Summary note of the Accounting Standards Advisory Forum

Held on 4 October 2018 at the IFRS Foundation office, Columbus Building, 7 Westferry Circus, Canary Wharf, London E14 4HD.

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 IFRS Foundation® website.*

ASAF members and specialists attending[2]

Andreas Barckow Sven Morich	Accounting Standards Committee of Germany (DRSC)
Alexsandro Broedel Lopes Rodrigo Andrade de Morais	Group of Latin American Standard-Setters (GLASS)
Patrick de Cambourg Cédric Tonnerre	Autorité des normes comptables (ANC)
Alberto Giussani Leonardo Piombino	Organismo Italiano di Contabilità (OIC)
Russ Golden Gary Buesser	Financial Accounting Standards Board (FASB)
Linda Mezon	Accounting Standards Board of Canada (AcSB)
Yukio Ono Atsushi Kogaska Yasunobu Kawanishi	Accounting Standards Board of Japan (ASBJ)
Kris Peach/Kimberley Crook David Bassett	Australian Accounting Standards Board (AASB) / New Zealand Accounting Standards Board (NZASB)
Andrew Watchman Patricia McBride	European Financial Reporting Advisory Group (EFRAG)
Huaxin Xu Kala Kandiah Il Hong Park Nami Yamaguchi	Asian-Oceanian Standard-Setters Group (AOSSG)

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[2] The China Accounting Standards Committee submitted written comments.

Financial Instruments with Characteristics of Equity

1. The objective of this session was for the ASAF members to share initial views and feedback on the Discussion Paper *Financial Instruments with Characteristics of Equity* issued in June 2018. The AOSSG member presented Agenda Paper 1, which set out the preliminary views of the AOSSG on the Discussion Paper, including the International Accounting Standards Board's (Board) preferred approach. The preliminary views included:

    (a) A concern that the terms 'entity's available economic resources' and 'amounts independent of the entity's available economic resources' are not clear and appear to be circular in nature.

    (b) A concern about how 'amount independent of the entity's available economic resources' links to liquidation.

    (c) A view that further clarification is required regarding non-controlling interests (NCI) puts and foreign currency rights issues. Some AOSSG members thought that the foreign currency rights issue exception (currently in IAS 32 *Financial Instruments: Presentation*) is working in practice and that the Discussion Paper does not adequately explain why the exception is no longer needed.

    (d) Questions about how the principles in the Discussion Paper work with the revised *Conceptual Framework*.

    (e) Questions about the classification of some contingent convertible (coco) bonds as financial liabilities, applying the preferred approach in the Discussion Paper.

    (f) The retention of the puttable financial instruments exception (currently in IAS 32) was generally supported.

2. The AOSSG member emphasised the above comments are preliminary views and that further outreach activities are planned.

3. The EFRAG member said that the EFRAG draft comment letter on the Discussion Paper has been published. The member noted that many of the comments made by the AOSSG are also reflected in EFRAG's draft comment letter. However, the member

acknowledged that there are potential benefits in seeking a clearer articulation between liabilities and equity.

4. The EFRAG member had the following comments:

   (a) A question on whether the foreign currency rights issue exception is justified and acknowledgment that its removal would lead to consistent classification of foreign currency rights issues and conversion options in a foreign currency convertible bond.

   (b) General support for the binary split between liabilities and equity and the use of enhanced presentation and disclosure to address the limitations of a binary split.

   (c) A question on the use of Other Comprehensive Income (OCI) for particular subsets of financial liabilities and whether the effects in profit or loss are counter-intuitive.

   (d) A recommendation to undertake more work to see if the approaches for attributing total comprehensive income to subclasses of equity are effective (including costs and benefits).

5. The AcSB member said that industries significantly impacted by the FICE project include financial services, oil and gas, mining, utilities and technology. She also noted that some entities, particularly mining and oil and gas companies, continue to use US GAAP and will be interested in the impact of the proposals in the Discussion Paper because it affects their competitors that apply IFRS Standards.

6. The AcSB member also highlighted:

   (a) That the removal of the foreign currency right issue exception would have a significant implication in her jurisdiction as many Canadian entities' functional currency is USD and debt is raised in either USD or CAD.

   (b) Support for the retention of the puttable financial instruments exception but that there are existing concerns that some of the criteria might be restrictive.

   (c) That the notion of 'an entity's available economic resources' and how it includes unrecognised assets and liabilities needs to be explained further.

7. A staff member noted that the removal of the foreign currency rights issue exception should be considered alongside the separate presentation proposals. The staff member asked the ASAF members for feedback on whether the criteria proposed in the Discussion Paper for separate presentation would be met for foreign currency rights issues that meet the criteria for the existing exception.

8. The DRSC member noted that there seems to be an implicit principle that in any entity, one class of financial instrument that is most residual should be treated as equity even if it fails to meet the criteria for the puttables financial instruments exception. The DRSC member recommended the Board investigate whether this should be an explicit classification principle in addition to the 'timing' and the 'amount' features. The member also commented on the messaging aspect of the project because by articulating a new concept, he believes entities will be forced to review all contracts and there is a question as to whether the effort required is worthwhile, if the effect is marginal. He suggested the Board define which financial instruments entities do not need to reassess because the outcome is clear.

9. The DRSC member also commented that more work needs to be undertaken on contingencies.

10. The GLASS member said that the outreach activities in its jurisdiction would begin shortly. The member asked for clarification in relation to the 'amount independent of the entity's available economic resources' and how it applies to instruments such as preferences shares that pay dividends based on a fixed percentage of net income or 'coco' on which an entity stops paying dividends if a trigger event occurs. The member also gave an example of a cumulative perpetual bond which requires the coupon to be paid only if the entity generates earnings. In his view, it is not clear how these features should be treated applying IAS 32 or the Discussion Paper.

11. The ASBJ member raised three matters:

    (a) Firstly, combining the two features for classification is complex and there is a concern as to whether it would be beneficial for stakeholders. In particular, the timing could vary for when a claim requires a transfer of economic resources but the Discussion Paper appears to focus on transfers on liquidation. The Discussion Paper proposes the retention of the puttable financial instruments exception and the member believes robust principles should not require an exception.

(b) Secondly, there is a concern about the expansion in the use of OCI to a new type of income and expenses and about not recycling OCI because it seems to contradict the newly issued *Conceptual Framework*.

(c) Thirdly, the benefit of the attribution of total comprehensive income to equity instruments may not outweigh the effort required, especially for derivative equity instruments.

12. The ASBJ member also noted it is important to identify who the holders of equity claims are (which is referred to in the definition of income and expenses in the *Conceptual Framework*) and said that the discussion in the Discussion Paper appears to lack such a perspective.

13. The AASB/NZASB member observed that the objective of the project, which is about clarifying the principles and future proofing, does not appear to be getting sufficient traction. Constituents are concerned that the Discussion Paper results in a lot of changes for which they do not see the benefits, and that it does not address certain practical issues relating to options-over-options, step-up bonds and financial instruments that include anti-dilutive or protective measures.

14. A Board member explained that there have been a number of questions submitted to the Interpretations Committee where the outcome when applying IAS 32 could not be explained. The purpose of the project is to provide clear classification principles to ensure consistent application and to future proof the Standard for instruments that have not even been designed yet. The Board needs to understand whether ASAF members agree with the use of the ‘timing’ and ‘amount’ features, what the effects are in terms of the changes in classification of financial instruments and whether the outcomes are appropriate.

15. The Board member noted outreach is highlighting the effects on liquidation and a change to the classification of a perpetual instrument with payments that can be deferred until liquidation. This focus on the effects on liquidation takes the focus away from economic compulsion. The Board member also said that the work required by entities on transition should not be a barrier to an ultimate improvement in financial reporting.

16. The FASB member said that in his view the difference between equity and debt is the least understood aspect of US GAAP. Outreach from the FASB's project on this topic has indicated that the investors in the US want to focus on presentation and disclosures and the terms of the instrument to make their own decisions about classification. Investors further indicated that they do not want a bifurcation of convertible debt—they do not seem to like accounting separately for things that are not separable. Currently, the FASB is undertaking a targeted improvement project.

17. Both the FASB member and the GLASS member commented that there is a knowledge gap between the technical experts and the general accountants on this topic and explained that disclosures are more important to users as they do not understand all the complexities involved in classification.

18. Another IASB Board member responded to the points raised during the meeting related to terminology and messaging of the project. The Board member encouraged ASAF members, when conducting further outreach to:

    (a) set out the principles in the Discussion Paper and aim to focus the discussion on identifying the advantages and disadvantages of applying the Board's preferred approach;

    (b) include in outreach topics separate presentation of fair value changes in OCI for NCI puts as proposed in the Discussion Paper;

    (c) consider if the focus for financial institutions should be on information at liquidation or on a forced recapitalisation event that occurs before liquidation; and

    (d) understand the parts of the attribution proposals which are being resisted, if any; ie the attribution of total comprehensive income to non-derivatives or to derivatives and whether stakeholders believe disclosures alone can add value.

IFRS 3 *Business Combinations* reference to the *Conceptual Framework*

19. Agenda Paper 2 discussed problems that could arise if an existing reference in IFRS 3 *Business Combinations* to the *Framework for the Preparation and Presentation of Financial Statements (1989 Framework)* were replaced with a reference to the 2018 *Conceptual Framework*.

Comments on staff conclusion

20. All ASAF members agreed with the staff conclusion that the only significant problem in practice could be the conflict the Board had already identified for liabilities within the scope of IFRIC 21 *Levies* and similar liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Views on when and how the Board should update the reference

21. Some ASAF members noted that members of their groups (GLASS, AOSSG, EFRAG) had expressed few reactions (EFRAG, GLASS) and/or a range of different views (EFRAG, AOSSG) on when and how the Board should update the reference.

22. On the question of *when* the Board should update the reference:

    (a) the ASBJ, EFRAG and OIC members suggested that if the Board decides to amend IAS 37, they would be content to wait until it has done so—IFRS 3 could be updated at the same time as IAS 37, avoiding any changes to IFRS 3 before the Board has finalised the amendments to IAS 37.

    (b) the AASB/NZASB member urged the Board to update the reference as soon as practicable. She argued that people are already confused about when preparers should refer to the *Conceptual Framework*—if they also had to decide which version of the *Conceptual Framework* to refer to, they could get to the wrong answer. She also noted that the Board has not yet decided whether and how to amend IAS 37 and thought the project should not be rushed—the Board should take the time it needs to get the amendments right.

23. On the question of *how* the Board should update the reference (if doing so before amending IAS 37), there was some support for each of the 3 approaches discussed in paragraphs 41–42 of Agenda Paper 2.

24. The AASB/NZASB, GLASS, ANC and DRSC members expressed support for the approach in paragraph 41(b)—that is, adding requirements to IFRS 3 for subsequent recognition and measurement of liabilities within the scope of IFRIC 21 and IAS 37. They said that:

(a) recognising levies that meet the definition of a liability in the *Conceptual Framework* would be consistent with the objectives of IFRS 3.

(b) although levy liabilities acquired with a business would be treated differently from levy liabilities incurred in other ways:

(i) this is already the case for contingent liabilities. The requirements for contingent liabilities have not given rise to problems in practice.

(ii) the difference could be justified because the treatment of liabilities acquired with a business has implications for the measurement of goodwill.

25. A Board member noted a possible concern about the approach in paragraph 41(b). This approach would require preparers to apply new concepts before the Board has amended IAS 37 to provide requirements and guidance on how these concepts should be operationalised. So there is a risk that the concepts would be applied inconsistently. The EFRAG member said the same concern had been raised by its members—they had questioned whether there was enough information even to justify the conclusion reached in the simplified example in Appendix A to Agenda Paper 2.

26. The OIC member expressed support for exploring the approach in paragraph 42—that is, amending IFRS 3 to require acquirers to apply the *Conceptual Framework* definitions only for assets and liabilities that are not within the scope of another Standard. The OIC member noted that such an approach would be consistent with the general way in which preparers of financial statements are required to use the *Conceptual Framework*.

27. The ANC member suggested the Board should try where possible to avoid including references to the *Conceptual Framework* in Standards, because of the endorsement of the *Conceptual Framework* in different jurisdictions. Standards should instead specify exactly what they require.

Extended External Reporting (EER)

28. Agenda paper 3 of the meeting presented New Zealand's External Reporting Board's (XRB) research following two surveys undertaken, one obtaining the views of preparers of corporate reports and the other obtaining the views of users of EER information. For the purpose of the surveys, the definition of EER was very broad and included all information above and beyond that required by New Zealand law. The NZASB presenter focused on those findings which might be helpful for the Board's management commentary project. The NZASB presenter also provided an overview of the NZASB's EER project. The project seeks to develop guidance to assist entities in reporting EER information relevant to users of general purpose financial reports.

29. The staff noted that interestingly the study put users' and preparers' views together, and commented that there could be a language barrier that confuses preparers about what users really need.

30. A Board member suggested that although it may be the case that preparers are not familiar with the capitals approach in the International Integrated Reporting <IR> Framework, another possibility is that they choose to say that information on the capitals is not important because they are reluctant to disclose information in that area. The NZASB presenter noted that it may be a combination of the two factors, but they do not have enough information from the findings to confirm this.

31. Another Board member commented on the scope of the XRB's research and its relation to the Board's management commentary project, with EER seeming to relate more to wider corporate reporting and a broader user group.

32. The GLASS member questioned the low percentage of users who use EER for making investment decisions, since EER also includes the Management Discussion and Analysis (MD&A). The NZASB presenter confirmed this was due to the proportion of respondents who directly undertook investment decisions and therefore the number of respondents who used EER for decision making correlated with the number of respondents who were investors. The GLASS member said that those users may include high frequency traders who do not use EER information and suggested that, therefore, it may be important to identify such users and distinguish which are the buy-side investors who would be using EER information. The NZASB presenter said

that future research could focus on users of the primary financial statements and the annual report.

33. The AOSSG member introduced a survey on MD&A conducted by the Korean regulator, which found that many preparers tend to repeat the same information in MD&A from the financial report, and preparers think it unnecessary to strengthen the requirements on MD&A.

34. The AcSB member introduced the findings of their recent outreach on a framework for performance measures and noted common themes between the two projects. The Canadian outreach included feedback on the frequency of the communication between the financial statement preparers and its users. For more sophisticated companies, the conversation between preparers and users are happening often but a mechanism does not exist for smaller companies, as users expect preparers to initiate the dialogue on users' needs. The AcSB also noted that people pay more attention to frameworks issued by the standard setter than those issued by professional associations. From their outreach, they also observed the expectation gap about what is audited and what is not audited, as well as with users who are also expecting that more should be audited.

35. The EFRAG member questioned whether there could be further elaboration about the idea of 'comply or explain' in EER disclosures, and also whether the audience of EER should be only the primary users of financial statements or whether the needs of wider society should also be addressed. The NZASB presenter noted that the NZASB decided to focus their EER project on the primary users of general purpose financial reporting, and that other users may be better served with information being published outside the annual report.

36. A Board member asked if in the study the XRB was able to identify what individual investors responded to each question. The NZASB presenter advised that they were unable to do so.

Accounting Policies and Accounting Estimates (Amendments to IAS 8)

37. The objective of the session was to obtain ASAF members' views on staff's planned recommendations on the definitions of accounting estimate and accounting policy included in Agenda Paper 7A. Agenda Paper 7A analysed feedback on the Exposure Draft *Accounting Policies and Accounting Estimates* (Proposed amendments to IAS 8) and included staff's planned recommendations on the key matters identified. ASAF members were also provided with a brief update on feedback received from the IFRS Interpretations Committee (Committee) on Agenda Paper 7A.

Definition of accounting estimates

38. The AOSSG member shared comments from individual AOSSG members. One AOSSG member said the Board should clarify what constitutes new information and new developments. Another AOSSG member suggested the Board define the process of accounting estimation, and then define an accounting estimate as an output of the process of accounting estimation.

39. The AOSSG member also shared the view of one AOSSG member who said that the Board should consider whether the definition should be limited to monetary amounts or whether it should also include non-monetary amounts. Two ASAF members (ANC, EFRAG) also said they were not convinced of the need to use the term 'monetary amounts'.

40. The EFRAG member said the definition helps clarify a key matter by specifying that a change in measurement technique is part of a change in accounting estimate. Other ASAF members (OIC, AASB/NZASB) also said this clarification was helpful.

41. The AcSB member said the definition was clear and understandable. The AASB/NZASB member also said there was support from some constituents for the planned definition. Nonetheless, she said there were questions about some aspects of the definition. She said limiting the definition to measurement could create an additional category of change that would not be addressed in IAS 8 (for example, estimations involved in recognition decisions). She also asked whether a change from a fair value that is measured using level 1 inputs to one that is measured using level 2 inputs would be accounted for as a change in accounting estimate.

Definition of accounting policies

42. The GLASS member referred to the Board's proposal in the Exposure Draft to delete from the definition of accounting policies the reference to practices and conventions. He said a possible meaning of the term 'practice' was something specific to an entity, and 'convention' was a widely accepted 'practice' in a given industry. If this understanding was correct, he agreed with the planned recommendation not to delete these terms. A Board member said that feedback received identified that stakeholders have different views on the meanings of those terms.

43. The AOSSG member noted thatone AOSSG member suggested the Board define the terms in the definition of accounting policies. The EFRAG member said he agreed with the views of some Committee members that there continues to be an overlap between the definitions of accounting policies and accounting estimates. He said it would be difficult to address this overlap without shifting the boundaries between an accounting policy and an accounting estimate. He also said the EFRAG User Panel had a separate discussion on when retrospective restatement is useful—he said restatement is generally useful when a change is the result of accounting rather than any change in the underlying economics. Accordingly, he said that any change that reduces the prevalence of retrospective information would be unlikely to be welcomed by users.

44. Some ASAF members (AcSB, AASB/NZASB) supported the staff's planned recommendation of not amending the definition of accounting policies.

Planned recommendation on inventory cost formulas

45. The FASB member said the Board should be careful not to characterise a change in inventory cost formulas as a change in accounting estimate—this is because entities might be able to change cost formulas frequently. The AcSB member agreed with this concern.

46. The ASBJ member said the Board should address the inventory cost formula and other specific matters. The EFRAG member observed that changes in inventory cost formulas were not common in practice. However, the AASB/NZASB member said she has seen some examples in practice. She suggested the Board include the clarification originally proposed in the Exposure Draft in IAS 2 *Inventories*, rather than in IAS 8.

Additional illustrative examples

47. The EFRAG member said he did not find the reason for not providing illustrative examples convincing. He said that if the definitions are clear, the Board should be able to develop examples whether as part of the amendments or as separate educational materials. The AcSB member also agreed that examples should be provided. However, the ANC member said the Board should not provide illustrative examples.

Finalisation of proposed amendments

48. Some members (ANC, OIC) expressed support for the proposals in general and agreed with the proposal to proceed with the amendments. The ANC member suggested grouping all amendments to IAS 8.

49. The AOSSG member said the Board should consider re-exposing the proposed amendments or extending the scope of the project. The ASBJ member also said the staff's planned recommendations would be significant changes to the original proposals included in the Exposure Draft.

50. The ASBJ and the EFRAG members questioned whether the changes as proposed by staff were substantial enough for the Board to proceed with the project.

Rate-regulated Activities

51. The purpose of this session was to obtain feedback from ASAF members on the staff's initial views on disclosure objectives and requirements for defined rate regulation. Their feedback is summarised below.

Disclosure objectives

52. Most ASAF members were generally supportive of the staff's initial views on the disclosure objectives and requirements for defined rate regulation, however:

    (a) the EFRAG member did not think that the illustration of the proposed disclosure requirements achieved the proposed disclosure objectives. This member suggested more granularity is needed about why and how timing differences originate (see paragraph 54(a)).

    (b) the AcSB, AOSSG and AASB/NZASB members challenged the notion that information about the general regulatory and economic environment does not contribute directly to fulfilling the objective of financial statements. Those members suggested that the disclosure objectives should lead to entities providing contextual information about the rate-regulated activities that lead to regulatory assets and regulatory liabilities.

(c) the AcSB member questioned not requiring disclosure of the overall risks and uncertainties, especially because of observed situations whereby a Canadian entity buys multiple US entities, which are operating in multiple regulatory environments. It was unclear why these risks and uncertainties are different from those disclosed when applying IFRS 7 *Financial Instruments: Disclosures*.

(d) the GLASS member stated that users, particularly sell-side analysts, seek information about contractual terms or amendments to contractual terms that affect future cash flows, in particular when those arrangements are in place in different jurisdictions and relate to different business lines in which an entity operates.

(e) the AASB/NZASB member suggested that the overall disclosure objective should have a greater emphasis on financial performance rather than on financial position because the model focusses on the faithful representation of the effects of defined rate regulation on an entity's financial performance. It was suggested that supplementary information about general changes to the future rate is useful, in addition to information about the regulatory timing differences.

(f) the DRSC member suggested more clarity is needed about how the application of the recognition and measurement requirements of the model results in entities carrying out estimates and reflecting uncertainty in the amounts recognised. This member suggested that, consequently, fulfilling the disclosure objectives should result in entities providing information of any residual risks related to regulatory assets and regulatory liabilities, rather than general risks about the regulatory environment.

Level of aggregation

53. The AOSSG member broadly agreed with the level of aggregation but expressed concern about the potential overlap of disclosures for defined rate regulation with

disclosures required by other IFRS Standards such as IFRS 15 *Revenue from Contracts with Customers*.

54. Some ASAF members expressed concerns about the staff's initial views on the level of aggregation for disclosures:

    (a) the EFRAG and AASB/NZASB members commented that the proposed requirements may not result in disclosures that reflect the nature and type of timing differences on a sufficiently disaggregated basis, citing similar requirements in other IFRS Standards, such as IAS 12 *Income Taxes*, IAS 16 *Property, Plant and Equipment* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

    (b) the GLASS member expressed concern about allowing entities too much discretion when assessing the level of aggregation for disclosures and suggested the model includes guidance to help entities carry out this assessment.

    (c) the EFRAG member expressed concern about linking the disaggregation of the regulatory income/(expense) line item to the requirements of IFRS 8 *Operating Segments* because some entities may not consider their rate-regulated activities as a separate reportable segment.

Disclosure requirements

55. Some ASAF members commented that the illustrative disclosures were useful in reflecting the outcome intended by the disclosure objectives However:

    (a) the AcSB member suggested the staff consider the following matters when developing further the disclosure requirements:

        (i) regulatory reviews and filings are important for users when substantiating entities’ claims and assessing expected future cash flows;

        (ii) the disclosures resulting from the requirements in IFRS 14 *Regulatory Deferral Accounts* are generally useful. However, preparers have difficulty in explaining the net movements in regulatory items, particularly when the underlying items are recognised in other comprehensive income. Consequently, the understandability of the disclosures for users can be impaired; and

(iii) some users look for entities to provide a reconciliation between the regulatory capital base (ie the amount treated by the regulatory agreement as capital investment) and the asset balances accounted for in accordance with IFRS Standards.

(b) the EFRAG member stated that the disclosure requirements for defined rate regulation should be explicitly contained within the future Standard rather than relying on the disclosure requirements of overarching principles in IAS 1 *Presentation of Financial Statements* or the *Conceptual Framework for Financial Reporting*.

Other comments

56. The ANC member raised concern about how the model would deal with some timing differences arising from, for example, pension liabilities or income tax balances. This member suggested clarifying that the draft accounting model primarily accounts for timing differences affecting financial performance, with assets and liabilities created as a consequence. In his view, the model should not consider as timing differences all items for which there is a difference between the regulatory balance and the IFRS balance.

57. The DRSC member suggested the model should emphasise that any estimates or judgements involved when applying the measurement or disclosure requirements are those made by management; ie the model does not aim to reflect regulators' estimates or judgements.

58. The AcSB member said that an AcSB research paper on rate regulation has been finalised and is expected to be published before the end of 2018. ASAF members discussed an earlier draft of the research paper at the September 2016 ASAF meeting and, subsequently, some members contributed information to the AcSB staff.

Extractive Activities

59. The ASAF considered Agenda Paper 5 which provided a reminder of the content of and feedback to the 2010 Discussion Paper *Extractive Activities*, and outlined the initial work being performed on the project. ASAF members were asked whether they

were aware of any significant changes in extractive activities since 2010 that they wanted to make the Board aware of, and for their views on how users cope with the diversity in accounting practice for extractive activities.

60. Two ASAF members (AASB/NZASB and AcSB), whose staff had contributed to the 2010 Discussion Paper and who had been contacted as part of the early outreach by the project to highlight whether they were aware of any significant changes in extractive activities since the Discussion Paper, provided a summary of the work they were performing and initial views they had at this early stage.

61. The AcSB member commented that one significant change since 2010 in Canada was the adoption of IFRS; in converting to IFRS Standards extractive companies in Canada lost some specific guidance. The member noted that it is important for the Board to establish the problem definition at the outset and noted that pursuing additional disclosures may have the most cost/benefit in terms of time spent.

62. The AASB/NZASB member also highlighted the importance of scoping the project and suggested that the Board consider that the most important piece of information about extractive activities, the reserves and resources information, is outside the financial statements and therefore not audited.

63. The EFRAG member noted that the issues being considered in the Board's project on *Property, Plant and Equipment, Proceeds before Intended Use* are relevant to the extractive industry.

64. The ASBJ member commented that, whilst there is not a major extractive industry in Japan, they were not aware of any significant changes since 2010.

Project updates and agenda planning

65. The staff presented Agenda Paper 6, including the proposed agenda for the December 2018 ASAF meeting. The ASAF members did not have major comments on this paper or on the proposed agenda. The AOSSG member queried the criteria the staff used in determining the maintenance projectsthat are presented and discussed in ASAF meetings. The staff replied that the selection of topics is based on an assessment of the topics that ASAF members would provide most useful feedback on.

Disclosure Initiative—Targeted Standards-level Review of Disclosures project

66. The staff presented Agenda Paper 6A on the Disclosure Initiative—*Targeted Standards-level Review of Disclosures* project. The paper summarised the draft guidance for the Board to use when developing and drafting disclosure requirements in future. The staff also provided an oral update on the Board's activities to test that guidance by applying it to IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement*. The ASAF members did not have major comments.

Project update on Goodwill and Impairment

67. The staff presented Agenda Paper 6B, outlining the key findings on the goodwill and impairment project to date, along with the tentative decisions made by the Board in July 2018 relating to the objectives of the research project. The paper did not include any specific request for feedback from the ASAF members.

68. Two ASAF members (AASB/NZASB and DRSC) suggested that if the changes to the value in use calculation in Objective C in the paper were implemented there would be a need for additional guidance on the difference between assumptions used for estimating value in use and those used in estimating fair value less costs of disposal.

69. The AASB/NZASB member suggested that the Board should consider other ways to simplify the impairment test beyond the two items mentioned in Objective C and also highlighted that one of the main concerns in many jurisdictions about deficiencies in audit quality is about the audit of the impairment test. The AcSB member suggested the Board could do more work to make the value in use calculation more robust.

70. The GLASS member questioned the usefulness of the carrying amount of goodwill because the research had found that neither amortisation of goodwill nor recognition of impairment losses on goodwill provides useful information. The staff replied that they intend to seek information from users on the use of the carrying amount of goodwill.