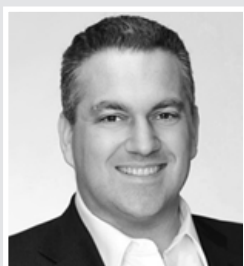


# The International Accounting Standards Board's Agenda Consultation—An Opportunity for Investors to Weigh In



## Zach Gast

Zach Gast, a member of the International Accounting Standards Board (Board), urges investors to lend their voice to the Board's Agenda Consultation on its five-year work plan.

The Board is asking investors to provide feedback on its Third Agenda Consultation to assist in prioritising the Board's work from 2022 to 2026. The Board would like to hear from investors on the strategic direction and balance of its activities—for example, how much time it should spend on developing new IFRS Standards compared with that spent on its other activities, such as supporting consistent application of the Standards. The Board would also like investors to comment on the Board's criteria for adding projects to its work plan and on which financial reporting issues the Board could add to that plan. It is essential that investors provide feedback to inform the Board's work

because they are the end customers for the output of IFRS Standards—companies' financial statements. This brief publication highlights the vital role that investors can play in shaping the work of the Board.

The Agenda Consultation is stakeholders' best opportunity to put forward financial reporting issues for the Board to consider. The Board expects to have limited capacity to add new projects to its plan, so it's essential that investors make their issues and priorities known. Feedback does not need to be written in technical language, so do not let terminology dissuade you from responding.



## Find out more

The Board recently published a Request for Information on its Third Agenda Consultation. You can find the supporting documents for the consultation on our website [here](#).






## Send us your views

The consultation period ends on 27 September 2021. Investors can submit a comment letter [here](#). Alternately, if you are unable to submit a full comment letter you can also complete a survey, found [here](#), that should take 20–60 minutes depending on the level of detail in your responses.

## What is the consultation about?

The consultation seeks feedback on three areas to help the Board determine where and how much of its time to devote to various activities and projects. Investors can respond to the three focus areas, but many choose to focus primarily on the last—helping to assess the priority of financial reporting issues.

### An overview of the Agenda Consultation

Areas of focus in the Third Agenda Consultation	
	Strategic direction and balance of the Board's activities
	Criteria for assessing which financial reporting issues to add to the work plan
	Priority of financial reporting issues

First, we seek your feedback on the overall balance of our main activities.

### The Board's main activities, including current level of focus<sup>1</sup>

Current level of focus on each activity	
New IFRS Standards and major amendments to IFRS Standards	40%–45%
Maintenance and consistent application of IFRS Standards	15%–20%
The <i>IFRS for SMEs</i> Standard	5%
Digital financial reporting	5%
Understandability and accessibility	5%
Stakeholder engagement	20%–25%

For instance, roughly 5% of resources are allocated currently to digital financial reporting. Some investors may want the Board to increase that level of focus. For example, some might want the Board to shift from a technology-neutral approach to the requirements in IFRS Standards to one that embraces technology first, shifting the focus away from paper-based reporting towards digital reporting. However, increasing the allocation of resources to one activity will mean that fewer resources are available for others. For this reason, the Board is keen to hear investor feedback on the strategic direction and balance of the Board's activities.

<sup>1</sup> Based on estimates of resource allocation over the last three years.

Second, let's hone in on one of the Board's main activities—developing new IFRS Standards and major amendments to IFRS Standards. While investors may be tempted to focus on the potential projects they would like added to the Board's work plan (I am sure we all have a 'wish list' of financial reporting issues we would like the Board to address), it is worth highlighting the capacity constraints that we have identified. If the current level of focus on developing new IFRS Standards and major amendments to IFRS Standards remains unchanged, we can only add 2–3 large projects, or 4–5 medium-sized projects, or 7–8 small projects (or an equivalent combination of large, medium and small projects) to our upcoming agenda. Capacity constraints mean that it is important that we identify the right criteria for assessing priorities—the second objective of the consultation. We are keen to know what investors think our criteria for adding projects to the work plan should be. For instance, do investors think the *rising importance* of intangibles merits standard-setting despite the high degree of *complexity* associated with developing robust Standards that may take significant time to develop and may not even be *feasible*?

Finally, we need to hear from investors on the financial reporting issues (potential projects) that are most important for improving their work—analysing financial statements. Improving the financial reporting requirements is where the rubber meets the road for many investors. Although the Board is currently working on a few major projects that will continue (see box below), we have developed a list of 22 potential new projects based on our ongoing engagement with stakeholders. A summary of each project is provided in the following pages and further details on each can be found in the supporting documents on the consultation. This is not to say that other projects cannot be added to the list, and we remain open to suggestions. As a former user of financial statements, I would be keen to tackle segment information and the statement of cash flows, including disclosures around supply-chain finance; but the key is to hear from you about which issues resonate right now. At the same time, it is just as important to hear what issues are unimportant to you as an investor and why, so that the Board can consider other stakeholders' priorities within that context.

### Continuing projects plan:

Several projects will continue into the Board's next five-year period—we would highlight two that have been of particular interest to investors.

**Primary Financial Statements**—This project grew out of a desire among investors to have more relevant and comparable company information with an emphasis on information in the statement of profit or loss. The key proposals include enhancing comparability by creating new subtotals within the statement of profit or loss and defining principles for deciding which items should be placed in each new section; creating disaggregation principles so that items with different characteristics are separately disclosed; and requiring disclosure of management performance measures ('non-GAAP'), with reconciliation to the nearest subtotal required by IFRS Standards, in the financial statements.

**Goodwill and Impairment**—Since acquisitions are a major growth strategy for many firms, the Board has a research project devoted to improving information provided to investors to help them more effectively hold management to account for its acquisitions. The first major area of exploration is the creation of new disclosures about management expectations at the time of acquisition and the acquisition's subsequent performance. The second area involves subsequent accounting for goodwill.

## Potential projects, arranged in alphabetical order

Project title	What the Board could do and the project size estimation (S—small, M—medium, L—large)
Borrowing costs	<ul style="list-style-type: none"> <li>• Undertake a targeted project to improve, clarify or simplify aspects of the borrowing costs Standard (S)</li> <li>• Undertake a comprehensive review of the Standard (M)</li> </ul>
Climate-related risks <sup>2</sup>	<ul style="list-style-type: none"> <li>• Lower the threshold for disclosure of information about sources of estimation uncertainty, including the effect that climate-related risks have on that uncertainty (M)<sup>3</sup></li> <li>• Broaden the requirements in the Standard on impairment for cash flow projections to be used in measuring value in use when testing assets for impairment (S)</li> <li>• Develop accounting requirements for pollutant pricing mechanisms (L)</li> </ul>
Commodity transactions	<ul style="list-style-type: none"> <li>• Develop requirements for some of the most common types of transactions involving commodities—for example, commodity loans (M)</li> <li>• Undertake a broader project on commodity transactions (L)</li> <li>• Develop a Standard to set out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes (L)</li> </ul>
Cryptocurrencies and related transactions	<ul style="list-style-type: none"> <li>• Develop educational materials to help companies apply IFRS Standards to cryptocurrencies</li> <li>• Develop additional disclosure requirements for information on the fair value of cryptocurrencies (S)</li> <li>• Permit cryptocurrencies to be measured at fair value and consider whether recognition of changes in fair value in the statement of profit or loss is appropriate in some circumstances (M)</li> <li>• Consider amending the scope of the Standards for financial instruments to include cryptocurrencies (M)</li> <li>• Develop a Standard to set out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes (L)</li> </ul>
Discontinued operations and disposal groups	<ul style="list-style-type: none"> <li>• Reconsider the single line-item presentation of discontinued operations and the disclosure requirements (M)</li> <li>• Undertake a comprehensive review of the Standard (M)</li> </ul>
Discount rates	<ul style="list-style-type: none"> <li>• Reconsider discount rate requirements in all IFRS Standards and, when appropriate, eliminate variations in present value measurement techniques (L)</li> </ul>
Employee benefits	<ul style="list-style-type: none"> <li>• Review the requirements in the employee benefits Standard on the rate used to discount pension liabilities in the absence of a deep market in high-quality corporate bonds (M)</li> <li>• Develop accounting requirements for hybrid pension plans (L)<sup>4</sup></li> <li>• Undertake a comprehensive review of the Standard (L)</li> </ul>
Expenses—Inventory and cost of sales	<ul style="list-style-type: none"> <li>• Undertake a comprehensive review of the accounting for inventory costs and cost of sales (L)</li> </ul>

<sup>2</sup> To avoid confusion, this potential project is separate from the strategic review being conducted by the Trustees of the IFRS Foundation—they are considering a potential expansion in the role of the Foundation through the possible creation of a new board to develop global sustainability reporting standards. In contrast, any potential project undertaken by the Board would focus on accounting issues associated with climate risk rather than on sustainability reporting more broadly.

<sup>3</sup> A lower threshold for disclosing information about sources of estimation uncertainty could result in the disclosure of more information about climate-related risks than companies currently disclose and improve the information available to investors.

<sup>4</sup> Hybrid pension plans are post-employment benefit plans (for example, pension plans) with characteristics of both defined contribution and defined benefit plans.

Project title	What the Board could do and the project size estimation (S—small, M—medium, L—large)
Foreign currencies	<ul style="list-style-type: none"> <li>• Undertake a targeted project to improve aspects of the accounting for foreign currencies (M)</li> <li>• Undertake a comprehensive review of the Standard (L)</li> </ul>
Going concern	<ul style="list-style-type: none"> <li>• Develop enhanced requirements on how management should assess whether the going-concern basis of preparation is appropriate (M)</li> <li>• Develop enhanced specific disclosure requirements about the going concern assumption (M)</li> <li>• Develop requirements to specify the basis of accounting that applies when an entity is no longer a going concern (L)</li> </ul>
Government grants	<ul style="list-style-type: none"> <li>• Undertake a comprehensive review of the accounting requirements for government grants (M)</li> </ul>
Income taxes	<ul style="list-style-type: none"> <li>• Develop educational materials to help companies apply the Standard on income taxes</li> <li>• Develop accounting requirements for emerging types of taxes (S)</li> <li>• Develop enhanced disclosures about income taxes (M)</li> <li>• Undertake a comprehensive review of income tax accounting (L)</li> </ul>
Inflation	<ul style="list-style-type: none"> <li>• Assess whether accounting requirements for hyperinflationary economies could be extended to economies subject to high inflation (S)</li> <li>• Undertake a comprehensive review of the accounting requirements for hyperinflationary and high-inflation economies (L)</li> </ul>
Intangible assets	<ul style="list-style-type: none"> <li>• Require improved disclosures about intangibles not recognised as assets (M)</li> <li>• Require disclosures about the fair value of some intangible assets, especially those held for investment (M)</li> <li>• Undertake a comprehensive review of the intangible assets Standard, including the recognition and measurement requirements (L)</li> </ul>
Interim financial reporting	<ul style="list-style-type: none"> <li>• Develop enhanced disclosure requirements to provide an update on the latest complete set of annual financial statements (S)</li> <li>• Clarify what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment (S)</li> <li>• Address interim accounting issues in each new IFRS Standard or major amendment as it is developed (M)</li> <li>• Undertake a comprehensive review of the Standard (L)</li> </ul>
Negative interest rates	<ul style="list-style-type: none"> <li>• Develop specific accounting requirements for negative interest rates (M)</li> </ul>
Operating segments	<ul style="list-style-type: none"> <li>• Undertake targeted improvements to the segment aggregation criteria and develop enhanced disclosure requirements about operating segments (M)</li> </ul>
Other comprehensive income	<ul style="list-style-type: none"> <li>• Consider whether to amend the requirements for income and expenses that are classified in other comprehensive income (L)</li> </ul>
Pollutant pricing mechanisms	<ul style="list-style-type: none"> <li>• Develop accounting requirements for various types of pollutant pricing mechanisms (L)</li> </ul>
Separate financial statements <sup>5</sup>	<ul style="list-style-type: none"> <li>• Develop more disclosure requirements in separate financial statements (S)</li> <li>• Address some of the specific application questions about separate financial statements (M)</li> <li>• Undertake a comprehensive review of the Standard for separate financial statements (L)</li> </ul>

<sup>5</sup> The unconsolidated financial statements of a company that has investments in a subsidiary, associate or joint venture.

Project title	What the Board could do and the project size estimation (S—small, M—medium, L—large)
Statement of cash flows and related matters	<ul style="list-style-type: none"> <li>• Develop more effective disclosures about ongoing maintenance expenses and growth expenditure (S)</li> <li>• Consider whether to remove the requirement for financial institutions to produce a statement of cash flows (S)</li> <li>• Undertake a targeted project to improve aspects of the statement of cash flows, including information about non-cash movements, such as arising from supply chain financing arrangements (M)</li> <li>• Seek to develop a statement of cash flows for financial institutions (M)</li> <li>• Undertake a comprehensive review of the Standard for cash flow statements (L)</li> </ul>
Variable and contingent consideration	<ul style="list-style-type: none"> <li>• Make targeted changes to the Standards that describe the accounting for transactions that involve variable or contingent consideration (M)</li> <li>• Develop a consistent approach to reporting variable and contingent consideration for all IFRS Standards (L)</li> </ul>

We know that investors are busy people and often do not have the time or resources to respond to our consultations, so we've provided a couple of ways for you to respond to this consultation. The first option is a traditional comment letter. Investors with capacity to respond by comment letter are urged to do so; comment letters provide the Board with a detailed rationale for the responses to questions posed in the Agenda Consultation. However, investors also have the option to respond to a survey. The survey should take 20–60 minutes, depending on how much detail you provide, and it includes links to the Request for Information to help answer any questions you might have about any area of work.



### Get in touch!

The Board also seeks to meet one-on-one with investors to explore feedback in detail. If you would be interested in participating in this way, please feel free to contact me at [zgast@ifrs.org](mailto:zgast@ifrs.org) or Sid Kumar from the Investor Engagement Team at [skumar@ifrs.org](mailto:skumar@ifrs.org).

We are also available if you have any questions about the process or if we can assist you in submitting feedback in any form.

The views expressed in this article are those of the author as an individual and do not necessarily reflect the views of the International Accounting Standards Board (Board) or the IFRS Foundation (Foundation). The Board and the Foundation encourage members and staff to express their individual views. This article has not undergone the Foundation's due process. The Board takes official positions only after extensive review, in accordance with the Foundation's due process.