

Global Preparers Forum

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This document summarises a meeting of the Global Preparers Forum (GPF), a group of members with considerable practical experience of financial reporting and established commentators on accounting matters in their own right or through working with representative bodies in which they are involved. The GPF supports the IFRS Foundation and the International Accounting Standards Board (IASB) in their objectives, and contributes towards the development, in the public interest, of high-quality, understandable, enforceable and globally accepted IFRS Accounting Standards.

GPF members who attended the meeting:

Region	Members
Asia-Oceania	Jay Jeong Hyeok-Park Lily Hu Srinath Rajanna Kazuhiro Sakaguchi Amrita Srikanth Feifei Wang
Europe	Frédéric Agnès Ian Bishop Ernesto Escarabajal Baadenhuijsen Stephen Morris Nico Wegmann
The Americas	Jeff Davidson Sallie Deysel ^a Maria Alejandra Hryszkiewicz Patrick Matos ^a

^a Remote participation via videoconference.

Primary Financial Statements

- The purpose of this session was to update the GPF members on the Primary Financial Statements project, including initial plans to support implementation and consistent application of IFRS 18 *Presentation and Disclosure in Financial Statements* after publication.

2. A few members complimented the IASB on the work done on this project. One member said that even if the IASB did not implement all the suggestions from GPF members, they understand and accept the reasons for their decisions.
3. One member asked for clarification that entities can begin applying IFRS 18 once it is published and before the effective date. An IASB staff member said that early adoption will be permitted but that in practice this may vary by the speed of endorsement in the relevant jurisdiction. One member said that fewer entities than expected might apply IFRS 18 before the effective date because entities need to prioritise implementation of other frameworks such as sustainability reporting and the OECD International Tax Reforms—Pillar Two Model Rules. A few members said that entities are not likely to apply IFRS 18 before the effective date as entities will need time to implement some of the new requirements, for example the changes to classification of foreign exchange differences.
4. One member asked for clarification on how the feedback from GPF members will be incorporated into the illustrative examples that will accompany the Standard, and in particular whether there will be any changes to the classification of the gain or loss on the net monetary position. An IASB staff member summarised how stakeholder feedback has been considered in drafting the illustrative examples. Regarding the classification of the gain or loss on the net monetary position, the IASB staff member confirmed that the IASB's decisions have already been reflected in drafting.

Next steps

5. The IASB will continue to develop its plans to support implementation and consistent application of IFRS 18.

Climate-related and Other Uncertainties in the Financial Statements

6. The purpose of this session was to update members on the IASB's project on Climate-related and Other Uncertainties in the Financial Statements and provide an opportunity to comment on the direction of the project.

7. Members who spoke generally supported the direction of the project. Many of these members were not in favour of standard-setting. However, they supported the IASB developing climate-specific examples to respond to concerns of some investors about reporting the effects of climate-related uncertainties in the financial statements. One member suggested including these as illustrative examples in the IASB's bound volumes to increase visibility.
8. One member said that it would be useful for the IFRS Foundation to publish educational materials about the role of financial statements to help users and other stakeholders better understand what information is included in financial statements and what information is included in sustainability-related financial disclosures.

Next steps

9. The IASB will consider the comments from members as it explores the development of examples about reporting the effects of climate-related and other uncertainties in the financial statements. The IASB will invite members to provide feedback on potential examples at a future date.

Equity Method

10. The purpose of this session was to:
 - (a) provide an overview of the IASB's tentative decisions on the Equity Method project; and
 - (b) ask views on those tentative decisions, including the potential effects (costs and benefits).
11. Most members who commented supported the IASB's tentative decisions. A few members said that the answers to application questions are useful, and the benefits will outweigh the costs.
12. One member disagreed with the tentative decision that an investor, that has reduced the carrying amount of its investment to nil and has stopped recognising its share of an associate's losses would not recognise any unrecognised losses on

purchasing an additional interest in the associate. The member did not think that applying this decision would result in faithful representation. An IASB staff member said the IASB had tentatively decided that if an investor purchases an additional interest in an associate, the investment would be an accumulation of purchases. The IASB did not want to vary the accounting treatment depending on whether the investor intends to cover the associate's losses. However, the IASB noted that in these circumstances an investor may need to assess whether there is any objective evidence that its investment is impaired.

13. One member disagreed with the tentative decision that, when acquiring an additional interest in an associate while retaining significant influence, an investor recognises a gain from a bargain purchase in profit or loss. The member said in these circumstances the transactions should be treated as a single transaction and the additional purchase should not result in recognition of a gain if the initial purchase resulted in recognising goodwill. Two members suggested the IASB consider introducing anti-avoidance principles for these circumstances to ensure the profit or loss is a faithful representation.
14. Two members commented on the tentative decision that an investor would recognise the full gain or loss on all transactions with an associate, joint venture or subsidiary. One member asked the IASB to give entities an option between recognising the gain or loss in full or partially. This member said the tentative decision:
 - (a) would conflict with local regulation in the member's jurisdiction that requires the amounts reported in the shareholder's equity in the parent's separate financial statements to be aligned with equity attributable to the parent in its consolidated financial statements;
 - (b) would increase the difference between amounts reported in the separate financial statements and the consolidated financial statements, which could affect dividend distribution and taxable income amounts in the members jurisdiction; and
 - (c) seemed inconsistent with the definitions of income and expenses in the *Conceptual Framework for Financial Reporting*.

15. A few members suggested that when proposing improvements to disclosure requirements for investments in associates the IASB considers accessibility of information.
16. One member said the IASB should produce application guidance and illustrative examples for the amendments to IAS 28.
17. Members asked for some clarifications on the tentative decisions. The IASB explained that:
 - (a) when purchasing an additional interest in an associate, an investor would not recognise any share of unrecognised losses on the previous interest. From the date of purchase the investor would recognise a share of profit or loss determined based on the new ownership interest.
 - (b) an investor would recognise the full gain or loss on all transactions with its associate for all types of transactions and not just the sale of a subsidiary.

Next steps

18. The IASB will consider any outstanding matters and will decide whether it has satisfied the required due process steps to publish an exposure draft of amendments to IAS 28.

Post-implementation Review of IFRS 15 *Revenue from Contracts with Customers*

19. The purpose of this session was to seek members' views on the matters raised in the Request for Information (RFI) *Post-implementation Review of IFRS 15 Revenue from Contracts with Customers*. The staff asked members:
 - (a) to prioritise matters that, in their view, meet the criteria for the IASB to take further action; and
 - (b) to provide suggestions for resolving those matters.
20. Many members said that IFRS 15 has achieved its objective, is working well and requires no fundamental changes.

21. The most common application challenges raised by members were:
 - (a) identifying performance obligations in a contract; and
 - (b) determining whether an entity acts as a principal or an agent.
22. Many members linked these challenges to the complexity of underlying business models, contractual arrangements or goods or services offered by a contract. Some members said that the large degree of judgement involved in making decisions on these topics might lead to outcomes that were inconsistent between entities.
23. Members made several suggestions for resolving the challenges of identifying performance obligations and determining whether an entity acts as a principal or as an agent—for example, providing additional, more up-to-date industry-specific examples and explaining the thought process behind the assessments.
24. Many members said convergence with FASB ASC Topic 606 is very important. A few members suggested that the IASB maintain at least the current degree of convergence. Two members suggested the IASB consider FASB ASU 2021-08, the FASB's 2021 amendment to ASC Topic 805 on accounting for contract assets and contract liabilities in a business combination.
25. A few members asked the IASB to consider other matters, including:
 - (a) assessing the costs and benefits related to IFRS 15 disclosure requirements;
 - (b) providing guidance on accounting for negative revenue; and
 - (c) revising the criteria for recognising revenue over time, especially the criterion set out in paragraph 35(c) that in a member's view may result in outcomes that do not reflect the underlying economic substance of some transactions such as real estate development arrangements in the member's jurisdiction.

Next steps

26. The IASB will assess whether IFRS 15 is working as intended, considering comments from members together with other feedback on the RFI.