

STAFF PAPER

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Accounting Standards Advisory Forum

Project	Accounting Standards Advisory Forum	
Paper topic	Agenda Planning	
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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 December 2021 meeting of the Accounting Standards Advisory Forum (ASAF); and
 - (b) provide ASAF members with feedback on how the staff or the International Accounting Standards Board (Board) have considered (or will consider) the advice given at the June 2021 ASAF meeting.
2. Information about the IFRS Foundation's work plan and the status of projects is available on the IFRS Foundation website.

Structure of the paper and questions for ASAF members

3. There are two appendices to this paper:
 - (a) Appendix A sets out the suggested agenda topics for the December 2021 ASAF meeting; and
 - (b) Appendix B sets out a table summarising the feedback from the June 2021 ASAF meeting and how the staff or the Board have considered (or will consider) this feedback.

Questions for ASAF members

1. Do ASAF members have any comments on the proposed agenda topics for the December 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 how the feedback from the June 2021 ASAF meeting has been (or will be) used by the staff or the Board (Appendix B)?

Appendix A—ASAF agenda topics

Agenda topic	Purpose of the discussion
June 2021 ASAF meeting (Actual)	
Business Combinations Under Common Control	Discuss feedback on the Discussion Paper <i>Business Combinations Under Common Control</i> published in November 2020
Third Agenda Consultation	Discuss preliminary feedback on the Request for Information published in March 2021
Sustainability reporting	Provide an update about the sustainability reporting project of the IFRS Foundation
Rate-regulated Activities	Discuss feedback on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> published in January 2021
Goodwill and Impairment	Seek views on particular aspects of the project, including convergence with US GAAP, in the light of the feedback on the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i>
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Discuss outreach activities on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> published in March 2021
October 2021 ASAF meeting (Actual)	
Equity Method	Provide an update on the project and seek views on how to develop solutions to application questions on the equity method
Management Commentary	Discuss preliminary feedback on the Exposure Draft <i>Management Commentary</i> published in May 2021
Primary Financial Statements	Provide an update on the discussions of the Board to redeliberate the proposals in the Exposure Draft <i>General Presentation and Disclosures</i> and seek input from ASAF members on any implications of the Board's redeliberations so far on topics yet to be discussed
Rate-regulated Activities	Provide an update about the feedback on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> , which was open for comment from January to July 2021
December 2021 ASAF meeting (Proposed)	
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Discuss feedback on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> published in March 2021
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	Seek ASAF members' views on the scope of the draft Standard. Paragraphs BC12–BC22 of the Basis for Conclusions on the Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i> explain the Board's reasons for proposing that a subsidiary would be permitted to apply the draft Standard if, at the end of its reporting period, it (a) does not have public accountability and (b) has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards
Intangibles (EFRAG)	Discuss ASAF members' preliminary feedback on the Discussion Paper <i>Better Information on Intangibles</i> published by EFRAG in August 2021
Strategic / agenda consultations	ASAF members will have the opportunity to share feedback and decisions, if known, from any recent strategic / agenda consultations in their jurisdictions and discuss how it compares to feedback received by the Board on its Third Agenda Consultation.

Appendix B—Feedback from the June 2021 ASAF meeting

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Business Combinations under Common Control</p>		
<p>The Discussion Paper <i>Business Combinations under Common Control</i> was published in November 2020 and was open for comments until 1 September 2021. The objective of this session was to hear initial feedback from ASAF members' jurisdictions on when and how the acquisition method and a book-value method should be used to report business combinations under common control.</p>		
<p>Board's preliminary views in the Discussion Paper</p>	<p>ASAF members shared initial feedback from their stakeholders on the following topics included in the Discussion Paper:</p> <ul style="list-style-type: none"> (a) when the acquisition method and a book-value method should be used to report business combinations under common control; (b) if an entity uses the acquisition method, how that method should be applied; and (c) if an entity uses a book value method, how that method should be applied. <p>The initial feedback provided by ASAF members is summarised in paragraphs 2–13 of the June 2021 meeting summary note.</p>	<p>The staff are considering initial feedback from ASAF members' jurisdictions and any additional feedback in members' comment letters as part of developing the feedback summary on the Discussion Paper for the Board's discussion in Q4 2021.</p>
<p>Third Agenda Consultation</p> <p>The objective of this session was to seek ASAF members' views on the objectives of the Request for Information <i>Third Agenda Consultation</i> published in March 2021 and open for comments until 27 September 2021.</p>		
<p>Strategic direction and balance of the Board's activities</p>	<p>ASAF members provided suggestions about the level of focus for each of the Board's main activities. These suggestions included:</p> <ul style="list-style-type: none"> (a) increasing the focus on digital financial reporting. This: <ul style="list-style-type: none"> (i) might require additional specialised expertise; and (ii) should not result in a more rule-based approach to standard-setting or in an extended use of entity-specific elements for digital reporting. (b) increasing the focus on understandability and accessibility of IFRS Standards, especially for non-English speaking jurisdictions; (c) increasing the level of focus on maintenance and consistent application of IFRS Standards, particularly by providing educational material on recently issued Standards; and (d) reducing the focus on the <i>IFRS for SMEs</i> Standard. 	<p>The Board will consider ASAF members' views and any additional feedback in ASAF members' comment letters in developing the 2022 to 2026 plan.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
	<p>ASAF members had contrasting views on whether the Board should change its focus on projects that develop IFRS Standards and major amendments to IFRS Standards.</p> <p>ASAF members also said the Board should:</p> <ul style="list-style-type: none"> (a) consider the interconnectedness between its work and the proposed International Sustainability Standards Board (ISSB) as a separate activity; and (b) set aside capacity to work on issues that may emerge over the next five years. 	
<p>Criteria for assessing the priority of financial reporting issues</p>	<p>ASAF members said the criteria proposed by the Board were broadly appropriate and reasonable and suggested additional criteria for the Board to consider.</p> <p>Suggestions by ASAF members on the proposed criteria included:</p> <ul style="list-style-type: none"> (a) broadening the criterion to consider the importance of the matter for all stakeholders rather than just for investors; (b) some of the criteria proposed by the Board should be given more prominence; (c) the most important criterion should be the Board's and its stakeholders' capacity to address financial reporting issues; and (d) the proposed criteria should not create bias towards any particular sector or jurisdiction. <p>Suggestions by ASAF members on additional criteria included:</p> <ul style="list-style-type: none"> (a) the extent to which non-GAAP measures and structuring opportunities exist in practice; (b) the relevance of an issue in the long term; (c) the extent to which a potential project offers the possibility of convergence with US GAAP; and (d) the relationship with projects of the proposed ISSB. <p>Other suggestions by ASAF members included:</p> <ul style="list-style-type: none"> (a) be transparent on how the Board would assess the proposed criteria against potential projects suggested by stakeholders; and (b) consider asking the Trustees to incorporate some of the proposed criteria into the <i>Due Process Handbook</i>. 	<p>The Board will consider ASAF members' views and any additional feedback in ASAF members' comment letters in developing the 2022 to 2026 plan.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Financial reporting issues that could be added to the work plan</p>	<p>ASAF members suggested the Board prioritise potential projects on:</p> <ul style="list-style-type: none"> (a) recognition, measurement and disclosure of intangibles, as well as the interconnectivity of any project on intangibles with the projects of the proposed ISSB; (b) climate-related risks, including how such risks should be disclosed in financial statements and considered when performing impairment tests; (c) going concern, including the accounting requirements that apply when an entity concludes that it is no longer a going concern; (d) cryptocurrencies and related transactions; (e) variable and contingent consideration; (f) other comprehensive income, including introducing a new and consistent principle on recycling of profit; (g) statement of cash flows; (h) pollutant pricing mechanisms; (i) discontinued operations; (j) separate financial statements and expenses; (k) government grants; (l) borrowing costs; and (m) disclosures for various types of accounting estimates. <p>Other suggestions by ASAF members included the Board consider:</p> <ul style="list-style-type: none"> (a) working with the FASB to share feedback on the respective agenda consultations and maintain achievements in converged standards. (b) grouping projects by theme to help to ensure that consistent principles are applied when addressing themes. (c) re-prioritising some projects on the Board's work plan. However, some ASAF members said the Board should continue working on projects currently on the work plan that are important for some ASAF members' stakeholders. 	<p>The Board will consider ASAF members' views and any additional feedback in ASAF members' comment letters in developing the 2022 to 2026 plan.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Rate-regulated Activities</p> <p>The Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> was published in January 2021 and was open for comments until 30 July 2021. The objective of this session was for ASAF members to share feedback from their jurisdictions on the Exposure Draft.</p>		
<p>Proposals in the Exposure Draft</p>	<p>ASAF members' stakeholders overall welcome the proposals in the Exposure Draft. Members shared initial feedback from their stakeholders on the following topics:</p> <ul style="list-style-type: none"> (a) scope of the proposals; (b) total allowed compensation; (c) measurement of regulatory assets and regulatory liabilities; (d) interaction with IFRIC 12 <i>Service Concession Arrangements</i>; and (e) other related topics. <p>The initial feedback provided by ASAF members is summarised in paragraphs 47–66 of the June 2021 meeting summary note.</p>	<p>The staff will consider ASAF members' views and any additional feedback in members' comment letters in developing feedback summary on the Exposure Draft for the Board's discussion.</p>
<p>Goodwill and Impairment</p> <p>The objective of this session was to seek ASAF members' view on the identification of key items for redeliberation of the Board's preliminary views in the project and issues relating to convergence between the Board's preliminary views and US GAAP.</p>		
<p>Key items to consider for redeliberation</p>	<p>Comments made by ASAF members on the scope of the project and the topics the Board should prioritise during redeliberation included:</p> <ul style="list-style-type: none"> (a) addressing issues relating to subsequent accounting of goodwill and improving disclosures for business combinations in two separate projects; and (b) exploring how to improve disclosures only after addressing issues with subsequent accounting of goodwill and improvements to the impairment test. <p>Other suggestions made by ASAF members included:</p> <ul style="list-style-type: none"> (a) investigating the effectiveness of the impairment test using the current pandemic as a stress test mechanism; (b) considering preparers' concerns over costs and benefits, as well as regulators' needs in the project; and (c) setting up a working group on disclosures involving users and preparers to enable direct communication between users and preparers. 	<p>The staff will consider ASAF members' advice when developing staff papers for the Board's redeliberations of the preliminary views included in the Discussion Paper. The Board discussed the effectiveness of the impairment test and subsequent accounting for goodwill at its July 2021 meeting.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Importance of convergence with US GAAP</p>	<p>ASAF members expressed differing opinions on the importance of convergence with US GAAP, including that convergence with US GAAP for subsequent accounting of goodwill is:</p> <ul style="list-style-type: none"> (a) more important than adopting any particular model; (b) important, but not a determining factor in the Board's decision making; and (c) not an important factor to consider as the main objective is for the Board to work on the model that would faithfully represent the financial performance of entities and provide users with the most relevant information. <p>Other comments made by ASAF members on the topic included:</p> <ul style="list-style-type: none"> (a) the difference in the project objectives for the two boards would not be sufficient to justify potential differences in the outcomes of their separate projects; (b) calls for convergence would resurface in the future if the standards diverged; and (c) the Board should provide an effect analysis if the two standards diverge. 	<p>The staff will consider ASAF members' advice when developing staff papers for the Board's redeliberations of the preliminary views included in the Discussion Paper.</p>
<p>Scope of convergence</p>	<p>ASAF members expressed differing opinions on what convergence should cover. These opinions included that convergence should cover:</p> <ul style="list-style-type: none"> (a) only whether to reintroduce amortisation of goodwill; (b) both subsequent accounting of goodwill and disclosures for business combinations; and (c) also initial accounting of intangible assets. <p>Some ASAF members said that even if the requirements developed by the two boards are not identical:</p> <ul style="list-style-type: none"> (a) the outcome of an amortisation model should be comparable; and (b) there should be a set of common core disclosure requirements for business combinations. 	<p>The staff will consider ASAF members' advice when developing staff papers for the Board's redeliberations of the preliminary views included in the Discussion Paper.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Cost of divergence</p>	<p>Comments from ASAF members on the cost of possible divergence of accounting requirements included:</p> <ul style="list-style-type: none"> (a) preparers may need to prepare two separate sets of accounts and engage additional external valuation specialists or reconcile the results under the two standards; (b) users may need to adjust the performance reported by entities or find it difficult to compare the performance of entities because they are not familiar with the detailed accounting requirements; and (c) additional costs for users could increase the cost of capital for entities. 	<p>The staff will consider ASAF members' advice when developing staff papers for the Board's redeliberations of the preliminary views included in the Discussion Paper.</p>
<p>Other comments</p>	<p>Other comments and suggestions made by ASAF members included:</p> <ul style="list-style-type: none"> (a) the topics considered by the Board in the project cover more than what the name of the project 'Goodwill and Impairment' suggests, such as disclosures for business combinations and could confuse stakeholders; and (b) the Board could consider recognising goodwill amortisation expense through other comprehensive income, if the Board decided to reintroduce amortisation of goodwill. 	<p>The staff will consider ASAF members' advice when developing staff papers for the Board's redeliberations of the preliminary views included in the Discussion Paper.</p>
<p>Disclosure Initiative—Targeted Standards-level Review of Disclosures</p> <p>The Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> was published in March 2021. The objective of this session was to discuss the Board's outreach relating to the Exposure Draft.</p>		
<p>Outreach on the Exposure Draft</p>	<p>Suggestions from ASAF members on outreach and fieldwork activities included:</p> <ul style="list-style-type: none"> (a) stakeholders need sufficient time to assess the proposals and engage in fieldwork. Consequently, an extension to the comment deadline is needed. (b) fieldwork participants should include preparers of various seized and from various industries and should be asked to provide disclosures under both the existing and the proposed requirements. (c) auditors and regulators should also be engaged in the outreach. (d) outreach activities should focus on whether the proposals are operational and enforceable. 	<p>The Board considered the feedback from ASAF members at the July 2021 Board meeting and decided to extend the comment period for the Exposure Draft to 12 January 2022.</p>