IFRS

STAFF PAPER

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IASB® meeting

Project	**Third Agenda Consultation**
Paper topic	Feedback summary—Other comments

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Objective

1. This paper summarises feedback from comment letters, the online survey and outreach on Question 4 of the Request for Information *Third Agenda Consultation* (Request for Information), which asked respondents for any other comments on the IASB's activities and work plan.

Key messages

2. Many respondents commented on projects on the current work plan. Some also made general comments about the work plan and expressed mixed views:
   (a) some said the IASB should firstly finalise the projects currently on its work plan, as these projects were identified as priorities by stakeholders in the 2015 Agenda Consultation, and continue working on post-implementation reviews, as required by the *Due Process Handbook*.
   (b) some said the IASB should reassess the priority and necessity of projects on its current work plan and determine whether any of those projects should be put on hold or even stopped to free up resources for new, more important projects.
3. Some respondents wanted to pause or discontinue some projects on the current work plan because:

(a) the issues addressed in the project are not pervasive;

(b) the projects have made little progress or may not result in significant improvements in financial reporting; or

(c) the projects have lower priority than other potential projects.

4. Some respondents also made a range of other comments about the IASB's activities and work plan.

Structure of the paper

5. This paper includes:

(a) feedback on projects on the current work plan (paragraphs 8–50); and

(b) other comments (paragraphs 51–53).

Feedback on projects on the current work plan

6. Respondents made comments on the following projects (in alphabetical order):

(a) Availability of a Refund (paragraph 7);

(b) Business Combinations under Common Control (paragraphs 8–9);

(c) Disclosure Initiative—Subsidiaries without Public Accountability (paragraph 10);

(d) Disclosure Initiative—Targeted Standards-level Review of Disclosures (paragraphs 11–13);

(e) Dynamic Risk Management (paragraphs 14–15);

(f) Equity Method (paragraphs 16–18);

(g) Extractive Activities (paragraphs 19–21);

(h) Financial Instruments with Characteristics of Equity (paragraphs 22–24);

(i) Goodwill and Impairment (paragraphs 25–28);

(j) Lack of Exchangeability (paragraphs 29–30);

(k) Lease Liability in a Sale and Leaseback (paragraphs 31–32);

(l) Management Commentary (paragraphs 33–35);

(m) Pension Benefits that Depend on Asset Returns (paragraphs 36–37);

(n) Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12 (paragraph 38);

(o) Post-implementation Review of IFRS 9—Classification and Measurement (paragraphs 39–41);

(p) Primary Financial Statements (paragraphs 42–44);

(q) Provisions—Targeted Improvements (paragraphs 45–46);

(r) Rate-regulated Activities (paragraphs 47–48);

(s) Second Comprehensive Review of the *IFRS for SMEs* Standard (paragraph 49); and

(t) Supplier Finance Arrangements (paragraph 50).

Availability of a Refund

7. A few respondents, mainly from UK and Japan, commented on this project. Those respondents said this project should be reassessed to consider if it should be discontinued. They said the project has been on the work plan for a long time and has made slow progress. They suggested that the IASB should decide on the project's future direction or remove it from the work plan. A preparer said that no further guidance is needed on IFRIC 14 *IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

Business Combinations under Common Control

8. A few respondents commented on this project, and all expressed views in favour of continuing this project. They said that there are many issues relating to this topic in practice and much diversity exists because there is no guidance in IFRS Standards on business combinations under common control.

9. One accountancy body suggested the project should also cover accounting requirements for the separate financial statements of transferring companies and receiving companies.

Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures

10. A few respondents commented on this project and expressed mixed views. Some of those respondents expressed views in favour of continuing this project. A standard-setter said that based on its outreach, preparers indicated strong interest in the project because of anticipated cost savings and reductions in complexity. However, some respondents expressed other views:

    (a) an individual said the IASB should postpone this project until after the effects of the changes made in 2018 to the definition of material are known.

    (b) an accounting firm said the IASB should pause this project and consider whether disclosure relief for entities without public accountability could be provided by other means. They said this project will result in disclosure requirements for a new 'hybrid' group of entities that falls between those applying full IFRS Standards and those applying the *IFRS for SMEs* Standard. They expressed the view that maintenance of what they view to be three frameworks will be onerous.

Disclosure Initiative—Targeted Standards-level Review of Disclosures

11. A few respondents commented on this project. Many of those respondents expressed views in favour of continuing this project. A few of these respondents suggested:

    (a) the IASB should increase the time allocated to this project.

    (b) This project and the Management Commentary project could be combined into one project named 'narrative information' with the goal of providing user-friendly financial reporting.

    (c) the new proposed disclosure requirements for IAS 19 *Employee Benefits* would help to improve the usefulness of pension disclosures in an entity's financial statements.

    (d) in this project, the IASB should focus on the balance between disclosure and materiality.

12. A few of these respondents also suggested that:

(a) the insights gained from the consultation on the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* will help make the disclosures in IFRS financial statements more effective, while overall not more burdensome or costly for preparers.

(b) most of the financial reporting issues that could be added to the work plan can be part of the current Disclosure Initiative, for example, employee benefits, separate financial statements, intangible assets and variable and contingent consideration.

13. A preparer and an accounting firm said the project should be paused because, in their view, the proposed approach will not solve the 'disclosure problem'.

Dynamic Risk Management

14. Some respondents commented on this project. Some of those respondents expressed views in favour of continuing this project:

(a) this project is extremely important for financial institutions. A preparer representative body acknowledged that incorporating interest rate risk management strategies of financial institutions in dynamic risk management models may present significant conceptual challenges. However, they hoped that a new framework could be developed that takes into account risk management practices in this area.

(b) this project would have implications not only for banks, but also for insurers, as approaches to hedging and risk mitigation would be likely to benefit insurers.

(c) this project should be extended beyond interest rate risk and consider other risks, such as commodity risk.

(d) depending on the feedback from recent outreach, the IASB should either proceed with this project or transfer the guidance on macro-hedging from IAS 39 *Financial Instruments: Recognition and Measurement* to IFRS 9 *Financial Instruments*.

(e) the IASB should develop a sound framework for dynamic risk management with supporting disclosures. To maintain the credibility of financial reporting with dynamic risk management, there needs to be appropriate guidance in place to prevent abuses, including requirements that guard against inappropriate loss deferral.

15. In contrast, some respondents who commented on this project said that it should be reassessed because:

    (a) the issue is not pervasive as it is a bank focused.

    (b) in their view, this project has been on the work plan for a considerable period, has made slow progress and is likely to take a significant amount of time to complete.

Equity Method

16. Some respondents commented on this project. Many of those respondents expressed views in favour of continuing the project:

    (a) a few respondents said that the equity method causes issues in practice and supported the IASB's efforts to identify and resolve frequently occurring issues. They encouraged the IASB to develop targeted amendments to IAS 28 *Investments in Associates and Joint Ventures* to address those issues. An accounting firm also encouraged the IASB to consider the outcome of the Post-implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, to further inform the IASB's work on the equity method project.

    (b) a few respondents said that it is unclear whether some instruments are within the scope of IAS 28 or IFRS 9.

    (c) a few respondents suggested considering:

        (i) the impairment methodology for equity investments; and

        (ii) the reclassification of items included in other comprehensive income when an entity classifies an investment as held for sale and discontinues use of the equity method.

    (d) a few respondents suggested the IASB should also clarify the concept of equity method accounting, that is, whether it is a one-line consolidation or a measurement basis. They expressed the view that a lack of clarity about this point is partly to blame for confusion and inconsistency in practice. A preparer asked that this clarification be made without making significant changes to the requirements of IAS 28.

17. A few respondents said the IASB should undertake a fundamental review of the equity method.

18. A few respondents questioned whether this project should be continued. For example, they expressed concerns about the purpose and scope of the project, and whether it will be completed on a timely basis.

Extractive Activities

19. A few respondents commented on this project. Some of these respondents expressed views in favour of continuing this project:

    (a) a standard-setter said IFRS 6 *Exploration for and Evaluation of Mineral Resources* does not provide adequate requirements for the valuation of mineral properties at the Mineral Resource Property stage.[1]

    (b) an accountancy body said that companies use different accounting policies for exploration and evaluation costs, which results in a lack of comparability.

    (c) a standard-setter suggested the IASB rationalise the Extractive Activities project by considering which aspects could be addressed by focusing on disclosure, which aspects could be addressed within a larger project on intangibles, and which aspects could be addressed through educational material.

20. Many respondents who commented on this project said the IASB should reassess whether to continue the project:

    (a) this project has been on the work plan for a considerable period. The IASB should consider whether to remove it from the work plan.

[1] A Mineral Resource Property refers to a mineral property for which a mineral deposit, or a mineral resource, has been established but for which the technical feasibility and commercial viability has yet to be demonstrated.

(b) the project is not necessary because the industry has established working practices under current standards that are accepted by stakeholders.

(c) the IASB should reassess whether to continue this project to free up time and resources for other higher-priority projects.

(d) the IASB should focus less on developing a standard for accounting for activities that are expected to decline with the transition to a green economy.

(e) there are more pressing issues that affect extractive industries along with other industries that can be addressed by developing general (non-industry-specific) guidance.

21. A standard-setter also suggested using the accumulated knowledge from the work done to date on the Extractive Activities project in maintenance activities on standards that currently scope out extractive activities. This would contribute towards this respondent's desired shift in strategic direction towards improving the existing standards.

Financial Instruments with Characteristics of Equity

22. Some respondents commented on this project. Most of those respondents expressed views in favour of continuing this project:

(a) this project should have higher priority and the IASB should increase the resources allocated to this project, as it is intended to solve common practice issues about the classification of equity or debt.

(b) this project is relevant and important for insurers.

(c) the distinction between liabilities and equity is essential, as it gives relevant information on solvency, leverage and liquidity. It is important to clarify the principles of IAS 32 *Financial Instruments: Presentation* so that the Standard can be applied consistently, and to enhance the presentation and disclosure requirements.

23. A few respondents who commented on this project said that it should be discontinued. They said that the project has made slow progress, may not be completed on a timely basis or may not result in significant improvements in financial reporting. An

individual said the limited scope of the project is unlikely to lead to the resolution of the main issues relating to presentation.

24. A few respondents made other comments or suggestions about the project:

    (a) a user said that information about sources of dilution is essential for assessing the value of the entity and it may help highlight governance issues.

    (b) a preparer said that a principles-based definition of equity that focusses on the economic substance of equity instruments, instead of prioritising the prevention of structuring opportunities, should have been developed as part of the Conceptual Framework project finalised in 2018.

    (c) an accounting firm said that instead of a single Exposure Draft, the IASB should consider splitting the project into smaller, more focused application issues and attempt to solve these issues with targeted standard setting.

Goodwill and Impairment

25. Some respondents commented on this project. Most of these respondents expressed views in favour of continuing this project, saying that in their view:

    (a) the issue is important and pervasive.

    (b) the current principles for measurement of impairment work poorly in practice.

    (c) users are calling for improved information about business combinations.

26. Some of these respondents suggested:

    (a) the IASB should consider whether to reintroduce amortisation of goodwill. A preparer supports the reintroduction of goodwill amortisation as a pragmatic solution which they believe would create better comparability as well as more objective measurement.

    (b) the work on improved disclosures should be a low priority as the proposed enhancement of disclosure requirements will not address the concerns about the effectiveness of the impairment test and the proposals themselves are seriously problematic.

    (c) the IASB should consider whether further changes are needed in the context of climate-related matters. For example, disclosures may be required about matters that might not be required to be taken into account in the calculation of recoverable amount.

(d) the IASB should seek to converge with US GAAP on this issue and have regular contact with the Financial Accounting Standards Board.

(e) the project should move from research to standard setting.

27. An accounting firm said the project is well underway and needs to be finalised, albeit still considering the expected benefits and costs of any new or amended requirements. They also said the improvements to impairment testing should be finalised quickly while the question of whether to reintroduce goodwill amortisation should be addressed in a separate project, if at all.

28. A user group from Asia said the IASB should discuss goodwill and intangible assets together and proceed with comprehensive and consistent amendments to the Standards. This respondent also said the preliminary views in the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* project to improve disclosures would not address the issue of large goodwill balances which pose significant risks to investors.

Lack of Exchangeability

29. A few respondents commented on this project. Some of those respondents suggested the project be reassessed and discontinued for the following reasons:

(a) the project addresses a narrow issue that affects only a limited number of entities; and

(b) the project has made slow progress or may not result in significant improvements in financial reporting.

30. An accounting firm expressed a view in favour of continuing this project, commenting that these amendments could reduce diversity in practice.

Lease Liability in a Sale and Leaseback[2]

31. An accounting firm expressed a view in favour of continuing this project, commenting that these amendments could reduce diversity in practice.

32. An individual said this project and the Provisions—Targeted Improvements project should be delayed until the potential projects on variable and contingent consideration and discount rates are finished because the latter projects may have a significant impact on the former projects.

Management Commentary

33. Some respondents commented on this project. Many of those respondents (including most accounting firms who commented on this project) said the IASB should pause work on this project and discuss the project with the International Sustainability Standards Board (ISSB) because:

    (a) certain aspects of work undertaken in this project are likely to overlap with the work undertaken by the ISSB.

    (b) it is unclear whether the IASB or the ISSB should address this project or whether the project should be considered jointly by both boards.

    (c) handing over this project to the ISSB would free up resources for the IASB to tackle more financial reporting standard-setting issues.

34. A regulator said the IASB should focus on enforceable information requirements and decrease resources allocated to management commentary because compliance with the practice statement is voluntary.

35. A few respondents expressed support for continuing work on the project. They also made other suggestions:

    (a) the Disclosure Initiative—Targeted Standards-level Review of Disclosures project and the Management Commentary project could be combined into one project named 'narrative information' with the goal of providing user-friendly financial reporting.

[2] The IASB will consider this project's direction at its December 2021 meeting.

(b) the IASB should address connectivity between the management commentary section and the required disclosures in the notes.

(c) the IASB should consider the role and contents of management commentary, both as an important source of relevant information for investors and as a link with sustainability reporting, given the establishment of the ISSB and the EU directive on sustainability reporting.

Pension Benefits that Depend on Asset Returns

36. A few respondents commented on this project. A few of those respondents expressed views in favour of continuing this project.

37. Many respondents who commented on this project suggested the IASB should consider whether it should be discontinued:

(a) this project has been on the work plan for a considerable period and the IASB should consider whether to remove it from the work plan.

(b) the IASB should conclude on the future direction of this project or remove it from the work plan.

(c) the issue is unlikely to be resolved without a comprehensive review of IAS 19.

(d) this project has lower priority than other projects.

Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12[3]

38. A few respondents commented on this project—an accounting firm said the IASB should continue working on it and an accountancy body said the project should be concluded as soon as possible.

Post-implementation Review of IFRS 9—Classification and Measurement[3]

39. A few respondents commented on this project and said the IASB should:

[3] This paper includes comments on particular post-implementation review projects, not broader comments on post-implementation reviews. The *Due Process Handbook* requires the IASB to conduct a post-implementation review of each new IFRS Standard or major amendment. A post-implementation review normally begins after the new requirements have been applied internationally for two years, which is generally about 30–36 months after the effective date.

(a) review both application issues and conceptual questions, with the aim of improving the understandability of the standard. This should cover impairment and hedge-accounting methods as well as those areas which are missing from the current standard.

(b) consider inputs from market participants and seek views on whether users are provided with useful information which appropriately reflects the business model of the life insurance industry.

(c) conclude on this project as soon as possible.

40. A few respondents also said the potential Post-implementation Review of IFRS 9–Expected Credit Loss should be carried out on a timely basis and suggested that:

(a) the timing of this project needs to be carefully chosen so as to use data which reflects the impact of the Covid-19 pandemic on entities.

(b) this project will be very important to determine the adequacy of disclosures, the challenges of applying the expected credit loss model, the benefits of aligning accounting with risk management, and whether entities are applying the requirements consistently.

41. A few respondents expressed concerns about financial instruments with environmental, social or governance (ESG) features, such as whether or not the increasing number of financial instruments whose contractual cash flows are linked to one or more ESG factors meet the ‘solely payments of principal and interest’ criterion. Some of those respondents said the accounting for financial instruments with ESG features is an urgent and prevalent issue, which the IASB should address separately as a limited scope amendment to IFRS 9.

Primary Financial Statements

42. Some respondents commented on this project, and all expressed views in favour of continuing this project and many commented on the importance of this project. Some also made other comments:

(a) a user representative body commented that weaknesses in IAS 1 *Presentation of Financial Statements* have resulted in major frustrations for users of financial statements and demands for significant improvements. This respondent thinks the project could improve the information provided to users.

(b) an accountancy body said that the presentation of subtotals in the statement of profit and loss is important. Research indicates some of these subtotals are potentially substantially more useful than bottom-line earnings.

(c) a user representative body commented that the proposals to require reconciliation of alternative performance metrics to the nearest IFRS-defined subtotal are welcome.

(d) an accounting firm said the project is a crucial step towards digital reporting.

43. A few of those respondents suggested the following matters could be considered in the project:

(a) a definition of gross debt;

(b) accounting for exceptional items;

(c) consequential amendments to IFRS 8 *Operating Segment*, to ensure consistency between new requirements and IFRS 8; and

(d) the related potential project on other comprehensive income, as other comprehensive income could be used to present accruals that are not useful outside the statement of profit and loss.

44. A few of those respondents emphasised the importance of considering the views of users. A preparer representative body expressed concerns about the proposals in the Exposure Draft *General Presentation and Disclosures* and suggested that the IASB should re-expose the proposals before finalising the Standard.

Provisions—Targeted Improvements

45. A few respondents commented on this project. An accountancy body was in favour of continuing this project because it is from the 2015 Agenda Consultation. A few individuals suggested reviewing other aspects, or a broader review, of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

46. Other respondents suggested considering whether to proceed or discontinue work on this project. Some of those respondents identified this project as one of several that

have been on the work plan for a considerable time and suggested those projects are unlikely to progress. Therefore, the IASB should consider removing the project from the work plan. A preparer said the project should be discontinued unless it can be refocussed to ensure that there is no inappropriate liability recognition. That respondent also said that previous attempts to change the standard have not progressed, and changes to the liability definition in the *Conceptual Framework* make it difficult to conclude that new attempts at change will result in more relevant financial information. An individual suggested delaying this project and the Lease Liability in a Sale and Leaseback project until the potential projects on variable and contingent consideration and discount rates are finished because the latter projects may have a significant impact on the former projects.

Rate-regulated Activities

47. A few respondents commented on this project and all expressed views in favour of continuing it. A regulator from Latin America said the IASB should increase the time allocated to this project.

48. An accounting firm said the project is well underway and needs to be finalised. The respondent recommended the IASB develops the final requirements balancing the related expected benefits and costs of implementation.

Second Comprehensive Review of the IFRS for SMEs *Standard*

49. A few respondents, mainly from Europe, commented on this project and expressed mixed views. Some of these respondents said the IASB should continue work on this project. A standard-setter said it is important to update the Standard periodically in order to maintain alignment with developments in financial reporting. However, a few respondents expressed other views:

    (a) a regulator said the IASB should decrease the resource and time allocated to this project as it is not commonly applied by entities in their jurisdiction.

    (b) a standard-setter said the IASB should pause the project because investors and preparers in their jurisdiction have not identified the Standard as requiring a comprehensive review. They also suggested waiting until the effect of the Disclosure Initiative—Subsidiaries Without Public Accountability project on the number and types of entities applying the *IFRS for SMEs* Standard is more fully understood before continuing with this project.

(c) another standard-setter said the IASB may need to consider the relative benefits and costs of maintaining the *IFRS for SMEs* Standard. They suggested undertaking a study on how widely the Standard is used, whether there are common impediments to its wider adoption and how its use might be affected by the Disclosure Initiative—Subsidiaries Without Public Accountability project.

Supplier Finance Arrangements

50. A few respondents commented on this project and expressed views in favour of continuing it. A user expressed concerns about the prevalence of supply chain financing arrangements, in particular, the use of reverse factoring, and the lack of transparency about such arrangements. A standard-setter noted that while the project is aimed at narrow-scope standard setting, other, related issues are being reported as problematic. They therefore proposed an additional project on this issue.

Other comments

51. A few respondents expressed general comments on IFRS Standards:

(a) a preparer representative body recommended that the IASB not develop new or amended IFRS Standards if no urgent action is necessary. This approach would also allow reporting practice to develop for recently issued IFRS Standards.

(b) a standard-setter said that the IASB should consider undertaking a comprehensive review of IFRS Standards, similar to the IAASB's review of the ISAs. This review should seek to align concepts, structure and language across the Standards. This respondent acknowledged that such a review would be a significant undertaking but noted it may result in harmonised measurement concepts overall.

(c) a user representative body suggested that the Trustees should seek to increase user representation on the IASB.

(d) a standard-setter suggested that the IASB should make fundamental changes to IFRS Standards to better facilitate digital reporting.

(e) a standard-setter said that the adaptability and timeliness of IFRS Standards needs to be enhanced to reflect shorter business cycles.

52. A few respondents made suggestions on the development of new standards:

(a) a few respondents said the IASB should apply a thematic approach whereby amendments to all relevant Standards are addressed as part of the same project and an overarching objective. This approach allows for more consistency across IFRS Standards and has potential for greater efficiency in the standard-setting process.

(b) a regulator said the IASB could provide better transparency of the status of its projects during the research phase, as that would be helpful for stakeholders.

(c) a standard-setter suggested the IASB could alleviate some preparers' capacity constraints by considering a staggered approach to the effective dates of new IFRS Standards and amendments to IFRS Standards. This approach would provide different effective dates for publicly listed and non-publicly listed entities.

(d) a standard-setter said the pace of change should be such that the effective dates of any new IFRS Standards and major amendments do not accumulate in a single period, because that puts a lot of strain on the implementation efforts.

53. A few respondents made other comments:

(a) an accountancy body said that the IASB should pay close attention to the prolonged impact of the pandemic and focus on identifying potential practical challenges and providing implementation guidance.

(b) a standard-setter suggested that the IASB could consider a new approach for dealing with minor and temporary amendments to IFRS Standards, such as the 'Covid-19-Related Rent Concessions' amendments.

(c) a user representative body said that the IASB needs to listen to the practical problems that arise as corporate behaviour changes and respond more quickly to those problems.

(d) a standard-setter commented that auditability and verifiability should be considered when deciding whether to start a research project and when making revisions and enhancements to IFRS Standards.

(e) an accounting firm said it would be helpful if the IASB's agenda consultation was deferred until the ISSB is up and running, particularly since the two boards will likely share resources.

(f) a standard-setter suggested the IFRS Interpretations Committee should set an effective date for agenda decisions when those decisions are significantly different to the approach applied by many entities in practice. They also suggested that when a tentative agenda decision is not broadly supported or likely to have a material impact in practice, the IASB should consider addressing the issue through a standard-setting project rather than as an agenda decision.

Question for the IASB
Does the IASB have any comments or questions on the feedback discussed in this paper?