

STAFF PAPER

December 2020

Accounting Standards Advisory Forum

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| Project | Accounting Standards Advisory Forum | | |
| Paper topic | IASB[®] Project Update and Agenda Planning | | |
| CONTACT(S) | Dehao Fang | fdehao@ifrs.org | +44 (0)20 7246 6416 |
| | Roberta Ravelli | rravelli@ifrs.org | +44 (0)20 7246 6935 |

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board (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*.

Introduction

1. The aim of this paper is to:
 - (a) discuss the agenda topics for the March 2021 meeting of the Accounting Standards Advisory Forum (ASAF);
 - (b) provide ASAF members with a short update on the technical projects of the International Accounting Standards Board (Board); and
 - (c) provide ASAF members with feedback on how the staff or the Board have considered (or will consider) the advice given at the October 2020 ASAF meeting.

Project update and agenda planning

2. There are three appendices to this paper:
 - (a) Appendix A sets out the suggested agenda topics for the March 2021 ASAF meeting.
 - (b) Appendix B provides an update of the Board's work plan (as at 31 October 2020) and includes details of advice previously requested from ASAF. Further details of the projects are available on the IFRS Foundation website.

- (c) Appendix C sets out a table summarising the feedback from the October 2020 ASAF meeting and how the staff or the Board have considered (or will consider) this feedback.

Questions to ASAF members

1. Do ASAF members have any comments on the proposed agenda topics for the March 2021 ASAF meeting or wish to add items arising from their jurisdiction to the proposed agenda topics (Appendix A)?
2. Do ASAF members have any comments on the update of the Board's work plan (Appendix B)?
3. Do ASAF members have any comments on how the feedback from the October 2020 ASAF meeting has been (or will be) used by the staff or the Board (Appendix C)?

Appendix A—ASAF agenda topics

| Meeting | Agenda topic |
|-----------------------------------|---|
| October 2020 (Actual) | Goodwill and Impairment |
| | Business Combinations under Common Control |
| | Conceptual Framework for Financial Reporting (FASB) |
| December 2020 (Actual) | Rate-regulated Activities |
| | Cryptoassets (EFRAG) |
| | Financial Instruments with Characteristics of Equity |
| | Dynamic Risk Management |
| | Lack of Exchangeability (Amendments to IAS 21) |
| March 2021 (Proposed) | Business Combinations under Common Control |
| | Extractive Activities |
| | Management Commentary |
| | Post-implementation Review of IFRS 9 – Classification and measurement |
| | Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12 |
| | Primary Financial Statements |

Appendix B—Project Update as at 31 October 2020

Table 1—Projects other than maintenance projects

| Project | Objective and status | Past ASAF advice |
|--|---|---|
| Research Projects | | |
| <p>Business Combinations under Common Control (BCUCC)</p> | <p>The Board is discussing whether it can develop requirements that would improve the comparability and transparency of accounting for business combinations under common control to help users of financial statements compare and better understand information that entities provide in financial statements about such transactions.</p> <p>The Board plans to publish a Discussion Paper in November 2020.</p> | <p>October 2020 ASAF members provided advice on outreach plans for the forthcoming discussion paper.</p> <p>July 2019 ASAF members provided views on the staff's analysis of when a current value approach and a predecessor approach should be used, as well as on particular aspects of both approaches.</p> <p>April 2019 ASAF members provided views on the accounting approach to BCUCC between entities that are wholly owned by the controlling party, including transactions that affect lenders and other creditors in the receiving entity, and those undertaken in preparation for an initial public offering.</p> <p>December 2018 ASAF members provided views on whether a current value approach should be applied to all BCUCC that affect non-controlling shareholders and if not, how that distinction should be made.</p> <p>July 2018 ASAF members discussed the findings from the Hong Kong Institute of Certified Public Accountants (HKICPA) and Organismo Italiano di Contabilità (OIC) in their research survey with investors. Members also provided advice on the approaches developed by staff for transactions within the scope of the project.</p> <p>December 2017 ASAF members discussed the clarifications of the scope of the project and factors to consider in selecting an appropriate accounting method for transactions within the scope of the project.</p> <p>April 2016 ASAF members commented on the proposed direction of the project.</p> <p>December 2015 The HKICPA presented a paper on how BCUCC are accounted for in Hong Kong. ASAF members discussed how the predecessor method should be applied when a BCUCC takes place.</p> <p>March 2015 ASAF members discussed the staff's preliminary view on which method to apply for a BCUCC. They also discussed a paper setting out the historical and current accounting practices in Canada for BCUCC, with specific reference to the Canadian related party accounting Standard.</p> |

| Project | Objective and status | Past ASAF advice |
|--------------------------------|--|--|
| Dynamic Risk Management | <p>The Board is exploring whether it can develop an accounting model that will provide users of financial statements with better information about an entity's dynamic risk management activities and how the entity manages those activities.</p> <p>In October 2020, the Board started outreach on the core model to gather stakeholders' views.</p> | <p>October 2019 ASAF members provided feedback on the overview of the core model being developed by the Board.</p> <p>March 2017 ASAF members discussed the research findings from the work undertaken by the European Financial Reporting Advisory Group (EFRAG).</p> <p>April 2016 ASAF members received an update on the project and the plans for future deliberations.</p> <p>July 2015 ASAF members provided advice on additional information needs relating to an entity's dynamic interest rate risk management activities not identified through comment letters on the Discussion Paper <i>Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</i>, or through outreach.</p> |
| Equity Method | <p>The Board is assessing whether application problems with the equity method as set out in IAS 28 <i>Investments in Associates and Joint Ventures</i> can be addressed in consolidated and individual financial statements by identifying and explaining the principles of IAS 28.</p> | <p>New project this period.</p> |
| Extractive Activities | <p>The Board has started work on its research project on extractive activities. This research project aims to gather evidence to help the Board decide whether to start a project to develop proposals on accounting requirements that would amend or replace IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>.</p> <p>The Board plans to decide on the project direction in Q1 2021.</p> | <p>October 2018 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) significant changes in extractive activities in their jurisdiction since the Board issued the 2010 Discussion Paper <i>Extractive Activities</i> that they think the Board should be aware of as it starts its research; and (b) views on whether users of financial statements understand the diversity of accounting practice for extractive activities and how they address this diversity. |

| Project | Objective and status | Past ASAF advice |
|--|--|--|
| <p>Financial Instruments with Characteristics of Equity</p> | <p>The objective of this project is to improve the information that entities provide in their financial statements about financial instruments they have issued, by:</p> <p>(a) investigating challenges with the classification of financial instruments applying IAS 32 <i>Financial Instruments: Presentation</i>; and</p> <p>(b) considering how to address those challenges through clearer principles for classification and enhanced requirements for presentation and disclosure.</p> <p>The Board has discussed the comments received on the Discussion Paper <i>Financial Instruments with Characteristics of Equity</i> published in June 2018 and tentatively decided to consider making clarifying amendments to IAS 32.</p> <p>The Board plans to decide the project direction in December 2020.</p> | <p>October 2019 ASAF members shared their views on the tentative direction of the project.</p> <p>December 2018 ASAF members shared feedback from outreach activities in their jurisdiction on the proposals in the Discussion Paper.</p> <p>October 2018 ASAF members shared initial views on the proposals in the Discussion Paper.</p> <p>September 2014 – July 2018 ASAF members provided advice for development of the Discussion Paper published in June 2018.</p> |
| <p>Goodwill and Impairment</p> | <p>The objective of this project is to improve the information entities provide about the acquisitions those entities make so that investors can hold management to account for acquisition decisions. The project focuses on improving information disclosed about those acquisitions and the accounting for goodwill.</p> <p>The Board plans to discuss feedback on the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i>, which is open for comment until 31 December 2020, in Q1 2021.</p> | <p>October 2020 ASAF members discussed:</p> <p>(a) their plans for outreach and fieldwork on the Discussion Paper; and</p> <p>(b) the initial feedback from their stakeholders.</p> <p>April 2020 ASAF members provided advice about the Board's outreach and fieldwork activities in relation to the Discussion Paper published in March 2020.</p> <p>December 2015 – December 2019 ASAF members provided advice for development of the Discussion Paper.</p> |

| Project | Objective and status | Past ASAF advice |
|--|---|---|
| Pension Benefits that Depend on Asset Returns | <p>This is a narrow-scope research project designed to address only some types of pension benefits paid that depend, wholly or partly, on the return on a specified pool of assets. Applying IAS 19 <i>Employee Benefits</i>, an entity:</p> <ul style="list-style-type: none"> (a) uses assumptions about future returns on the specified assets in estimating the amount of the benefits to be paid to employees; and (b) applies a discount rate in determining the 'present value' of the estimated benefits—their value today. <p>The Board plans to review research in December 2020.</p> | <p>December 2018 ASAF members provided views on the approach being taken to address the measurement inconsistency identified for these types of benefits.</p> |
| Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities | <p>The objective of this project is to identify issues arising from the implementation of IFRS 10, IFRS 11 and IFRS 12.</p> <p>The Board plans to publish a Request for Information in December 2020.</p> | <p>December 2019 ASAF members provided feedback on potential matters to be discussed in the Post-implementation Review.</p> |
| Standard-setting projects | | |
| Disclosure Initiative—Subsidiaries that are SMEs | <p>The objective of this project is to develop an IFRS Standard that would apply on a voluntary basis to subsidiaries that do not have public accountability, permitting them to provide reduced disclosures.</p> <p>The Board plans to decide whether to publish a Discussion Paper or an Exposure Draft, as the next consultation document, in December 2020.</p> | <p>April 2019 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) jurisdictional practices relating to the project; (b) likelihood of jurisdictions adopting a Standard if the Board issued a Standard; and (c) potential challenges that may arise for this project. |

| Project | Objective and status | Past ASAF advice |
|--|---|---|
| <p>Management Commentary</p> | <p>The objective of this project is to revise IFRS Practice Statement 1 <i>Management Commentary</i> issued in 2010. The revised Practice Statement is intended to help entities prepare management commentaries that better meet the information needs of the primary users of financial reports.</p> <p>The Board plans to publish an Exposure Draft in April 2021.</p> | <p>July 2019 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) applying the notion of narrative coherence in determining what information should be included in the management commentary; and (b) identifying and reporting factors that affect an entity's long-term success. <p>April 2019 ASAF members provided advice in relation to:</p> <ul style="list-style-type: none"> (a) the interaction between management commentary and other reports; (b) providing information 'through the eyes of management and the interplay with users' information needs and with the concept of neutrality; (c) forward-looking information in management commentary; and (d) information about tax in management commentary. <p>December 2018 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) applying materiality—helping preparers identify what to disclose in the management commentary to meet users' needs; and (b) principles for preparing management commentary—how to improve the coherence, balance and comparability of the management commentary. <p>December 2017 ASAF members received an update on the Board's deliberations.</p> |
| <p>Primary Financial Statements</p> | <p>The Board has proposed new requirements for presentation and disclosure in financial statements, with a focus on the statement of profit or loss.</p> <p>The Board plans to discuss feedback on the Exposure Draft <i>General Presentation and Disclosures</i>, for which the comment period ended on 30 September 2020, in December 2020.</p> | <p>April 2020 ASAF members discussed their initial views on the proposals in the Exposure Draft published in December 2019.</p> <p>July 2016 – July 2019 ASAF members provided advice for development of the Exposure Draft.</p> |

| Project | Objective and status | Past ASAF advice |
|----------------------------------|---|--|
| Rate-regulated Activities | <p>The Board is developing a new accounting model to provide users of financial statements better information about an entity's incremental rights and obligations arising from its rate-regulated activities.</p> <p>The Board plans to publish an Exposure Draft in January 2021.</p> | <p>October 2018 ASAF members provided advice on identifying a disclosure objective and related disclosure requirements for the accounting model being developed for defined rate regulation (model).</p> <p>April 2018 ASAF members received an update on the Board's tentative decisions on two aspects of the model: (a) unit of account and asset/liability definitions; and (b) scope of the model.</p> <p>ASAF members were asked for advice on how best to communicate the rationale for the Board's tentative decisions.</p> <p>September 2017 ASAF members discussed illustrative examples, exploring issues relating to the measurement of regulatory assets or regulatory liabilities.</p> <p>July 2017 ASAF members provided advice on the draft model.</p> <p>March 2017 ASAF members received an update on the Board's deliberations.</p> <p>December 2016 ASAF members provided advice on the core principles and key features of the model.</p> |
| Other projects | | |
| 2020 Agenda Consultation | <p>The objective of this project is to seek formal public input on the strategic direction and balance of the Board's work programme for the period from 2022 to 2026, including the criteria for assessing projects that may be added to the Board's standards-level programme.</p> <p>The Board plans to publish a Request for Information in March 2021.</p> | <p>December 2019 ASAF members provided advice on potential financial reporting priorities for the Board to discuss in the Request for Information.</p> <p>October 2019 ASAF members provided views on the Board's intended approach to developing the Request for Information.</p> |

Table 2—Maintenance projects

| Project | Objective | Status/ASAF discussions | Next steps |
|---|---|---|--|
| Maintenance projects | | | |
| <i>Projects highlighted in blue have been discussed at ASAF meetings.</i> | | | |
| 2019 Comprehensive Review of the IFRS for SMEs Standard | The objective of this project is to consider whether and, if so, how to update the <i>IFRS for SMEs Standard</i> for IFRS Standards and amendments not currently incorporated into the <i>IFRS for SMEs Standard</i> . | The Board has published a Request for Information. The comment period ended on 27 October 2020. | Request for Information feedback in December 2020. |
| Accounting Policies and Accounting Estimates (Amendments to IAS 8) | The objective of this project is to help entities better distinguish between a change in an accounting policy and a change in an accounting estimate—the two are accounted for differently. | The Board decided to finalise the amendments proposed in the Exposure Draft <i>Accounting Policies and Accounting Estimates</i> with some modifications. October 2018 ASAF members provided advice on staff's planned recommendations on the definitions of accounting estimates and accounting policies. April 2018 ASAF members provided advice on the next steps in the project. | Issue an IFRS Amendment in December 2020. |
| Availability of a Refund (Amendments to IFRIC 14) | The objective of this project is to clarify the accounting for an entity's defined benefit plan when other parties have rights to make particular decisions about that plan. | The Board decided not to finalise the proposed amendments. The Board will consider the project's direction at a future meeting, including whether to develop new proposals to address the matter. | Decide project direction. |
| Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12) | The objective of this project is to narrow the scope of the recognition exemption in IAS 12 <i>Income Tax</i> so that it would not apply to transactions that give rise to equal amounts of taxable and deductible temporary differences. | The Board considered feedback on the Exposure Draft <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> and decided to modify some of its proposals to address that feedback. | Issue an IFRS Amendment. |

| Project | Objective | Status/ASAF discussions | Next steps |
|---|--|---|---|
| Maintenance projects | | | |
| <i>Projects highlighted in blue have been discussed at ASAF meetings.</i> | | | |
| Disclosure Initiative—Accounting Policies | The objective of this project is to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosure. | The Board considered the feedback on the Exposure Draft <i>Disclosure of Accounting Policies</i> and plans to issue an IFRS Amendment. October 2019 ASAF members shared their views on the proposals set out in the Exposure Draft published in August 2019. | Issue an IFRS Amendment in December 2020. |
| Disclosure Initiative—Targeted Standards-level Review of Disclosures | The objective of this project is to help stakeholders improve the usefulness of disclosures for the primary users of financial statements. To achieve this objective the Board is currently: (a) developing guidance for the Board to use when developing and drafting disclosure requirements; and (b) testing that guidance by applying it to IAS 19 <i>Employee Benefits</i> and IFRS 13 <i>Fair Value Measurement</i> . | April 2019 ASAF members provided advice on items of information that users of financial statements identified as effective in meeting the objectives for IAS 19 and IFRS 13 disclosure. July 2018 ASAF members provided advice on: (a) the Board's process for developing and drafting disclosure requirements; and (b) which IFRS Standards could be the subject of the Board's targeted Standards-level review of disclosures, including ASAF members' reasons for selecting these IFRS Standards. | Publish an Exposure Draft in March 2021. |
| Lack of Exchangeability (Amendments to IAS 21) | The objective of this project is to address the spot exchange rate an entity uses when a currency lacks exchangeability. | The Board tentatively decided to propose amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> to: (a) define exchangeability and thus a lack of exchangeability; and (b) specify how an entity determines the spot exchange rate when a currency lacks exchangeability. | Publish an Exposure Draft in Q1 2021 |

| Project | Objective | Status/ASAF discussions | Next steps |
|---|---|---|---|
| Maintenance projects | | | |
| <i>Projects highlighted in blue have been discussed at ASAF meetings.</i> | | | |
| Lease Liability in a Sale and Leaseback | The objective of this project is to specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 <i>Leases</i> to the lease liability that arises in a sale and leaseback transaction. | The Board tentatively decided to propose amendments to IFRS 16. | Publish an Exposure Draft in November 2020. |
| Provisions—Targeted Improvements | The objective of this project is to develop proposals for three targeted improvements to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> . | At its January 2020 meeting the Board added the project to its standard-setting agenda. April 2019 ASAF members advised on whether the Board should undertake a project of targeted improvements to IAS 37, including the scope of the possible project. | Decide project direction. |

Appendix C—Feedback from the October 2020 ASAF meeting

| Topic | Summary of ASAF advice | How the advice has been/will be applied |
|---|--|---|
| <p>Goodwill and Impairment The objective of this session was to obtain an understanding of ASAF members' plans for outreach and fieldwork to stimulate feedback for the Discussion Paper, and to discuss the initial feedback from their stakeholders.</p> | | |
| <p>Outreach and fieldwork</p> | <p>Some members said they had undertaken limited outreach to date.</p> <p>Some members said that outreach for the Discussion Paper was affected by the covid-19 pandemic.</p> <p>Other members said that stakeholders had been focused on responding to the Board's Exposure Draft <i>General Presentation and Disclosures</i>, for which the comment period ended in September 2020.</p> <p>Many members said that they have plans for outreach events over the last quarter of 2020.</p> | <p>The staff took note of ASAF members' plans for outreach and fieldwork during the comment period.</p> |
| <p>Feedback on Board's preliminary views</p> | <p>Members discussed initial feedback from their stakeholders on the following topics included in the Discussion Paper:</p> <ul style="list-style-type: none"> (a) better disclosures for business combinations; (b) subsequent accounting for goodwill; and (c) other topics. <p>This initial feedback is summarised in paragraphs 4–9 of the October 2020 meeting summary note.</p> | <p>The staff will consider ASAF members' preliminary feedback and any additional feedback in members' comment letters in developing the Discussion Paper feedback and the redeliberations plan for the Board.</p> |

| Topic | Summary of ASAF advice | How the advice has been/will be applied |
|---|--|---|
| <p>Business Combinations under Common Control</p> <p>The objective of this session was to seek ASAF members' advice on the outreach plans for the forthcoming discussion paper on Business Combinations under Common Control.</p> | | |
| <p>Outreach plans</p> | <p>Members generally agreed with the proposed outreach plans. Comments and suggestions made by ASAF members included:</p> <ul style="list-style-type: none"> (a) education sessions might be helpful to raise awareness of the project and of entities that may be affected; (b) real-life examples could be used to explain the Board's preliminary views; (c) targeting jurisdictions where business combinations under common control are common could be helpful to gain better understanding of the effects of the Board's preliminary views; (d) live webinars in various languages, virtual round tables and online surveys could be used to facilitate education efforts and stakeholder engagement; and (e) the interaction between accounting for business combinations under common control in the entity's consolidated financial statements and accounting for investment in subsidiary acquired in the combination in the entity's separate financial statements should be considered. <p>Some members said that they plan to seek feedback from their jurisdictions and offered to coordinate outreach efforts with the technical staff.</p> | <p>The staff will consider ASAF members' feedback when conducting outreach for the forthcoming discussion paper.</p> |
| <p>Consultation period</p> | <p>Some members said that the expected consultation period for the forthcoming discussion paper coincides with December-year-end reporting and that other forthcoming consultation documents are expected to overlap with the discussion paper, which could potentially strain stakeholder resources already burdened by the covid-19 pandemic.</p> | <p>At its October 2020 meeting the Board decided to extend the comment period for the discussion paper from 180 days to 270 days.</p> |