

IASB[®] meeting

Project	Third Agenda Consultation		
Paper topic	Feedback summary—Potential projects (part 3)		
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Accounting Standards Advisory Forum, December 2021, Agenda paper 2F

This paper was discussed at the meeting of the International Accounting Standards Board in November 2021 as Agenda paper 24F.

Objective

1. Agenda Papers 24D *Feedback summary—Potential projects (part 1)* and 24E *Feedback summary—Potential projects (part 2)* analyse feedback from comment letters, the online survey and outreach on questions in the Request for Information *Third Agenda Consultation* (Agenda Consultation) relating to financial reporting issues that could be added to the Board's work plan (potential projects).
2. This paper summarises feedback previously received on potential projects from other sources.

Structure of the paper

3. This paper is structured as follows:
 - (a) issues identified in feedback to the IFRS Interpretations Committee (paragraphs 4–5);

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- (b) issues identified in feedback on the Extractive Activities project (paragraph 6); and
- (c) issues identified in feedback on the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (paragraphs 7–9).

Issues identified by the IFRS Interpretations Committee

4. Respondents' comments on tentative agenda decisions of the IFRS Interpretations Committee (Interpretations Committee) included comments on the following two matters, which the Interpretations Committee (or staff) suggested the Board consider in conjunction with other feedback received on the Agenda Consultation:
 - (a) football player transfer payments—some respondents to the Interpretations Committee's November 2019 tentative agenda decision suggested considering whether to amend IAS 38 *Intangible Assets* to introduce a requirement similar to that in para 68A of IAS 16 *Property, Plant and Equipment*. Such an amendment would provide an exception to the general derecognition requirements in IAS 38 for the disposal of intangible assets that, after being used by an entity for a period of time, are sold to customers in the ordinary course of business—the entity would recognise any proceeds received on that sale as revenue applying IFRS 15 *Revenue from Contracts with Customers*.¹
 - (a) software as a service (SaaS) arrangements—some respondents to the Interpretations Committee's December 2020 tentative agenda decision suggested the Board undertake standard-setting because, in their view, the principles and requirements in IAS 38 do not provide an adequate basis for a customer to determine its accounting in a SaaS arrangement. Those respondents were of the view that improvements are needed to IAS 38 in the context of intangible asset arrangements linked to digitalisation. Some

¹ See June 2020 IFRS Interpretations Committee Agenda Paper 5 *Player Transfer Payments (IAS 38)* for more information.

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disagreed with the outcome of applying IAS 38 (as explained in the tentative agenda decision). Others suggested aligning the requirements in IFRS Standards relating to this topic with US GAAP, and two respondents suggested a wider review of IAS 38.²

5. Both of the above issues relate to IAS 38. This feedback will be considered in conjunction with other feedback on a potential project on intangible assets (see paragraphs 72–77 of Agenda Paper 24D).

Issues identified in the Extractive Activities project

6. In September 2021, the Board made tentative decisions about which matters identified during stakeholder outreach on the Extractive Activities research project should be included in the scope of that research project. Agenda Paper 19D [*Matters outside the scope of IFRS 6*](#) of the Board’s September 2021 meeting discussed two matters for which stakeholder feedback in the Extractive Activities project could be considered together with feedback on the Agenda Consultation rather than as part of the Extractive Activities project:
 - (a) IAS 2 *Inventories*—stakeholders, in particular preparers and national standard-setters, said allocating costs to inventory can be difficult because of the inherent complexity and significant uncertainty of many extractive activities. Complexities include allocating costs to co-products or by-products; allocating costs to inventory in periods of abnormally low production; and accounting for mineral stockpiles which, due to economic feasibility, might only get recognised as inventory years after extraction. They suggested providing guidance to help appropriately allocate costs to inventory. This feedback will be considered in conjunction with other feedback on a potential project on expenses—inventory and cost of sales (see paragraphs 42–45 of Agenda Paper 24D).

² See April 2021 IASB Agenda Paper 12A *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38)* for more information.

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- (b) IAS 16—stakeholders, in particular preparers and national standard-setters, said applying the requirements for depreciation in IAS 16 to assets used in the development and production of minerals and oil and gas is complex. For example, the calculation of useful life and depreciation rates can be complex when applying the units-of-production method. Although the Request for Information for the Agenda Consultation did not specifically discuss a potential project on property, plant and equipment, this feedback will be considered in conjunction with other feedback about any other potential projects that the Board should consider adding to its workplan (see Agenda Paper 24E).

Topics identified in the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* (PIR)³

7. In December 2020, the Board published a Request for Information as part of its Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12. In July 2021, the Board discussed the feedback on the Request for Information and from outreach activities.⁴
8. In October 2021, the Board decided that, while developing its work plan for 2022 to 2026 as part of the Agenda Consultation, it will consider topics arising from the Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12, including:
- (a) topics that are of high priority:
 - (i) investment entities—subsidiaries that are investment entities; and
 - (ii) collaborative arrangements outside the scope of IFRS 11;
 - (b) topics that are of medium priority:
 - (i) investment entities—definition of an investment entity; and
 - (ii) corporate wrappers; and

³ The priority rating referred to in this section is the priority within the context of the PIR.

⁴ See July 2021 IASB Agenda Paper 7 *Feedback Summary* and the accompanying papers for more information.

- (c) a low-priority topic—transactions that change the relationship between an investor and an investee.
9. In November 2021, the staff are recommending two topics to the Board:
- (a) assisting the application of IFRS 10 and IFRS 11 as a medium priority including four subtopics:
 - (i) the relationship between substantive rights and protective rights;
 - (ii) change in relevant activities during the life-cycle of an investee;
 - (iii) assessing non-contractual agency relationships;
 - (iv) accounting for disproportionate share of output compared to share of ownership; and
 - (b) disclosure of interests in other entities as a low priority.⁵

Question for the Board

Does the Board have any comments or questions on the feedback discussed in this paper?

⁵ See November 2021 Agenda Paper 7 *Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12—Responding to the feedback* for more information.