



STAFF PAPER

February 2018

IASB® meeting

Project	None		
Paper topic	Discussion Papers and Exposure Drafts		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in the IASB® *Update*.

Purpose of this paper

1. This paper considers the differing purposes and requirements for Discussion Papers and Exposure Drafts.
2. This paper is provided as background in anticipation of the Board's decisions about whether it should publish a Discussion Paper or Exposure Draft for the projects on primary financial statements, goodwill and impairment and rate-regulated activities. However, the specific analyses to support the decision for those projects will be considered by the respective project staff in due course. Appendix A summarises the status of the projects for which the Board has yet to decide whether to work towards an Exposure Draft or a Discussion Paper. No decisions are asked for.

Overview

3. This paper considers:
 - (a) background information, including:
 - (i) due process requirements (paragraphs 5–12);
 - (ii) research programme versus standard-setting projects (paragraphs 13–20); and
 - (iii) types of consultation (paragraphs 21–23).
 - (b) factors to consider in determining whether a Discussion Paper or Exposure Draft is appropriate, including:
 - (i) the need for formal consultation (paragraphs 24–26);

- (ii) the stage of development (paragraphs 27–28);
 - (iii) the significance of change (paragraphs 30–33);
 - (iv) the effect on timelines (paragraphs 34–37); and
 - (v) possible pitfalls–re-exposure (paragraphs 38–41).
4. In addition:
- (a) Appendix A sets out a summary of projects for which the Board has yet to decide whether it is working towards an Exposure Draft or Discussion Paper; and
 - (b) Appendix B sets out extracts from the IFRS Foundation *Due Process Handbook*.

Background information

Due process requirements

5. The due process requirements of the International Accounting Standards Board (Board) are built on the following principles:
- (a) **transparency**—the Board conducts its standard-setting process in a transparent manner;
 - (b) **full and fair consultation**—the Board considers the perspectives of those affected by IFRS Standards globally; and
 - (c) **accountability**—the Board analyses the potential effects of its proposals on affected parties and explains the rationale for why it made the decisions it reached in developing or changing a Standard.
6. Experience shows that transparent and thorough due process can help the Board gain acceptance of the final outcome of the Board’s decisions, even when some stakeholders disagree with specific decisions.
7. The *Due Process Handbook* states:
- The Trustees and the IASB have established consultative procedures with the objective of ensuring that, in exercising its independent decision-making, the IASB conducts its standard-setting process in a transparent manner, considering a wide range of views from interested parties throughout all stages of the development of International Financial Reporting Standards (IFRSs). The IASB uses these procedures to gain a better understanding of different accounting

alternatives and the potential effect of the proposals on affected parties. A comprehensive and effective due process is essential to developing high quality IFRSs that serve investors and other users of financial information.¹

8. The *Due Process Handbook* notes that ‘consultation can be carried out through various means including, but not limited to, invitations to comment, individual meetings or fieldwork’.² However, to achieve the principle of wide consultation with interested and affected parties, the *Due Process Handbook* sets out mandatory Due Process steps that the Board must follow. These steps include:

- (a) exposing for public comment a draft of any proposed new Standard, proposed amendment to a Standard or proposed [IFRIC[®]] Interpretation—with minimum comment periods;
- (b) considering in a timely manner those comment letters received on the proposals; and
- (c) considering whether the proposals should be exposed again.

9. The *Due Process Handbook* notes that:

The IASB would normally put together a proposal to develop a new Standard or to make major amendments to a Standard only after it has published a Discussion Paper and considered the comments it received from that consultation.³

10. The *Due Process Handbook* does not require the Board to publish a Discussion Paper before adding a standard-setting project to its agenda. Nonetheless, if the Board decides not to publish a Discussion Paper, the *Due Process Handbook* requires the Board to ‘be satisfied that it has sufficient information and understands the problem and the potential solutions well enough to proceed without a Discussion Paper’. The Board is also required to report to the Due Process Oversight Committee the reasons for not publishing a Discussion Paper.⁴ Those explanations are also published in the decision summaries and in the Basis for Conclusions published with the Exposure Draft or Standard in question.

¹ DPH paragraph 1.2

² DPH, paragraph 3.41

³ DPH, paragraph 5.5

⁴ DPH, paragraph 5.5

11. The Board is not required to follow formal consultation before adding to its agenda minor or narrow-scope amendments to Standards, because such amendments are part of the implementation or maintenance of Standards.⁵ Such minor or narrow-scope amendments include Annual Improvements. The Board also does not need to follow the formal consultation process before adding a research project to the active agenda or pipeline.⁶
12. Extracts from the *Due Process Handbook* relevant to the issuance of Discussion Papers and Exposure Drafts are set out in Appendix B.

Research programme versus standard-setting projects

13. The Board's research programme is the development base from which potential standards-level projects are identified. The purpose of the research programme is to ensure that the Board does not start a standard-setting project before carrying out research to gather sufficient evidence that an accounting problem exists, that the problem is sufficiently important that standard-setting is required and that a feasible solution can be found.
14. The research programme was introduced after the 2011 Agenda Consultation, in response to the feedback received, and the *Due Process Handbook* was revised in 2013 to describe the research programme and to incorporate the necessary due process enhancements recommended by the 2012 Monitoring Board Governance Review and Trustees' Strategy Review.⁷
15. The purpose of the research programme is to analyse possible financial reporting problems to provide the Board with sufficient evidence to decide *whether* to add a project to its standard-setting programme. When the Board concludes that sufficient research has been completed to enable it to decide whether standard-setting is appropriate, the research project is finished.
16. If a research project suggests that standard-setting is appropriate, the Board starts a new project. In starting a new project, the Board is required to consult bodies such as the Advisory Council and the Accounting Standards Advisory Forum. Before deciding

⁵ DPH, paragraph 5.8

⁶ DPH, paragraph 5.2

⁷ *Final Report on the Review of the IFRS Foundation's Governance and IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade*

whether to start a standard-setting project, the Board also decides whether to seek public feedback on its conclusions from the research project. Public feedback is normally sought through the issuance of a Discussion Paper. However, the Board seeks such feedback only if it is needed, to avoid placing unnecessary burdens on stakeholders. Accordingly, although a Discussion Paper is generally issued before starting a major standard-setting project, the Board might conclude that a Discussion Paper is not necessary because the Board has sufficient input to proceed directly to an Exposure Draft. A decision to undertake a maintenance project, perform further research or take no action does not require a Discussion Paper.⁸

17. The following table compares research projects to standard-setting and maintenance projects:

	Research project	Standard-setting project	Maintenance project
Objective	To gather evidence to establish whether standard-setting is required and to define the problem to be solved.	To develop or amend a Standard ⁹	To develop a narrow-scope amendment to an existing Standard
Initiation pre-requisites	None	<ul style="list-style-type: none"> ● Research project Discussion Paper and feedback, unless sufficient evidence is gathered in some other way. ● Consult ASAF, Advisory Council and national standard-setters. 	None
Outcome	Either: <ul style="list-style-type: none"> ● start a standard-setting project ● start a maintenance project 	A new Standard or major amendment to an existing Standard.	A narrow-scope amendment to an existing Standard

⁹ The term “Standard” also covers other important documents, such as the *Conceptual Framework* and Practice Statements

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	<ul style="list-style-type: none"> • perform further research on the same topic or on a related topic or • take no further action 		
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18. Board proposals to issue a new Standard or amend existing Standards result in the issuance of an Exposure Draft. If sufficient evidence is gathered during a research project, there should rarely, if ever, be a need to issue a Discussion Paper in a standard-setting project.
19. Given the support in the 2015 Agenda Consultation for the introduction of the research programme, the Board reaffirmed in 2016 that, before undertaking a standard-setting project, it needs to gather sufficient evidence that an accounting problem exists, that the problem is sufficiently important that standard-setting is required and that a feasible solution can be found. Further, the Board decided to limit how many topics it works on at any one time, to reduce the burden on stakeholders and to deliver its conclusions in a timely manner. The Board has yet to test whether its research programme approach will lead to more effective standard-setting projects, because it has not yet added a new standard-setting project as a result of a research project.
20. Extracts from the *Due Process Handbook* relevant to the research programme are set out in Appendix B.

Types of consultation

21. The Board has various ways of obtaining input on technical and other issues including:
- (a) Discussion Papers;
 - (b) Exposure Drafts;
 - (c) Requests for Views and Requests for Information;
 - (d) discussion forums and roundtables; and
 - (e) outreach meetings.
22. Broadly speaking, consultation can be regarded as being of two types:
- (a) the publication of a consultation document of any type, for which the input is obtained in the form of written submissions. This includes Discussion Papers and Exposure Drafts, which are formal consultation documents issued by the

Board. The Board can also issue a Request for Information or a Request for Views, which have less onerous due process requirements. In theory, Research Papers, which may include views not developed by the Board, can also be issued in a research project, although the Board has generally not issued such documents.¹⁰

- (b) person-to-person outreach, either with individuals or with groups. This includes discussion forums and roundtables, and general or specific outreach.

23. The following table compares the content of Discussion Papers and Exposure Drafts, which are the most prevalent consultation documents. The format of other types of consultation document is more flexible.

	Discussion Paper	Exposure Draft
Typically includes	<ul style="list-style-type: none"> • A comprehensive overview of the issue, possible approaches to addressing the issue, the preliminary views of its authors or the Board and an invitation to comment. • Discussion should reflect and convey differences in views of the Board members 	<ul style="list-style-type: none"> • The proposed requirements or amendments • The Basis for Conclusions for the proposal • Any dissenting views to the proposal

Factors to consider in determining whether a Discussion Paper or Exposure Draft is appropriate

The need for formal consultation

24. The Board is required to seek formal feedback on new Standards and amendments to Standards. As noted in paragraph 15, the Board also considers whether to seek public feedback on the evidence gathered in a research project. The nature of the information being sought should determine the approach used.

¹⁰ Research Papers can be prepared by the technical staff or by other standard-setters or bodies at the request of the IASB. A research paper issued by the IASB should include a clear statement of the extent of the IASB’s involvement in the development or endorsement of that paper.

25. As noted in paragraph 22, the Board can consult through the publication of a consultation document, which elicits written submissions, or by conducting person-to-person outreach. The staff observes that:

- (a) written submissions are generally based on consultation documents which provide a common articulation of a proposal and can be accessed by any interested party. In addition:
 - (i) written submissions are generally more considered and detailed than is oral feedback, partly because respondents have a longer period to develop and articulate their responses. Such submissions can be particularly useful when the issues or proposals are complex, because complexity and the resulting nuance can be better conveyed in a written submission. This can allow for a more thorough analysis of stakeholder views.
 - (ii) written submissions are generally made publicly available, which increases transparency. Any interested party can read the feedback of others and assess for themselves whether we have adequately understood and responded to that feedback.
- (b) person-to-person outreach, either with individuals or with groups, may be more dynamic than written consultation, because two-way dialogue can allow for a greater exploration of issues and implications. However, outreach meetings can provide less detailed input compared to written submissions, which generally set out fuller, considered explanations. In addition, outreach meetings generally:
 - (i) are narrower in scope than written consultation, because it is limited to people we can arrange meetings with and limited by the time allowed for the meetings. Because of the necessarily limited time for meetings, it can be difficult to ensure that the views gathered are comprehensive.
 - (ii) provide more subjective input than in a written submission because reporting outreach to the whole Board relies on a summary prepared by the staff.

26. Although written consultation documents could increase the opportunities for those not obviously affected by a proposal to comment and for the Board to obtain broader views, such opportunities rely on wide document circulation. Accordingly, the Board and staff

generally supplements the issuance of a consultation document with outreach, which can be targeted on specific proposals or to specific types of stakeholder. Outreach is particularly needed for users of financial statements, who often do not respond in writing to a consultation document.

The stage of development

27. Projects evolve over time; the thinking of interested parties and those affected by a project also evolves. A solid understanding and agreement on core topics, before a project is too far advanced, can help create consensus and ultimate acceptability of a new Standard or major amendment. As the project progresses, the Board develops requirements based on underlying concepts and approaches established earlier in the project. Any change to those underlying concepts and approaches requires the implications to be considered for the later decisions and the effect of the changes on the interrelationships between decisions to be re-evaluated. Thus the impact of new ideas becomes progressively more significant. Accordingly, it can be useful to accept wide-ranging discussions and ideas in early stages to ensure there is sufficient evidence to support the approach the Board chooses to take.
28. Typically, a project would have a number of phases: idea generation, idea implementation and refinement. It can be useful to try to keep these phases distinct. Thus:
 - (a) a research project is part of the idea generation phase. At this stage, the Board is still defining the problem and scope of the project and considering the possible approaches to address the issue. A Discussion Paper conveys and seeks feedback on the possible approaches.
 - (b) a standard-setting project is part of the implementation phase. The Board will have selected an approach, and, at this stage is setting out its view of what the accounting requirements should be. An Exposure Draft seeks feedback on specific proposed requirements. Ideally, the proposed requirements should be complete enough for the Board to issue a final Standard based on the Exposure Draft.
 - (c) the Board issues a final Standard after the refinements phase. At the refinements phase, the Board is considering how to modify the proposed requirements in the light of the feedback.

29. It can be disruptive to a project, for example, to try to incorporate fundamentally new ideas after the idea generation phase.

The significance of change

30. In adding a standard-setting project to the Board's agenda, the Board's need to first consult on evidence gathered in a research project is relative to the significance of the accounting-requirement change proposed.
31. When a change would result in significant differences from existing practice, there is a greater need to consult on the evidence gathered in the research project before adding a standard-setting project to the agenda. This is also the case for changes when there is a high degree of controversy—when there are divergent views about the improvements that need to be made or the best approach to those improvements, there is a greater need for formal consultation.
32. Formal consultation in the form of a Discussion Paper is useful to ensure that the full range of views is captured, considered and acknowledged, leading to a common understanding of the foundation of future proposals. A Discussion Paper is useful for establishing a foundation for future proposals because it can explore a range of possible approaches and the limitations of each approach relative to the others. The Discussion Paper is particularly useful when there is a range of answers or several interrelated issues to explore. Finally, a Discussion Paper is useful as a change management tool because it provides an opportunity to set out and refine a common articulation of the issues. A common articulation can reduce the risk of instinctual opposition to change, provide the opportunity for debate to mature among stakeholders and bring interested parties together to work towards a consensus about approaches to issues.
33. In contrast, when the Board has already determined the approach it intends to pursue, and when that approach is generally understood and accepted by interested parties, an Exposure Draft may be appropriate. An Exposure Draft is also more effective than a Discussion Paper for proposals in which the drafting is critical, for example in defining new terms.

The effect on timelines

34. Formal consultation adds a significant amount of time to projects. The usual minimum comment period for Discussion Papers and Exposure Drafts is 120 days. Following the

comment period, the staff needs to analyse the comments and summarise that analysis for the Board to consider in a public meeting. The Board will then deliberate on the issues raised during the consultation and determine how it will proceed. Each consultation step takes two to three years to complete.

35. While allowing this time for consultation is consistent with the principle of full and fair consultation, there are disadvantages to longer timelines when not needed:
- (a) it delays any action to address the issues in financial reporting that caused the Board to start the project. In other words, it delays addressing the needs of users of financial statements. It can also be difficult for interested parties to understand why the Board does not address identified issues sooner.
 - (b) it may mean that stakeholders become disengaged from a project.
 - (c) it can create operational difficulties, through lack of continuity of staff and board members.
36. In some cases, it may be possible for the Board to divide a project into a part that is relatively straightforward and a part that contains more complex issues that require further development. In principle, the relatively straightforward part could be finalised before completing the more complex part. This could be a useful way to achieve improvements in financial reporting on a shorter timeline.
37. Before deciding to divide a project in this way, the Board needs to consider:
- (a) the extent to which the two parts of the project are interrelated. Stakeholders are unlikely to accept changes to Standards if they think that those changes have undesirable implications that have not been debated, or that could be later reversed if the Board were to revisit the issue.
 - (b) the effect on the overall timeline. Any consultation, even when limited, requires resource for drafting, conducting outreach, analysis and reporting.
 - (c) the availability of resourcing. Concurrent work on two parts of a project could reduce timelines, but is only possible when there is sufficient staff resource.

Possible pitfalls—re-exposure

38. The Board's ultimate aim is to achieve improvements to financial reporting as efficiently and effectively as possible. In selecting its approach to consultation, the Board needs to

balance the time needed for consultation against the benefits of consultation. Failing to consult appropriately can have the following risks:

- (a) insufficient information is obtained to proceed to the next stage, which means that a stage needs to be repeated. For example, when feedback results in significant changes to the scope of content of proposals in an Exposure Draft, the Board may need to re-expose its revised proposals in a revised Exposure Draft.
- (b) a Standard or amended Standard is finalised that does not address the issues effectively, leading to a need for further standard-setting in the future

39. The requirements for re-exposure are set out in the *Due Process Handbook*:

6.25 In considering whether there is a need for re-exposure, the IASB:

- (a) identifies substantial issues that emerged during the comment period on the Exposure Draft and that it had not previously considered;
- (b) assesses the evidence that it has considered;
- (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
- (d) considers whether the various viewpoints were appropriately aired in the Exposure Draft and adequately discussed and reviewed in the Basis for Conclusions.

6.26 It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the IASB to re-expose the proposals. The IASB needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the Basis for Conclusions accompanying the Exposure Draft. The IASB also needs to consider whether it will learn anything new by re-exposing the proposals. If the IASB is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.

6.27 The more extensive and fundamental the changes from the Exposure Draft and current practice the more likely the proposals should be re-exposed. However, the IASB needs to weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the Exposure Draft was published. The use of consultative groups or targeted consultation can give the IASB information to support a decision to finalise a proposal without the need for re-exposure.

40. Thus, the risk of re-exposure increases:

- (a) if insufficient evidence is gathered, which might mean that substantial issues could still emerge during the comment period on the Exposure Draft, which the Board has not previously considered.

- (b) if the Board does not obtain enough evidence to allow the various viewpoints to be appropriately aired in the Exposure Draft and adequately discussed and reviewed in the Basis for Conclusions.
41. It may be tempting to regard an Exposure Draft followed by a re-Exposure Draft as equivalent to a Discussion Paper followed by an Exposure Draft, except with the possibility of finalising a Standard after the first Exposure Draft that does not exist for a Discussion Paper. However, a Discussion Paper is generally a high-level document, while an Exposure Draft must get the details right. This means that the Board's ability to respond to feedback can be more limited after an Exposure Draft compared with a Discussion Paper, as follows:
- (a) a Discussion Paper sets out various approaches, whereas an Exposure Draft sets the details of the Board's preferred approach. The development of those details takes place within the context of that approach and may be constrained to that approach. If the Board were to decide to pursue a different approach, all for the details of the approach would need to be re-established and this can be difficult if stakeholders agree with a particular outcome, but not the overall approach. Thus, following an Exposure Draft, it can be difficult to modify the proposals if the modification alters the fundamental approach set out in the Exposure Draft. It can also be more efficient to ensure that an approach is tenable before devoting time to developing the details.
- (b) the feedback from a revised Exposure Draft can be difficult to interpret. Because of the burden consultation documents impose on stakeholders, those who agreed with the first Exposure Draft have reduced motivation to reiterate their agreement, and this can mean that the feedback on a revised Exposure Draft may not provide a balanced range of views. A lack of balance in the views obtained could result in decision-making based on incomplete information.

Appendix A— Summary of projects for which the Board has yet to decide whether to work towards an Exposure Draft or a Discussion Paper

	Goodwill and impairment	Primary Financial Statements	Rate-regulated Activities
Type of project	Research project	Research project	Standard-setting project
Objective of project	To consider whether to change the existing requirements of IFRS 3 <i>Business Combinations</i> and IAS 36 <i>Impairment of Assets</i> to improve the way these Standards are applied.	To explore whether the Board can make targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.	To develop an accounting model so that investors can compare the effects of rate regulation on the financial position, performance and cash flows of any company with significant rate-regulated revenue.
Current status	<p>The Board has tentatively decided to consider ways of ensuring that impairment of goodwill is recognised in a timely fashion by pursuing the updated headroom approach. This is a new and untested approach.</p> <p>The Board has tentatively decided not to consider reintroducing amortisation of goodwill.</p> <p>The Board is also exploring whether some identifiable intangible assets could be subsumed within goodwill.</p>	<p>The Board is exploring targeted improvements to the structure and content of the primary financial statements, with a focus on the statement(s) of financial performance.</p> <p>The Board will continue its discussions through early 2018. The Board has yet to decide whether to publish a Discussion Paper or an Exposure Draft.</p>	<p>The Board is exploring whether IFRS Standards should be amended to reflect the effects of rate regulation. It has had initial discussions on a new accounting model for rate-regulated activities. Given that IFRS 14 <i>Regulatory Deferral Accounts</i> is a temporary Standard, some form of standard-setting is inevitable.</p> <p>The Board will continue its discussions through the first quarter of 2018 before deciding whether to publish a second Discussion Paper or an Exposure Draft.</p>

Appendix B—Extracts from the IFRS Foundation *Due Process Handbook*

Research programme

- 4.6 New financial reporting requirements developed by the IASB should be designed to address problems identified with the existing requirements. Sometimes a problem identified with current financial reporting can be remedied with a relatively minor amendment to a Standard. In other cases, the problem might require a more significant change to financial reporting requirements, such as a major change to a Standard or the development of a new Standard. Consequently, the first step in developing a new financial reporting requirement is to assess and define the problem within the existing reporting practice.
- 4.7 The purpose of the IASB's research programme is to analyse possible financial reporting problems by collecting evidence on the nature and extent of the perceived shortcoming and assessing potential ways to improve financial reporting or to remedy a deficiency. This analysis will help the IASB decide whether it should add to its standard-setting programme a project to develop a proposal for a new Standard or to amend or replace a Standard. The research programme also includes the consideration of broader financial reporting issues, such as how financial reporting is evolving, to encourage international debate on financial reporting matters.
- 4.8 To help the IASB in developing its work programme, technical staff are asked to identify, review and raise issues that might warrant the IASB's attention. New issues may arise from the five-yearly review of the technical programme or a change to the IASB's Conceptual Framework. In addition, the IASB raises and discusses potential topics in the light of comments from the ASAF, other standard-setters and other interested parties, the Advisory Council and the Interpretations Committee, as well as staff research and other recommendations.
- 4.9 The IASB and the technical staff are not expected to undertake all of the activities on its research programme. It is important to the IASB that others, such as national accounting standard-setting bodies and regional bodies associated with accounting standard-setting or regional financial reporting bodies, academics and other interested parties, participate in these activities. The IASB will, however, need to provide clear direction on which issues it is interested in and what its expectations are of those other parties.

- 4.10 The IASB should maintain an up-to-date summary of its research programme and its priorities on the IFRS Foundation website. The IASB should identify those financial reporting issues for which it is developing proposals, the consideration of which might result in standards-level projects, as well as those areas where it is seeking to learn more about the issues but does not anticipate developing a proposal in the short term.
- 4.11 The IASB provides the Advisory Council with an update of its research programme at each meeting of the Advisory Council, enabling Advisory Council members to provide feedback on the programme.

Research papers, Discussion Papers and Requests for Information

- 4.12 The main output of the research programme is expected to be Discussion Papers and research papers. Discussion Papers and research papers are designed to elicit comments from interested parties that can help the IASB decide whether to add a project to its standard-setting programme. Discussion and research papers typically include a comprehensive overview of the issue, possible approaches to addressing the issue, the preliminary views of its authors or the IASB and an invitation to comment.
- 4.13 Discussion Papers are issued by the IASB and present the analysis and collective views of the IASB on a particular topic. The matters presented will have been discussed in public meetings of the IASB. Discussion Papers do not contain a Basis for Conclusions or any dissenting opinions. The discussion itself should reflect and convey differences in views of the IASB members.
- 4.14 Research papers are also issued by the IASB but are generally prepared by the technical staff or by those who have been seconded to the technical staff to develop the paper. Research papers may also be prepared by other standard-setters or bodies, normally at the request of the IASB. A research paper issued by the IASB should include a clear statement of the extent of the IASB's involvement in the development or endorsement of that paper. In some cases the IASB will not have discussed the paper in a public meeting and will not, therefore, have developed any views on the matters set out in the paper.
- 4.15 Requests for Information are formal requests by the IASB for information or feedback on a matter related to technical projects or broader consultations. Examples of appropriate topics for a Request for Information include seeking input on its five-yearly agenda consultation or

PIRs or help in assessing the practical implications of a potential financial reporting requirement.

Publication of Discussion Papers, Requests for Information and research papers

- 4.16 Discussion Papers are balloted by the IASB. Before the IASB asks the technical staff to prepare a Discussion Paper for ballot, the IASB must be satisfied that it has completed all of the steps that are necessary to ensure that the Discussion Paper is likely to meet its purpose. Research papers and Requests for Information require the support of a simple majority of the IASB, with approval being given in a public meeting.
- 4.17 The IASB normally allows at least 120 days for comment on a Discussion Paper, a research paper, and Requests for Information on the work programme (see paragraph 4.3) and PIRs (see paragraph 6.55). For other Requests for Information, the IASB normally allows a minimum period of 60 days for comment. If the information request is narrow in scope and urgent the IASB may set a shorter period and need not consult the DPOC before doing so.
- 4.18 Discussion Papers, Requests for Information and research papers are posted on the IFRS Foundation website.
- 4.19 Comment letters that are received are also posted on the website. Once the comment period for a Discussion Paper ends the project team analyses and summarises the comment letters and provides that analysis and summary to the IASB.

5. Standards-level projects

- 5.1 In considering whether to add a project to the standards-level programme, the IASB or the Interpretations Committee requires the development of a specific project proposal and an assessment against the project criteria outlined below. That consideration will include whether the proposal is for a comprehensive project to develop a new Standard or major amendments to existing Standards (see paragraphs 5.4–5.13), or a narrow-scope project for the purposes of implementation and maintenance (see paragraphs 5.14–5.22).
- 5.2 The primary objective of a project proposal is to help the IASB to manage its resources effectively and to help it to prioritise its standards-level work. The IASB distinguishes between major and narrow-scope projects in its planning to help reduce the risk of committing resources to a project when other projects should have a higher priority. For major projects the IASB is required to consult with other bodies, including the Advisory Council and ASAF, to provide the IASB with additional input into establishing priorities.

- 5.3 All proposed new Standards, amendments to Standards, or Interpretations are exposed for public comment. Accordingly, if potential respondents believe that the IASB has failed to establish the need for improvements to an area of financial reporting they will have opportunities to express their views during the consultation process.

Criteria for new Standards or major amendments

- 5.4 The IASB evaluates the merits of adding a potential item to its work programme primarily on the basis of the needs of users of financial reports, while also taking into account the costs of preparing the information in financial reports. When deciding whether a proposed agenda item will address users' needs, the IASB considers:
- (a) whether there is a deficiency in the way particular types of transactions or activities are reported in financial reports;
 - (b) the importance of the matter to those who use financial reports;
 - (c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and
 - (d) how pervasive or acute a particular financial reporting issue is likely to be for entities.
- 5.5 The IASB considers adding topics to its standards-level programme after considering any research it has undertaken on the topic. The IASB would normally put together a proposal to develop a new Standard or to make major amendments to a Standard only after it has published a Discussion Paper and considered the comments it received from that consultation. Publishing a Discussion Paper before adding a standards-level project to its agenda is not a requirement, but the IASB must be satisfied that it has sufficient information and understands the problem and the potential solutions well enough to proceed without a Discussion Paper. The IASB might conclude that a Discussion Paper is not necessary because it has sufficient input from a research paper, Request for Information or other research to proceed directly to an Exposure Draft. The reasons for not publishing a Discussion Paper need to be set out by the IASB and reported to the DPOC.
- 5.6 The IASB's discussion of potential projects and its decisions to adopt new projects take place in public IASB meetings. Before reaching such decisions, the IASB consults its Advisory Council, ASAF and accounting standard-setting bodies on proposed agenda items. The IASB's approval to add agenda items, as well as its decisions on their priority, is by a simple majority vote at an IASB meeting.

- 5.7 The IASB should only add a project if it considers that the benefits of the improvements to financial reporting will outweigh the costs.
- 5.8 Minor or narrow-scope amendments to Standards, including Annual Improvements, do not need to follow this formal consultation process before being added to the standards-levels programme because such amendments are part of the implementation or maintenance of Standards. However, the Advisory Council should be informed of any proposed additions of minor or narrow-scope amendments to the standards-level programme.

Exposure Drafts

- 6.1 Publication of an Exposure Draft is a mandatory step in the due process before a new Standard can be issued or an existing Standard can be amended.
- 6.2 An Exposure Draft sets out a specific proposal in the form of a proposed Standard (or amendment to a Standard) and is therefore generally set out in the same way as, and has all of the components of, a Standard. The main differences are that the:
- (a) Basis for Conclusions is written to explain the IASB's rationale for the proposal, and is not a draft of the rationale for the final Standard or final amendments to the Standard; and
 - (b) consequential amendments need not be set out in as much detail as they would be in a final Standard, particularly where such amendments are changes to cross-references or terminology and other matters that are more administrative in nature.
- 6.3 An Exposure Draft is the IASB's main vehicle for consulting the public and therefore includes an invitation to comment, setting out the issues that the IASB has identified as being of particular interest. Although it is normally included with the ballot draft, it is not necessary for the IASB to ballot the invitation to comment.