



IFRS® Foundation

Third Agenda Consultation

Accounting Standards Advisory Forum meeting

ASAF Agenda Paper 2
March 2021

Contents

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- To highlight the main areas of the forthcoming Request for Information (RFI).
- Ask ASAF members to advise on possible outreach activities.

Questions for ASAF members

The staff are seeking suggestions from ASAF members on:

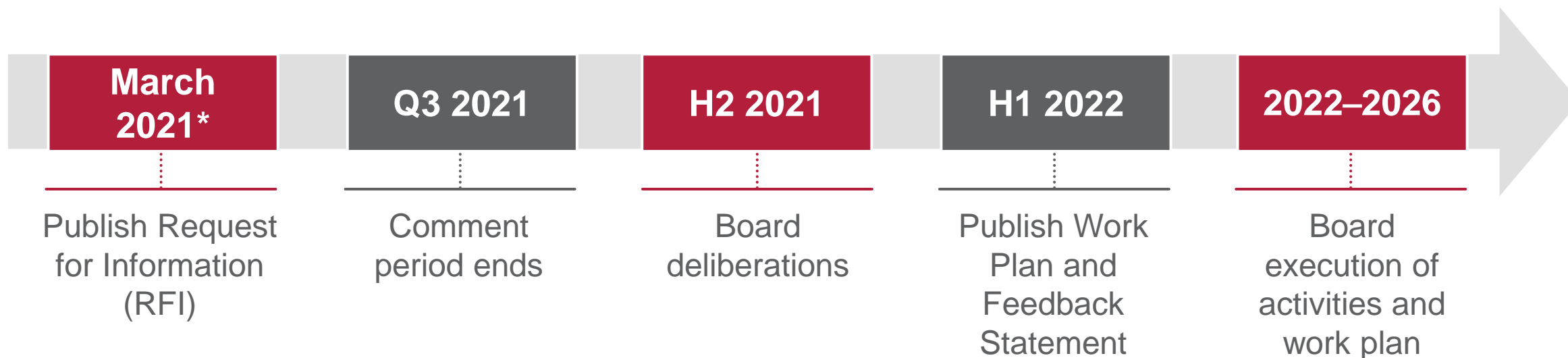
- 1 what sort of outreach activities the Board should undertake
- 2 how ASAF members could help with the Board's outreach activities
- 3 how the Board could support ASAF members' outreach activities



Project background

Project key dates and purpose

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Timing allows for incoming Board Chair to be involved in determination of priorities from 2022 to 2026

The purpose of an agenda consultation is to seek feedback on

Strategic direction and balance of work plan

Criteria for assessing projects to be added

Priority of financial reporting issues

* As a result of the covid-19 pandemic, the Board postponed its plans to publish the RFI to March 2021.

Board's Agenda Consultation vs. Trustees' Strategy Review

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Board

- The Board's Agenda Consultation will seek feedback to help prioritise activities within the **current scope of the Board's work**—financial statements and management commentary for profit-oriented companies.
- The Board's Agenda Consultation is used to develop the Board's work plan for 2022 to 2026.

Trustees

- The Trustees of the IFRS Foundation are assessing future strategy through the IFRS Foundation's five-yearly review of structure and effectiveness.
- The Trustees' consultation seeks feedback on a potential expansion in **the role of the IFRS Foundation** into the development of sustainability standards.

If decisions from the Trustees' review affect the scope of the Board's work—for example, by identifying the need for capacity to support the interconnectedness of the Board's work with any new Sustainability Standards Board, this can be considered in finalising the Board's priorities and work plan



Overview of the Request for Information*

* Exact wording subject to Board member comments and drafting

The Request for Information will focus on 3 areas

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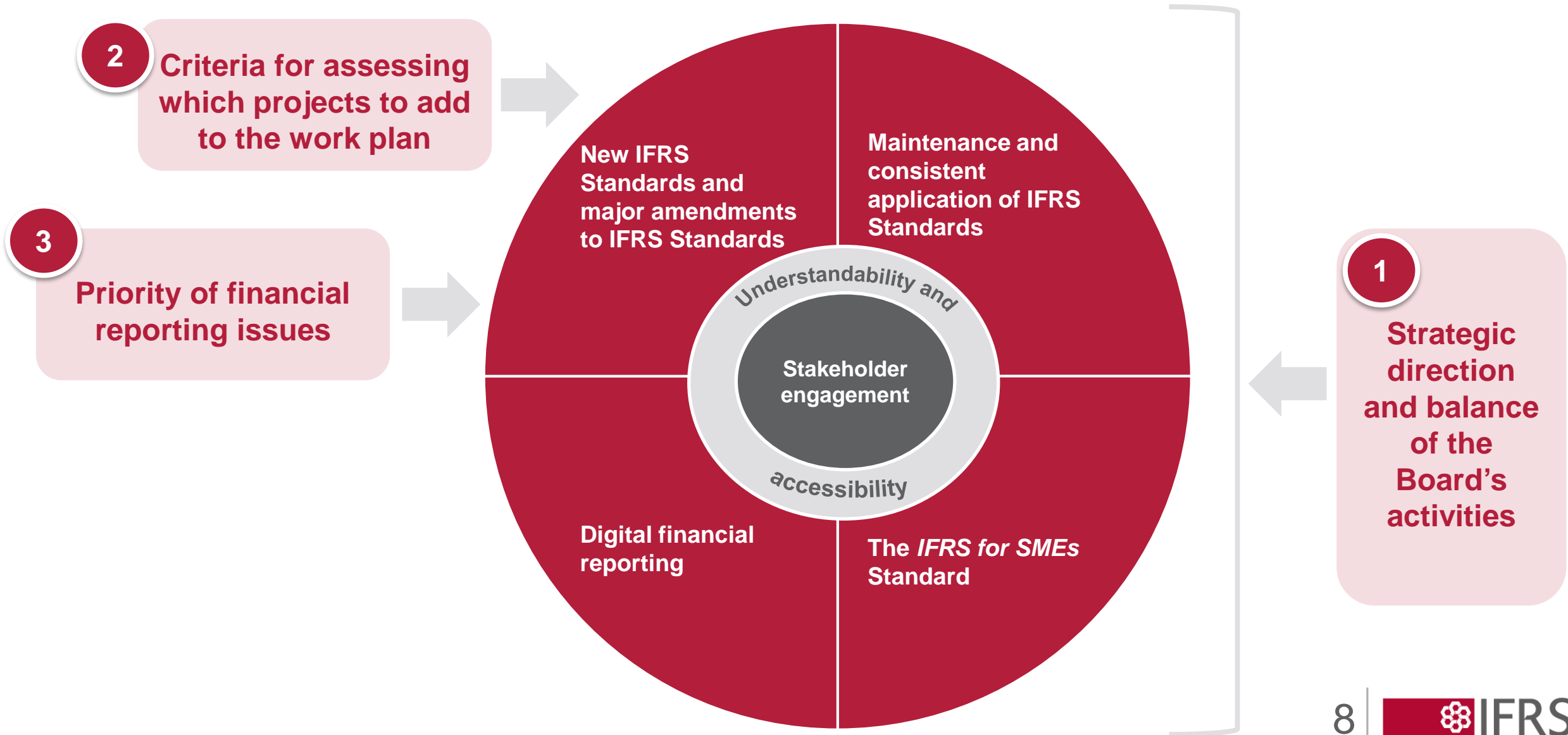
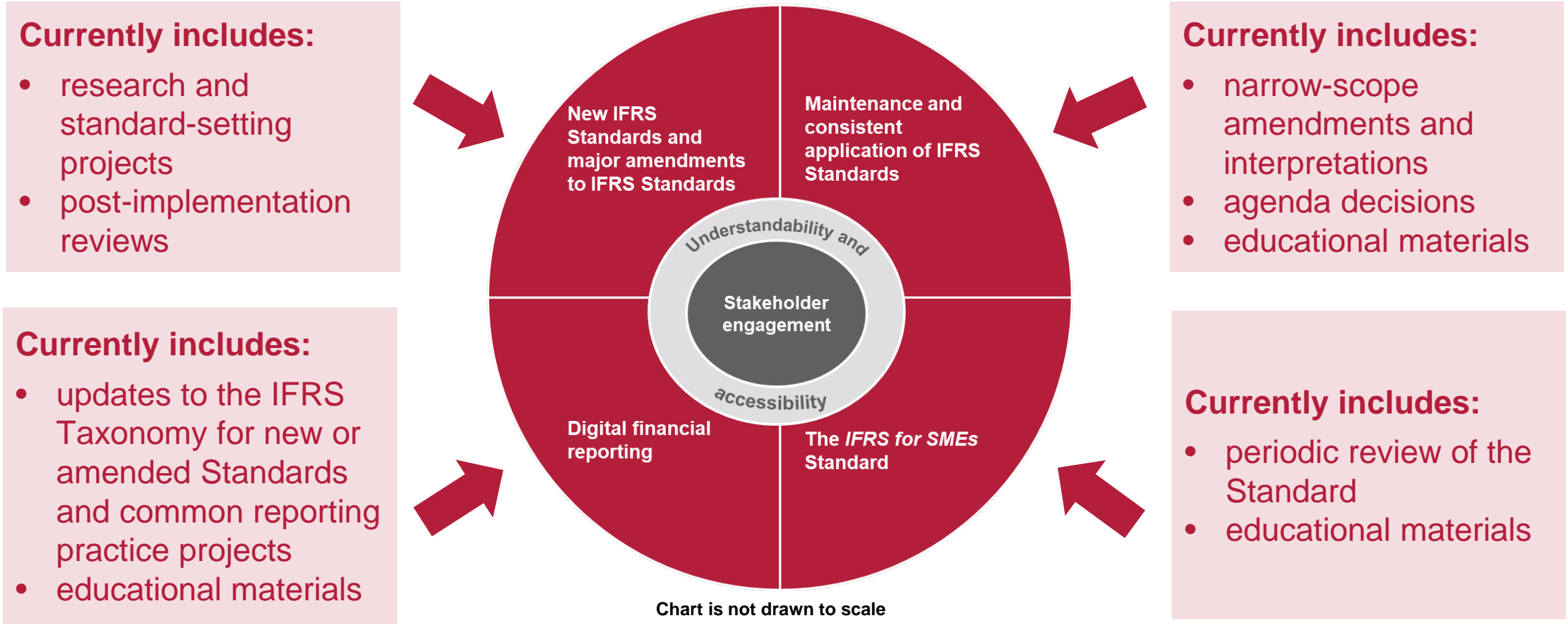


Chart is not drawn to scale

Strategic direction and balance of the Board's activities—overview



Understandability & accessibility and **Stakeholder engagement** are cross-cutting activities that support the development and consistent application of high-quality Standards and their electronic representation (IFRS Taxonomy)

Strategic direction and balance of the Board's activities—questions

Questions in the RFI

We will seek stakeholders' views on whether the Board should:

- **increase, leave unchanged or decrease its current level of focus** on each of its activities. Also, we will ask stakeholders to specify the types of work within each activity that the Board should increase or decrease.
- undertake any other activities within the current scope of its work.

Feedback will be used as a basis for the Board to define the overall balance of its activities for 2022 to 2026.

To help stakeholders respond

The Request for Information will provide:

- a description of the Board's activities;
- examples of what more the Board could do in each activity; and
- the current level of focus on each activity.

We are assuming that **the Board's overall level of resources will remain substantially unchanged** during the 2022 to 2026 period. So, an increase in the level of focus on one activity would mean that fewer resources would be available for other activities.

Criteria for assessing which projects to add to the work plan—questions

Background

- The Board will use **specified criteria** to assess the potential financial reporting issues that could be added to its work plan to develop **new IFRS Standards and major amendments to IFRS Standards**.
- The criteria are derived from *the Due Process Handbook and the 2015 Agenda Consultation* and have worked well.
- The relative importance of any specific criterion will vary depending on the particular circumstances.
- The Board will also consider the work streams of major standard-setters.

Questions in the RFI

We will seek stakeholders' views on whether the Board:

- has identified the right criteria.
- should consider any other criteria.

Criteria for assessing which projects to add to the work plan

The Board evaluates a potential project for its work plan primarily on the basis of whether the project will meet investors' needs, while also taking into account the costs of producing the information. The Board considers seven factors in deciding whether to add a potential project to its work plan.

1 The importance of the matter to investors.

2 Whether there is any deficiency in the way companies report the type of transaction or activity in financial reports.

3 The type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others.

4 How pervasive or acute the matter is likely to be for companies.

5 The potential project's interaction with other projects on the work plan.

6 The complexity and feasibility of the potential project and its solutions.

7 The capacity of the Board and its stakeholders to progress the project on a timely basis.

Background

- The Board conducted outreach in order to identify potential projects to describe in the RFI.
- The objective in describing potential projects is to provide a common understanding of the financial reporting issues that could be addressed in a potential project to elicit more focused feedback.
- The list is not a draft work plan.
- The Board has limited capacity, so it can add only a small number of projects.
- Stakeholders are welcome to suggest other financial reporting issues for the Board to explore.

Priority of financial reporting issues— described projects

Described projects	
1. Borrowing costs	12. Income taxes
2. Climate-related risks	13. Inflation*
3. Commodity transactions	14. Intangible assets
4. Cryptocurrencies and related transactions	15. Interim financial reporting
5. Discontinued operations and disposal groups*	16. Negative interest rates
6. Discount rates	17. Operating segments
7. Employee benefits	18. Other comprehensive income
8. Expenses: inventory and cost of sales, classification of expenses, and disclosure	19. Pollutant pricing mechanisms*
9. Foreign currencies	20. Separate financial statements
10. Going concern	21. Statement of cash flows and related matters
11. Government grants	22. Variable and contingent consideration*

* Research pipeline projects—these projects were identified as priorities in the previous Agenda Consultation but are currently inactive. The Board will seek updated information about their priority.

Questions in the RFI

We will seek stakeholders' views on:

- what priority they would give each of the potential projects described in the RFI—high, medium or low. **In particular**, we would like to know if their prioritisation refers to **all** or only **some aspects** included in the project description—for example, a project on intangible assets may mean recognition and measurement of currently unrecognised intangible assets or improved disclosure requirements about unrecognised intangible assets.
- whether the Board should add any financial reporting issues not described in the RFI.

To help stakeholders respond

The Request for Information will provide:

- the Board's estimated capacity to add new projects to its research and standard-setting work plan for 2022 to 2026.
- estimated size of each of the described potential projects.

3

Priority of financial reporting issues— Board deliberation

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We aim to gather information to assist the Board in applying the criteria on slide 12 to the projects identified as priorities by stakeholders in this consultation.

If you hear any information of this nature in your outreach, we would appreciate hearing it.

<p>1 The importance of the matter to investors</p> <ul style="list-style-type: none"> • Whether addressing the issue improves financial reporting for the primary users of general purpose financial reports (as defined by the <i>Conceptual Framework</i>). • The extent to which existing practice adequately addresses the issue for investors. • If the issue is one of diversity in practice, how problematic that is for investors. 	<p>2 Deficiency in reporting</p> <ul style="list-style-type: none"> • Whether the issue is due to a standard-setting or compliance. • If there is a compliance problem, whether a standard-setting solution is feasible (criterion 6). 	<p>3 Companies affected, prevalence and pervasiveness</p> <p>4</p> <p>Data on prevalence of issue</p> <ul style="list-style-type: none"> • Types of companies affected • In jurisdiction, region and globally <p>7 Stakeholder capacity</p> <ul style="list-style-type: none"> • Who is affected by the constraints, including when and why.
<p>The staff also aims to provide information about</p>	<p>5 Interaction with other projects</p>	<p>Updated information as current work plan projects progress.</p>
	<p>6 Complexity and feasibility</p>	<ul style="list-style-type: none"> • Information about previous project(s) on the issue that was not finalised. • If the issue concerns the need for judgment in the application of the Standards, whether a standard-setting solution is feasible.
	<p>7 Board capacity</p>	<p>Updated information as current work plan projects progress.</p>

Question in the RFI

The Request for Information will also ask a catch-all question:

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

Stakeholders will have the opportunity to provide feedback through:

- Comment letters
- Online survey
- Outreach meetings
- Consultative group meetings

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