

Agenda paper 1  
ITCG meeting, June 2021

IFRS® Foundation

# Third Agenda Consultation

Rafal Markowski

# Objective of the session

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- Provide an overview of the Request for Information on the *Third Agenda Consultation*
- Seek ITCG members' feedback on key aspects of the Request for Information, focusing on the first aspect—the **strategic direction and balance of the Board's activities**
- Questions for ITCG members are on slides 28, 38 and 39



The feedback received will help the Board determine its activities and work plan for 2022 to 2026.

## Before the session

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- This agenda paper provides an overview of the three key aspects of the Request for Information.
- The Request for Information is accessible [here](#). Please review it before the meeting for more detailed information.
- During the meeting, we will provide a brief overview of each aspect of the Request for Information and ask your views on the Board's priorities.

# Agenda

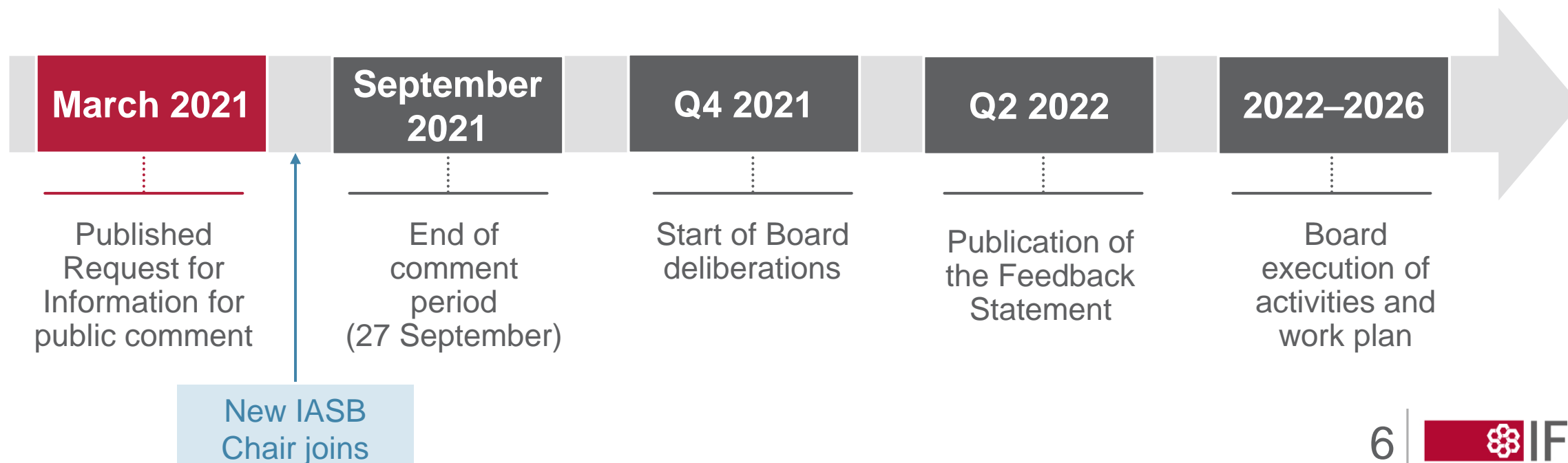
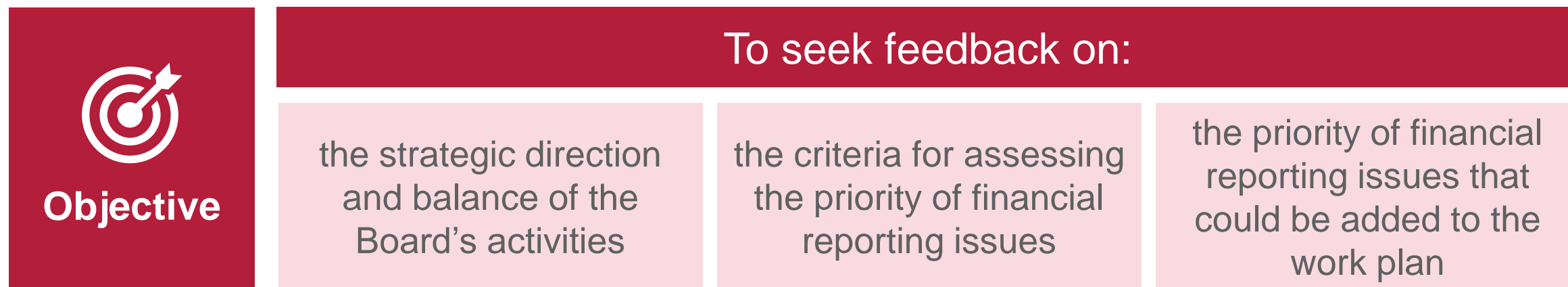
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|   | Slides |
|---|--------|
| Background and overview   | 5–8    |
| Content of the Request for Information                            | 9–39   |
| Strategic direction and balance of the Board’s activities         | 9–28   |
| Criteria for assessing the priority of financial reporting issues | 29–32  |
| Financial reporting issues that could be added to the work plan   | 33–39  |
| Published materials   | 40–41  |

A grayscale world map is the background for the slide. Overlaid on the map are several thick, curved, light-gray lines that sweep across the continents. Additionally, there are several dotted lines that form a grid-like pattern across the map, representing latitude and longitude lines.

# Background and overview

# Objective and timeline of the consultation



# How this consultation compares with the Trustees' strategy review

## Third Agenda Consultation

### Undertaken by the Board

- To seek feedback that helps the Board prioritise activities within the **current scope of the Board's work**
- The current scope of the Board's work is financial statements and management commentary for profit-oriented companies
- Final decisions to be made by Q2 2022

## Strategy Review

### Undertaken by the IFRS Foundation Trustees

- To explore a potential **expansion of the Foundation's role** through the creation of a new Board to set sustainability reporting Standards
- Final decisions to be made before the November 2021 United Nations COP26 conference

Trustees' decisions that affect the scope of the Board's work will be considered in finalising the Board's priorities and work plan

# Overview of the Request for Information

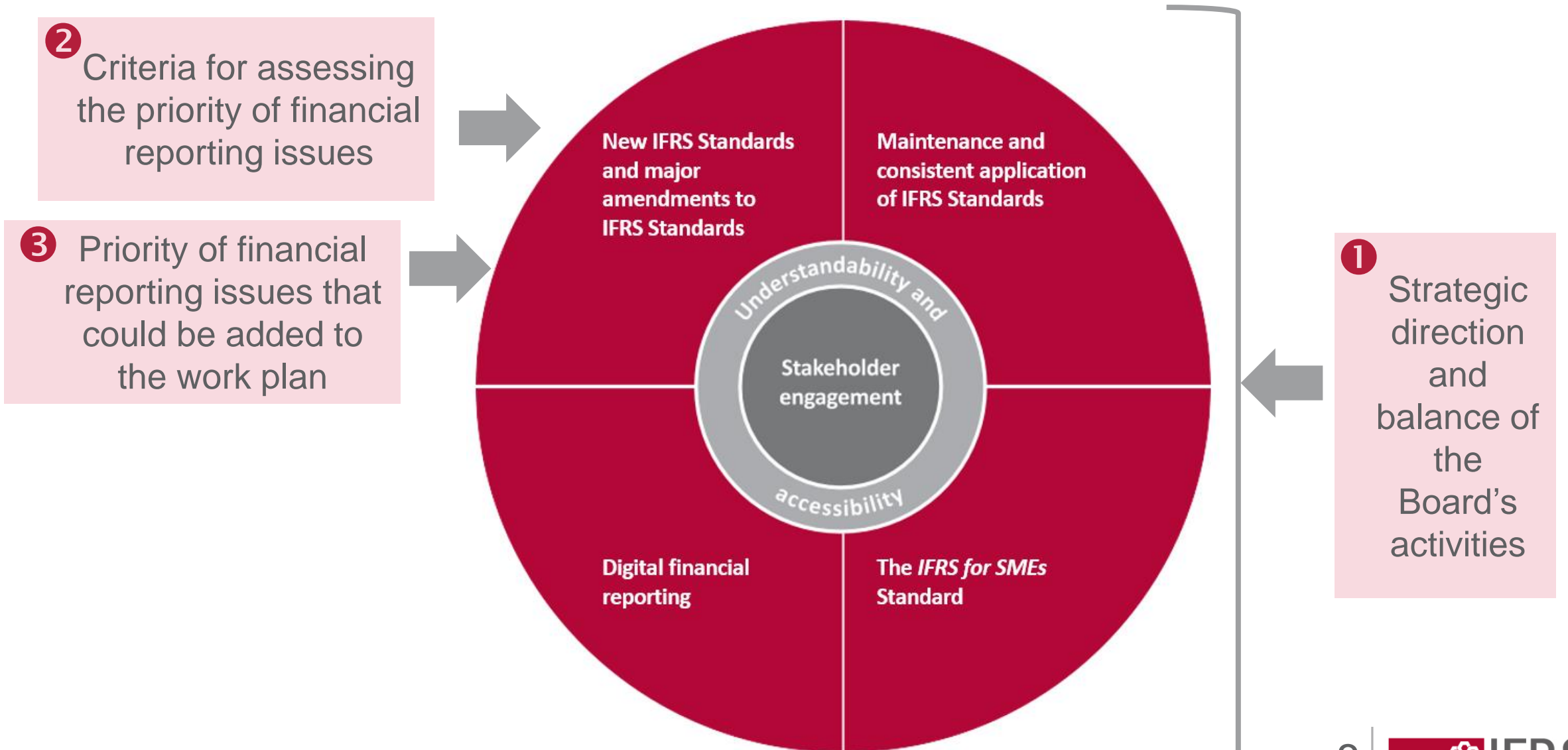


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# Content of the Request for Information

- 1 Strategic direction and  
balance of the Board's  
activities

# Strategic direction and balance of the Board's activities

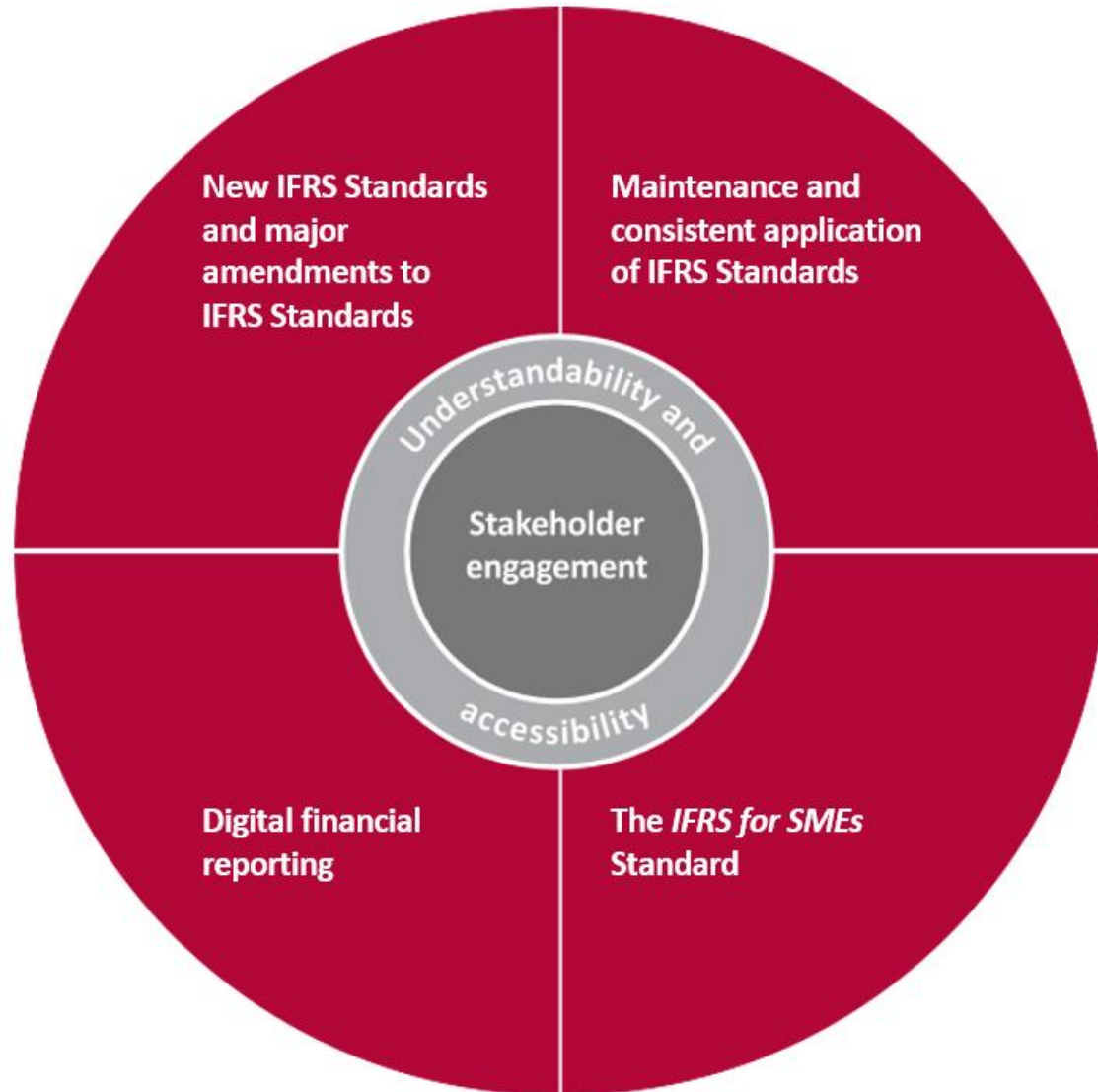


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We are seeking stakeholder feedback on whether the Board should:

- A increase, leave unchanged or decrease its current level of focus for each main activity?
- B undertake any other activities within the current scope of its work?

# Helping stakeholders respond on the balance of activities

| Current level of focus on each activity                   |           |
|---|-----------|
| New IFRS Standards and major amendments to IFRS Standards | 40%–45%   |
| Maintenance and consistent application of IFRS Standards  | 15%–20%   |
| The <i>IFRS for SMEs</i> Standard                         | 5%        |
| <b>Digital financial reporting</b>                        | <b>5%</b> |
| Understandability and accessibility                       | 5%        |
| Stakeholder engagement                                    | 20%–25%   |



# New IFRS Standards and major amendments to IFRS Standards

**Objective:** Research financial reporting issues and, if appropriate, develop major new financial reporting requirements

## What the Board currently does

Research and standard-setting projects

Required post-implementation reviews

IFRS 10, 11 and 12, and the classification and measurement requirements in IFRS 9 (on current work plan)

IFRS 15 and 16, and the impairment and hedge accounting requirements in IFRS 9 (planned for 2022 to 2026 work plan)

## What more the Board could do

New projects to address financial reporting issues—see slides 30–38

# Maintenance and consistent application

**Objective:** Help stakeholders obtain a common understanding of financial reporting requirements

## What the Board currently does\*

Monitor consistent application

Narrow-scope amendments and interpretations

Committee agenda decisions

Educational materials

Support regulators and national standard-setters in their role to support consistent application

\* Together with the Interpretations Committee

# Maintenance and consistent application (cont.)

## What more the Board could do (examples)

### Identify challenges

Work more with investors, companies, auditors, regulators and others to identify challenges in applying the Standards

### Address any application challenges through:

#### Existing channels

Includes:

- agenda decisions, narrow-scope amendments or interpretations
- educational materials

#### New channels

Includes capacity building-efforts for emerging economies and new adopters:

- regional IFRS training workshops to support cohesive understanding of requirements
- case studies to develop capacity to make judgements to apply the requirements

# The *IFRS for SMEs* Standard

**Objective:** Provide financial reporting requirements tailored for companies that do not have public accountability (SMEs)

Publicly accountable company

Company's debt or equity instruments are traded on a public market (or it is in the process of issuing such instruments for trading in a public market)

or

Company holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses

The Board develops the *IFRS for SMEs* Standard because:

- its mission is to provide a single set of globally accepted Standards, taking into account the needs of a range of sizes and types of companies.
- SME financial statements are directed to the needs of a **broad range of users**, including lenders, investors, employees, governments and others.
- full IFRS Standards are beyond the needs and capabilities of SMEs.

# The *IFRS for SMEs* Standard (cont.)

## What the Board currently does\*

Periodic reviews of the Standard, and if necessary, amendments to the Standard

Educational materials:

SMEIG Q&As that respond to application questions on the Standard

Modules on each section of the Standard, including case studies and self-assessments

## What more the Board could do (examples)

Work more with stakeholders to support consistent application

Provide more educational materials and programmes, including for micro-sized companies that are not publicly accountable

Work with national standard-setters and others to increase global adoption

\* Together with the SME Implementation Group (SMEIG)



# Digital financial reporting

**Objective:** Facilitate the digital consumption of financial information

## What the Board currently does

### 1 Develop the IFRS Taxonomy

- Updates for new or amended Standards
- Updates for common reporting practice
- Educational materials to support use

### 2 IFRS Standards for a digital world

Presentation and disclosure requirements are 'digital neutral'. That is, they are drafted for both paper-based and digital consumption of financial reports.

### 3 Digital ecosystem

- Commentary in speeches and other discussions
- Meetings as requested by regulators

# What more could the Board do?

## *A vision for digital financial markets*

Without joint efforts towards the vision, will we lose all the benefits of a high-quality global financial reporting in a digital world?

② IFRS Standards for a digital world

Transparency, accountability and efficiency  
through democratisation of financial reports

All investors have digital access to all aspects of  
financial reporting for all companies

① Develop the IFRS Taxonomy

③ Digital ecosystem

# Digital financial reporting (cont.)

## What more the Board could do (examples)

### 1 Develop the IFRS Taxonomy

- More activities to improve quality of electronic data
- Redesign to better meet investor needs

### 2 IFRS Standards for a digital world

Explore ways to enhance presentation and disclosure requirements through more 'digital focused' means

An example of such an approach is considered in Agenda Paper 3 for this meeting

### 3 Digital ecosystem

- More of current activities
- Identify partners and work jointly towards the vision. Partners could include regulators, auditors, software platform providers, data aggregators, investors and preparers.

# 1 Develop the IFRS Taxonomy



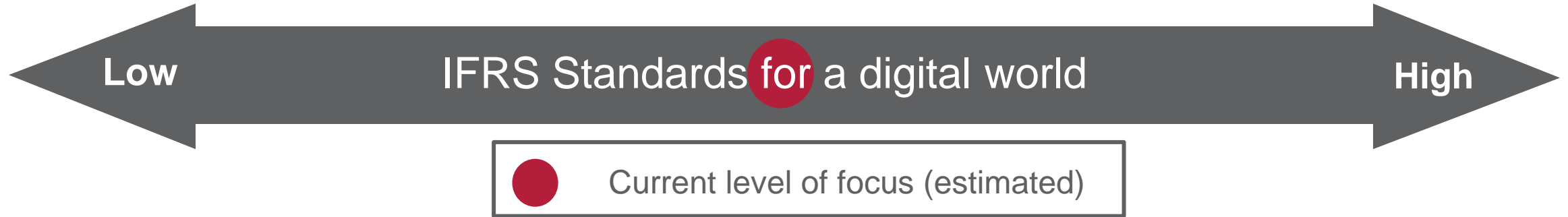
## Why leave unchanged or decrease the level of focus?

- Less capacity for other activities
- Technological advances—such as, artificial intelligence—may make the IFRS Taxonomy obsolete. However, there is currently no indication of this.

## Why increase the level of focus?

- Progress aspects of the vision within our control
- Why the Board?
  - ✓ Accounting expertise to support design of the taxonomy
  - ✓ Public interest objective in support of digital financial reporting

## ② IFRS Standards for a digital world



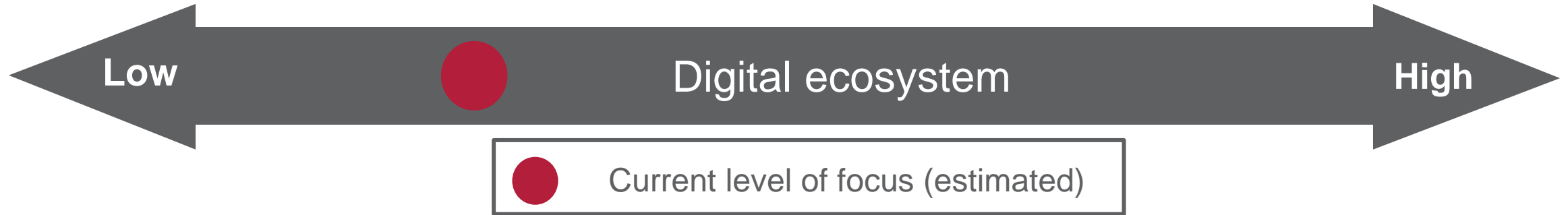
### Why leave unchanged or decrease the level of focus?

- Less capacity for other activities
- Some have concerns that a digital focus may result in a more prescriptive approach to standard setting

### Why increase the level of focus?

- Progress aspects of the vision within our control

### 3 Digital ecosystem



#### Why leave unchanged or decrease the level of focus?

- Less capacity for other activities
- Not within our control

#### Why increase the level of focus?

- Progress the vision
- Why the Board?
  - ✓ Public interest objective in support of digital financial reporting
  - ✓ International network to influence change
- Synergies with digital reporting implications if the Trustees establish a new sustainability board

# Understandability and accessibility

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**Objective:** Improve the understandability and accessibility of our financial reporting requirements

Understandability

Slides 24–25

Accessibility

Slide 26

# Understandability

## Causes of unnecessary complexity

Complex accounting models (e.g. pre-tax discount rate used in the impairment test of cash generating units)

Inconsistent drafting and structure across IFRS Standards

Inconsistent terminology in IFRS Standards (e.g. several different terms of likelihood)

## Consequences of unnecessary complexity

Inefficient use of resources by all participants in the financial reporting system

Inconsistent application of IFRS Standards, which reduces comparability between companies

Misapplication of IFRS Standards

The [2017 IFRS Reputation Survey](#) identified stakeholders' need for simple, practical and workable Standards



# Understandability (cont.)

## What the Board currently does

### Reduce complexity

Includes reducing unnecessary complexity so **users of the Standards**—companies, auditors, regulators and NSS—can improve financial reporting for **investors**.

### Clear Standards

Drafting clear Standards through:

- editorial and translation teams
- external reviewers

### Supporting materials

Includes snapshots, project summaries, feedback statements and board member articles

## What more the Board could do (examples)

### Identify complexity

A **holistic review** of IFRS Standards to identify possible areas of unnecessary complexity and assess whether improvements can be made to those areas

### Address complexity

Based on the results of the review, **undertake projects** to:

- amend existing requirements to reduce unnecessary complexity
- develop process changes (e.g. how to develop more clearly articulated Standards and use consistent terminology and structure)
- implement process changes for new and existing Standards

# Accessibility

## What the Board currently does

### Accessible materials

Includes:

- IFRS Standards with annotations and cross-references to other materials (Annotated IFRS Standards)
- semi-annual compilations of Committee agenda decisions

### Technological tools

Includes tools to make the electronic version of IFRS Standards and other materials easier to navigate. For example, the Standards navigator on the new iteration of the IFRS website.

## What more the Board could do (example)

Use technology to further develop tools that **help stakeholders tailor** the Standards and other materials to their needs. For example, using flow charts or decision trees to quickly find applicable requirements.

# Stakeholder engagement

**Objective:** Obtain views to support the development of high-quality financial reporting requirements and promote acceptance of the Standards

## What the Board currently does

General and project specific meetings with stakeholders

Tailored materials to support various meetings with stakeholders

Engagement through comments letters received in response to consultations

## What more the Board could do (examples)

Increase engagement with a broader range of stakeholders

Increase engagement on consultations, using digital means such as surveys

Provide more investor-focused educational materials and initiatives

# Questions to ITCG



## Strategic direction and balance of the Board's activities

- Should the Board increase, leave unchanged or decrease its current level of **focus** on **any of its six main activities**?
- If you believe the Board should change its level of focus on **digital financial reporting**, what changes should it make to its work on:
  - the IFRS Taxonomy;
  - IFRS Standards for a digital world; and
  - the digital ecosystem?

| Main activities   | Slides |
|---|--------|
| New IFRS Standards and major amendments to IFRS Standards | 12     |
| Maintenance and consistent application of IFRS Standards  | 13–14  |
| The <i>IFRS for SMEs</i> Standard                         | 15–16  |
| Digital financial reporting                               | 17–22  |
| Understandability and accessibility                       | 23–26  |
| Stakeholder engagement                                    | 27     |



# Content of the Request for Information

- ② Criteria for assessing  
the priority of financial  
reporting issues

# Overview

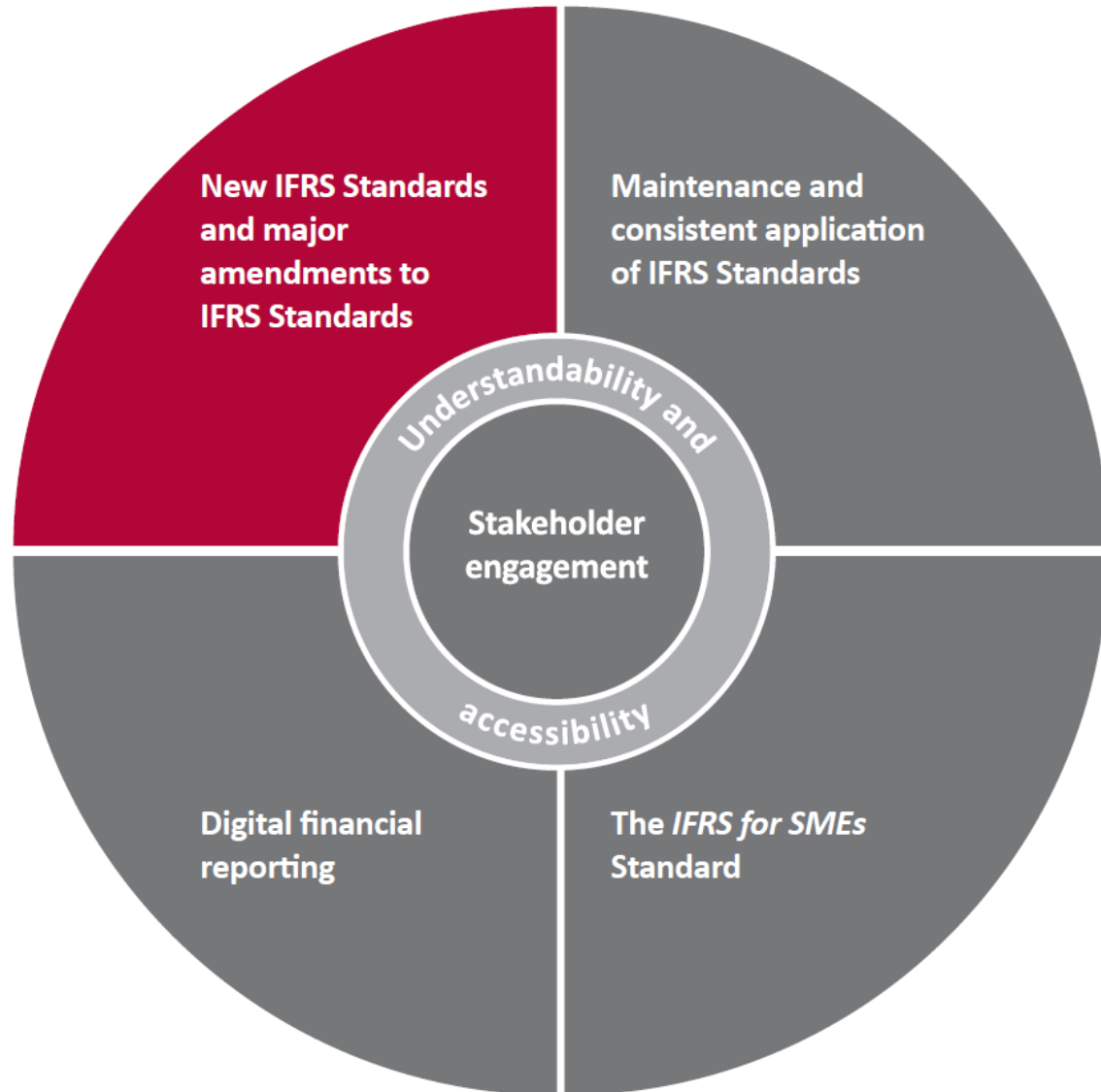



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We are seeking stakeholder feedback on the criteria the Board will use to assess the priority of new financial reporting issues to add to the work plan

# The proposed criteria

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**Overarching consideration**—whether a potential project will meet investors’ needs, while taking into account the costs of producing the information

the importance of the matter to **investors**

whether there is a **deficiency** in current reporting

the **type of companies** affected and jurisdictions where the matter is more prevalent

how **pervasive** the matter is

the potential project’s **interaction with other projects**

the **complexity and feasibility** of the potential project and its solutions

the **capacity** of the Board and its stakeholders to progress the potential project

# Request for Information question

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## Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan

- Do you think the Board has identified the right criteria to use? Why or why not?
- Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

Keep in mind that the range and subjectivity of any specified criteria means that prioritising potential projects will require judgment—i.e. it cannot be an exact science





# Content of the Request for Information

- ③ Financial reporting issues that could be added to the work plan

# Priority of financial reporting issues

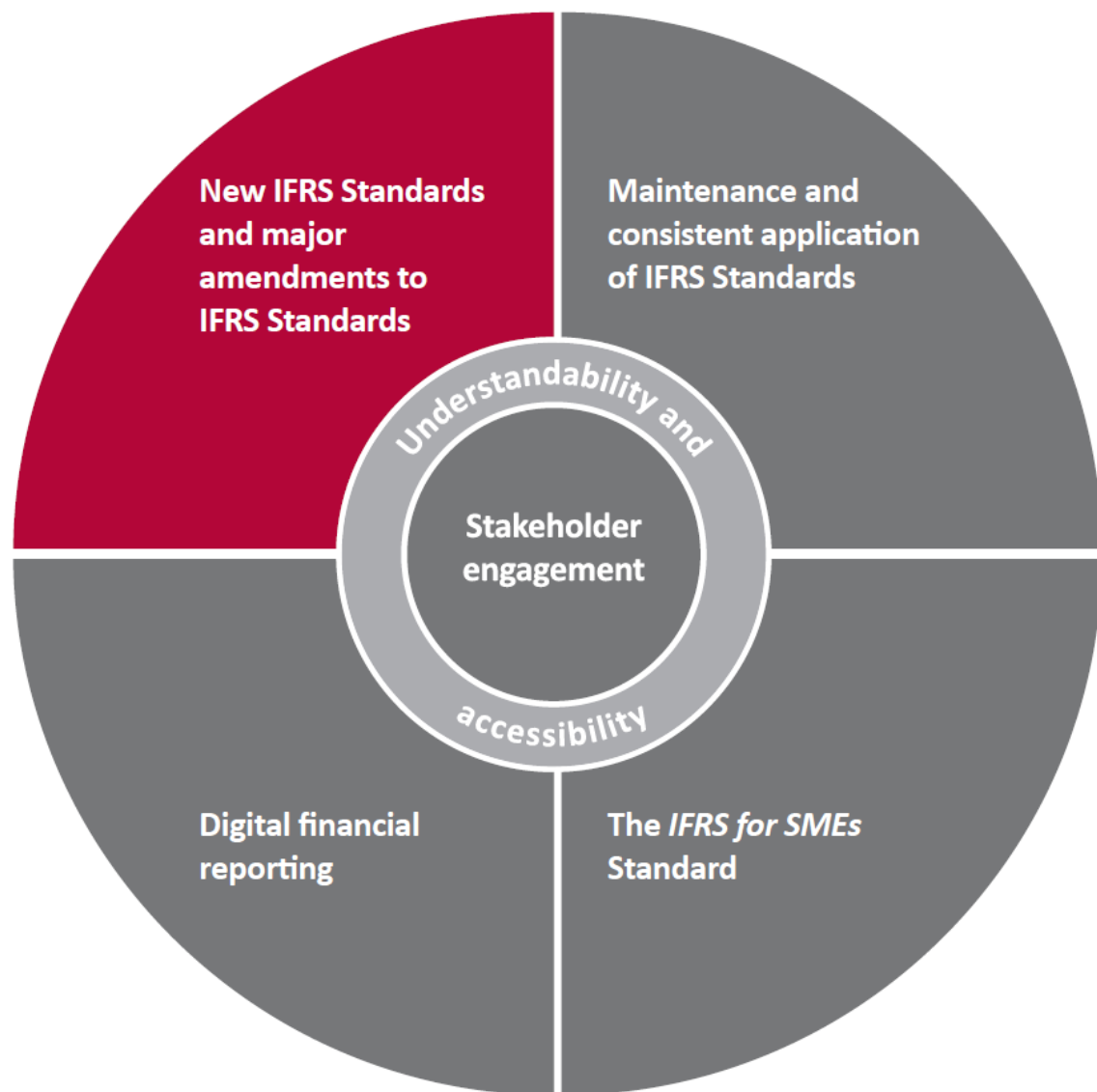


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The Board has limited capacity to add new projects to its 2022 to 2026 work plan. We are seeking stakeholder feedback on the priority of new financial reporting issues that the Board should consider for inclusion in the work plan.

# Financial reporting issues

## 2022-2026 work plan priorities

### Continue projects already on the work plan

- Stakeholders have previously identified them as priorities
- Re-prioritising could lead to inefficient starts and stops

### Conduct required post-implementation reviews

- IFRS 10, 11 and 12
- IFRS 9
- IFRS 15
- IFRS 16

### Undertake any time-sensitive projects

- Urgent projects that may arise after this consultation
- For example, the IBOR Reform projects that arose after the 2015 Agenda Consultation

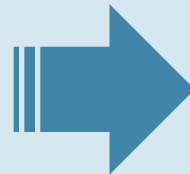
### Add new projects to the work plan

- The Board expects to add 2–3 large projects, or 4–5 medium-sized projects, or 7–8 small projects, if the Board continues to spend 40%–45% of its resources on this activity

# New financial reporting issues

## Board's approach

Conducted outreach to identify potential new projects to describe in the Request for Information



**Provide a common understanding of the issues that could be addressed to focus stakeholder feedback**



- The descriptions include an identification of the different types of work the Board could undertake on each potential project
- The list of potential projects is not a draft work plan for the Board
- Stakeholders can suggest other financial reporting issues

# Projects described in the Request for Information

| Described projects*                         |                       |  |   |   |
|---|-----------------------|--|---|---|
| Borrowing costs                             | Climate-related risks | Commodity transactions                 | Cryptocurrencies and related transactions | Discontinued operations and disposal groups |
| Discount rates                              | Employee benefits     | Expenses (Inventory and cost of sales) | Foreign currencies                        | Going concern                               |
| Government grants                           | Income taxes          | Inflation                              | Intangible assets                         | Interim financial reporting                 |
| Negative interest rates                     | Operating segments    | Other comprehensive income             | Pollutant pricing mechanisms              | Separate financial statements               |
| Statement of cash flows and related matters |                       |  | Variable and contingent consideration     |   |

\* You can read the description of a potential project by clicking on the project title.

# Request for Information question

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## **Financial reporting issues that could be added to the Board's work plan**

- What priority would you give each of the potential projects described in the Request for Information—high, medium or low—and why?
- Should the Board add any other financial reporting issues to its work plan for 2022 to 2026?



## **Other comments**

- Do you have any other comments on the Board's activities and work plan?

# Questions to ITCG

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## **Do you have any questions or comments on:**

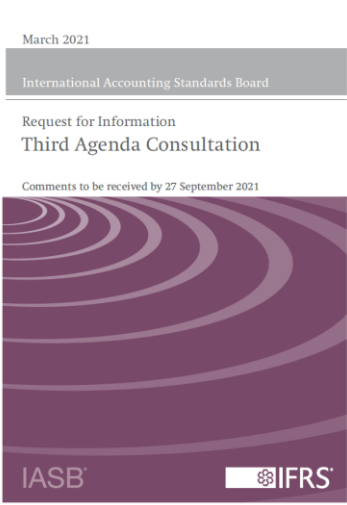
- the criteria for assessing the priority of financial reporting (slides 29-32)?
- the financial reporting issues that could be added to the Board's work plan (slides 33-38)?

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# Published materials



# Published materials



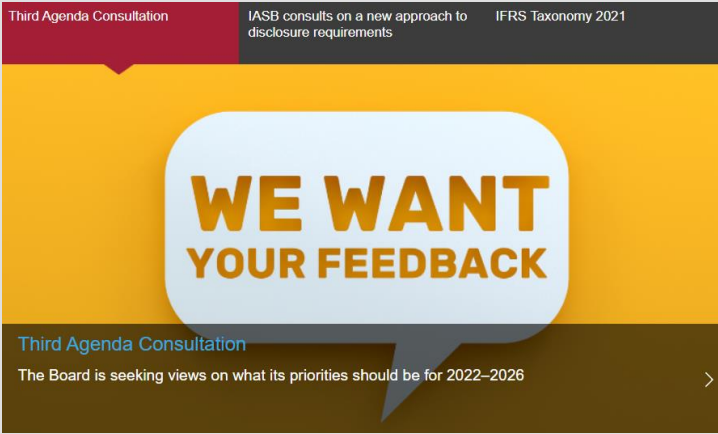
March 2021  
International Accounting Standards Board

## Request for Information Third Agenda Consultation

Comments to be received by 27 September 2021

IASB IFRS

[Request for Information](#)




Third Agenda Consultation IASB consults on a new approach to disclosure requirements IFRS Taxonomy 2021

# WE WANT YOUR FEEDBACK

Third Agenda Consultation  
The Board is seeking views on what its priorities should be for 2022–2026

[Press release](#)



March 2021  
Investor Perspectives

## Third Agenda Consultation—An overview

Request for Information published by the International Accounting Standards Board

### The International Accounting Standards Board's Agenda Consultation—An Opportunity for Investors to Weigh In

Zach Gatt  
Zach Gatt, a member of the International Accounting Standards Board (IASB), urges investors to lend their voice to the Board's agenda consultation on its corporate work plan.

The Board is asking investors to provide feedback on its Third Agenda Consultation in order to assist in prioritizing the Board's work from 2022 to 2026. The Board would like to hear from investors on the strategic direction and balance of its activities—on the things that most matter to them, and on the things that the IASB should spend less time on. The Board would also like investors to comment on the Board's criteria for adding projects to its work plan and which financial reporting issues the Board could add to that plan. It is essential that investors provide feedback to inform the Board's work.

Investors are the central customers for the output of IFRS Standards—comparable financial statements. This brief publication highlights the vital role that investors can play in shaping the work of the Board. The Agenda Consultation is stakeholders' best opportunity to get forward financial reporting issues for the Board to consider. The Board expects to have limited capacity to add new projects to its plan, so it's essential that investors make their issues and priorities known. Feedback does not need to be written in technical language, so do not let terminology prevent you from responding.

Send us your views  
The consultation period ends on 27 September 2021. Investors can submit a comment letter, or, alternatively, if you are unable to submit a comment letter, you can also complete a survey, brief letter, that should take 10-15 minutes depending on the level of detail in your responses.

IASB IFRS

[Videos and articles](#)

## How to comment

- Submit a comment letter:
  - ✓ Online at: <https://www.ifrs.org/projects/open-for-comment/>
  - ✓ By email to: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)
- Complete a survey:  
<https://ecv.microsoft.com/sDvxcZ9hrt>

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