
IASB Abacus Research Forum 2024

University of Sydney Business School
4-5 November 2024

Session 1 Academic discussant
Ann Tarca IASB Member

Paper 1

Recognition and disclosure of intangibles under international financial reporting standards

Authors: Ibrahim, Elmarzouky, Al-Kilani & Bowden

Presenters: Salma Ibrahim and Mahmoud Elmarzouky

Academic discussant: Richard Morris, UNSW

Standard setter discussant: Ann Tarca

Aim and findings

- The study reports on trends in recognition and disclosure of intangible items by firms that engage in acquisitions and those that do not.
 - Key questions of interest motivating the study:
 - The accounting treatment of acquired intangible assets differs from that for internally generated intangible assets
 - The disclosure of unrecognized intangibles is encouraged but not required (IAS 38)
 - Findings:
 - Disclosure in financial statements about intangible assets is low and has not increased over study period (2017-2022).
 - Acquisitive firms have more recognized intangible assets than non-acquisitive firms (32% vs 9%) and the latter provide more disclosure about non-contractual intangibles.
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Contribution to standard setting

- We appreciate the study and the collection of descriptive evidence. Confirmation of relationship of more disclosure/more intangible assets.
 - Key variable definitions affect inferences drawn.
 - Categories of intangibles – using EFRAG (2022)
 - Could reference to brands etc (CAT A) also be in relation to internally generated brands, usually CAT B) items.
 - Acquisitive/non-acquisitive firms – the former is defined very broadly. Try a tighter definition (eg entity made an acquisition in the current year) and see if results still hold.
 - Investigation of proprietary costs/commercial sensitivity is of interest; I encourage further investigation (while recognizing low disclosure overall).
 - Sample selection – have you been too restrictive eg why exclude firms with data not in GBP. Explain.
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Further questions

- There is lack of change in amounts of intangible assets in aggregate (and in disaggregated intangible assets) in the sample period. Have these amounts increased over time since adoption of IFRS in 2005? (Information from databases).
 - The finding that non-acquisitive firms give more disclosure about non-contractual intangibles is interesting. Try some robustness tests – other definitions of ‘acquisitive firms’; extent relationship reflects just R&D expense disclosure.
 - Can you link disclosure to M&A activity eg proportion of acquired intangibles vs internally generated.
 - Can you explore further the recognized amounts for individual intangible assets? You present some aggregated data. Pls provide tables of scaled monetary amounts across years, including numbers of observations. Descriptive information about a range of intangible assets is of interest.
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Other comments

- Study does not really address the outcomes of treating acquired intangible assets differently from internally generated ones – analyst concerns are about revaluations on acquisition and amortization impact in future years.
 - We are interested in level of disclosure about unrecognized intangibles – but as authors note, hard for them to distinguish disclosure about recognized from unrecognized based on the method used.
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Paper 2

R&D disclosure and the informativeness of future earnings

Authors: Mazzi, Slack, Tsalavoutas & Tsloigkas

Presenters: Yannis Tsalavoutas and Fanis Tsoligkas

Academic discussant: Chuan Yu, Uni. of Sydney

Standard setter discussant: Ann Tarca

Aim and findings

- Study explores effect of R&D disclosure on Informativeness of share prices about future earnings. Findings show this effect
 - For narrative disclosures in annual report (management commentary).
 - In countries with low corruption and high-level enforcement (of financial reporting requirements).
 - Topic areas: development phase R&D; conditions for capitalization; intellectual property.
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Contribution to standard setting process

- Timely and relevant
 - IASB Intangibles project – determining scope and considering phased approach
 - Evidence useful:
 - 15 IFRS countries, 10 years – disclosure matters, country differences impact implementation.
 - Following accepted modelling for disclosure/returns/future earnings (Reliability of evidence).
 - Identifying where the useful disclosure is located (Relevant to IASB remit, boundaries of financial reporting).
 - Identifying areas of disclosure (Possible target areas for IASB).
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Further questions

- Relevant to Location/Boundary of FS:
 - Can you separately identify factors associated with disclosure in financial statements and disclosure in ‘front half’.
 - Can you measure the disclosure of significant non-recognized intangibles.
 - Any relationship of numbers in financial statements and disclosure in ‘front half’ and does this impact relationship discl/returns/future earnings.
 - Any comments on Table 10 Panel G – Disclosure in financial statements is informative in the longer term.
 - Provide analysis and discussion of RD_LAW. Table 3 – low variation (consider alternative construction). Nevertheless the variable loads in several models (eg Table 6, Table 7).
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Further questions

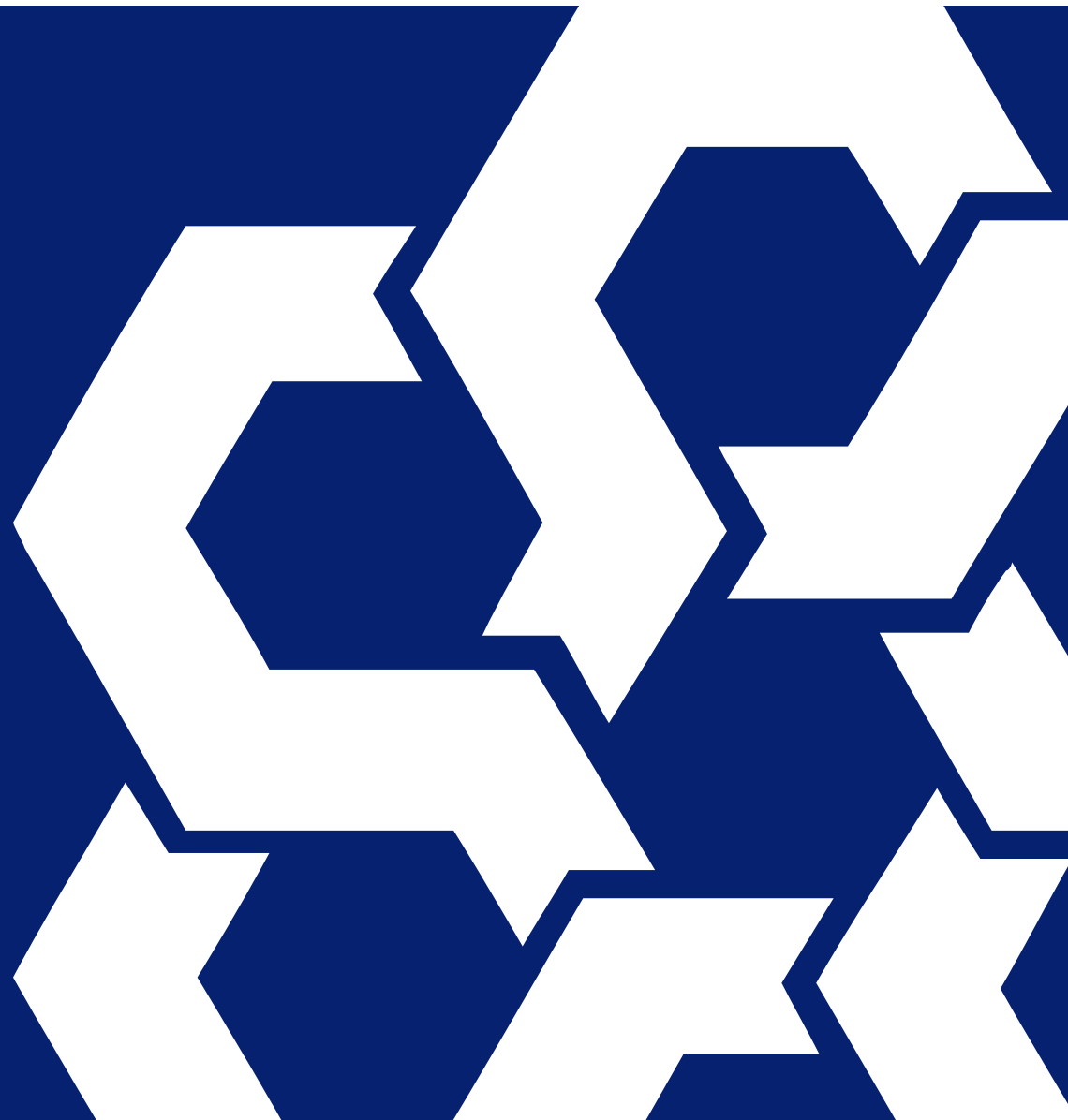
- Relevant to new IASB disclosure requirements:
 - Considering country MC requirements (Appendix A) can you rank them based on expectations of which are most powerful in promoting disclosure and then explore whether this is in fact the case.
 - Can you investigate what is within the topic (development/conditions/intellectual property) that is informative (eg using refined word analysis).
 - Conditions for capitalization is informative for both capitalization and expense firms. How does disclosure content compare for the two groups. Are expense firms compensating by providing more information.
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Further deliberations

- Which disclosure needs to be in the audited financial statements and which should be in management commentary (Standard setter decision)
 - Factors affecting this decision – Management commentary follows national regulation.
 - Information in financial statements may be more comparable thus beneficial to users but measurement uncertainty affects usefulness.
 - May be role for IASB requirements to improve disclosure (findings hold only for certain country settings).
 - Any more descriptives you can provide are useful to IASB; we're happy to have these in a separate appendix if they don't fit with the main analysis of your paper for Abacus.
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IASB Research Forum 2024

**IASB: finding and
using academic
evidence**



How does IASB use academic research?



Developing IFRS Accounting Standards

1 Determine which projects to work on: IASB's Third Agenda Consultation feedback

Research project pipeline



Intangible Assets—this project will aim to review IAS 38 *Intangible Assets* comprehensively.



Statement of Cash Flows and Related Matters—as part of the research phase on such a project, the IASB will consider whether the project should aim to review IAS 7 *Statement of Cash Flows* comprehensively or make more targeted improvements

Maintenance project



Climate-related Risks in the Financial Statements—this project will consider whether and, if so, what narrow-scope actions might be needed in relation to accounting for climate-related risks in the financial statements.

Reserve list (if additional capacity becomes available)



Operating Segments



Pollutant Pricing Mechanisms

2 Research possible solutions

The IASB recently considered academic evidence in the research phase of these projects:



Intangible assets

Cash flow statements

Climate related disclosure in financial statements



3 Develop proposals

The Discussion Paper—Business Combinations, Disclosures, Goodwill and Impairment

Objective

To improve the information companies provide to investors, at a reasonable cost, about the acquisitions those companies make

Timeline

Feedback

The Discussion Paper sets out the IASB’s preliminary views. In its redeliberations, the IASB decided to focus on developing improved disclosures about business combinations and to investigate further the option to retain the impairment-only model to account for goodwill.

* IFRS 3 introduced the impairment-only approach and replaced IAS 22 which required amortisation.

The IASB considered academic evidence when deliberating the feedback to the Discussion paper

Agenda ref 18F

May 2021

STAFF PAPER

IASB[®] meeting

Project	Goodwill and Impairment	
Paper topic	Academic evidence	
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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 IASB[®] Update.

Purpose and structure of this paper

1. This literature review summarises the evidence from academic papers on topics relevant to the questions in the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*. This literature review is based on:

- (a) an academic literature review that provides an overview of academic papers on empirical goodwill research published in the last 20 years;¹
- (b) additional published and working papers, which were located via Google Scholar, Social Science Research Network (SSRN) and other databases of academic studies;²
- (c) papers sent from academics who participated in the staff’s academic outreach workshop with the European Accounting Association (EAA), the Australian Accounting Standards Board (AASB), and the Advisory Panel of the Canadian Accounting Standards Board that provide additional evidence not included in the sources described in paragraphs 1(a) and 1(b); and

¹ This academic literature review by Amir-Zadeh, Glaum and Sellhorn (2020) was used in an academic workshop organised by the staff and the European Accounting Association to summarise the academic research on goodwill and impairment and obtain feedback from academics on additional academic evidence relevant to the proposals in the Discussion Paper.

² Even though the results of working papers may change prior to publication, working papers were included in this review for the purpose of outlining the scope of goodwill and impairment related topics that researchers have addressed.

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Page 1 of 58

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and Lobo, G. (2020), *Accounting for Business Combinations and Mergers*.

and Sellhorn, T. (2020), 'The Impact of Family Evidence on the Valuation of Firms', *Journal of Business Finance & Accounting*, 47 (1), 1-15.

6 Check Accounting Standard works as intended and maintain it - Post-implementation reviews

Literature reviews

PIR of IFRS 15—Revenue from Contracts with Customers

PIR of IFRS 9—Classification and measurement

PIR of IFRS 9—Impairment

Calls for research

Webinars to stimulate academic research

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

IFRS 9 Hedge accounting requirements

Special Issues

Application and impact of IFRS 9 Financial Instruments with ***Australian Accounting Review*** 2022

Joint IASB, FASB and ***The Accounting Review*** Conference Nov 2022

Academic engagement



IASB Research Forum for academics, standard-setters and practitioners to discuss research relevant to the IASB's projects. See calls for 2025, 2026 <https://www.ifrs.org/academics/#iasb-research-forum>



KPMG/IAAER research grants to inform IASB standard-setting process
Round 8 – Intangibles and Statement of Cash Flows
More information [here](#)



Research workshops with academic associations (EAA, CAAA, AAFA, AFAANZ) to encourage and gather research relevant to the IASB's consultations



Special Issues with academic journals on IASB work related topics

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