defining the term 'organised workforce'. He also said that, in some circumstances, the fair value of the gross assets acquired may differ from the fair value of the consideration paid plus the fair value of the liabilities assumed, for example, if the acquirer underpays for the acquiree (ie in case of negative goodwill).

Project updates and agenda planning

72. The IASB staff presented an update on the IASB technical projects and a summary of how the Board had used the ASAF advice from the previous meeting.

73. The IASB staff also presented topics for inclusion on the agenda of the December 2016 ASAF meeting. In response, ASAF members made the following observations:

    (a) The AASB and NZASB asked for cryptocurrencies to be added to the list of topics, saying they would forward a paper for discussion at the meeting.

    (b) The CASC representative asked that ASAF members be provided with an update on the forthcoming insurance contracts standard.

    (c) ASAF members also agreed that a general discussion on their research activities would be useful.

Working with national standard-setters—Examples of better communication

74. The staff explained that they are planning to develop and publish a report that would illustrate how entities have improved communication in their financial statements to demonstrate that better communication is possible and to inspire others to improve communication.

75. The staff asked ASAF members to identify entities in their jurisdictions that have improved how they communicate in their financial statements and would be willing to be included as examples in the report. The examples would focus on illustrating the

principles of effective communication and on the process those entities had gone through to achieve the improvements.

76. The AASB asked which type of entities the staff aimed to focus on, ie entities that have gone through a holistic process for improving communication in their financial statements or also entities that have improved particular areas of their financial statements. The staff replied they would consider both types of situations.

77. The FASB representative commented that Ernst & Young and the Financial Executives Research Foundation have recently published a similar report for US GAAP issuers.

78. The AOSSG representative suggested two possible entities from the Asia-Oceania region for the staff's consideration.

Feasibility Studies

79. The IASB staff clarified the role of feasibility studies. The staff noted that these are research projects and are not a separate category of project. The term has been used recently as a convenient informal label to reflect the following common characteristics of three projects, currently in the research pipeline:

    (a) the scope of research for each project would be limited and would be intended solely to investigate whether a particular approach would be feasible; and

    (b) if the approach turns out to be feasible, implementing the approach is not expected to require extensive drafting. If the approach is not feasible, the staff expects to recommend doing no other work in that area.

80. The staff noted that none of these three projects will become active in 2016.