



## STAFF PAPER

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## IASB® meeting

Project	Third Agenda Consultation		
Paper topic	Projects to add to the work plan		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® Update.

### Purpose of this paper

1. At its November 2021 meeting, the International Accounting Standards Board (IASB) discussed feedback from respondents to the [Request for Information \*Third Agenda Consultation\*](#) (Request for Information) and other sources about financial reporting issues that could be added to the IASB's work plan (potential projects).<sup>1</sup>
2. At its March 2022 meeting, the IASB discussed the staff analysis of potential projects, based on that feedback and the criteria for deciding whether to add a project to its work plan.<sup>2</sup> The IASB decided to shortlist seven potential projects for further consideration in April 2022.<sup>3</sup>
3. This paper sets out the staff's further analysis of those shortlisted projects and a package of staff recommendations on projects to add to the IASB's work plan.

<sup>1</sup> See [Agenda Paper 24D Feedback summary—Potential projects \(part 1\)](#), [Agenda Paper 24E Feedback summary—Potential projects \(part 2\)](#), [Agenda Paper 24F Feedback summary—Potential projects \(part 3\)](#) and paragraphs 51–84 of [Agenda Paper 24G Feedback summary—Users of financial statements](#).

<sup>2</sup> See [Agenda Paper 24A Potential projects—Approach to staff analysis](#), [Agenda Paper 24B Potential projects—Proposed short-listed projects](#), [Agenda Paper 24C Potential projects—Other projects described in the Request for Information](#) and [Agenda Paper 24D Potential projects—Other suggestions](#).

<sup>3</sup> See [IASB Update March 2022](#).

## Summary of staff recommendations

4. We recommend that the IASB:
- (a) add to its work plan a maintenance and consistent application project on climate-related risks, which would aim to:
    - (i) investigate further the matters raised by respondents and the underlying causes of those matters; and
    - (ii) consider whether any (and if so, what) narrow-scope actions might be needed.
  - (b) add to the research pipeline a project on intangible assets, which would aim to comprehensively review IAS 38 *Intangible Assets*.
  - (c) add to the research pipeline a project on the statement of cash flows and related matters. We also recommend that the IASB consider, as part of its initial work on such a project:
    - (i) whether the project should aim to comprehensively review IAS 7 *Statement of Cash Flows* or make more targeted improvements; and
    - (ii) whether to retain or exclude from the project's scope any of the matters raised by respondents related to the statement of cash flows.
  - (d) create a reserve list of projects that could be added to the work plan if, and only if, additional capacity becomes available.
  - (e) add to the reserve list a project on operating segments. We also recommend that if the IASB subsequently decides to add such a project to its work plan, such a project should aim to research:
    - (i) the underlying causes of users' concerns about the granularity of segment information; and
    - (ii) the feasibility of potential solutions that could be implemented without reconsidering the use of the management approach to determine an entity's operating segments.
  - (f) add to the reserve list a project on pollutant pricing mechanisms. We also recommend that if the IASB subsequently decides to add such a project to its

work plan, such a project should aim to develop specific requirements for pollutant pricing mechanisms. However, at the start of such a project, the IASB would consider whether the project should aim to address:

- (i) all types of pollutant pricing mechanisms, or only some, such as emission trading schemes; and
  - (ii) accounting by traders and scheme administrators, in addition to scheme participants.
- (g) not add to its work plan projects on:
- (i) cryptocurrencies and related transactions; or
  - (ii) going concern disclosures.

### **Structure of the paper**

5. This paper includes:
- (a) introduction and overview (paragraphs 6–20);
  - (b) a proposed maintenance and consistent application project on climate-related risks (paragraphs 21–29);
  - (c) proposed research pipeline projects (paragraphs 30–47);
  - (d) proposed reserve list projects (paragraphs 48–63);
  - (e) other short-listed projects (paragraphs 64–79); and
  - (f) staff recommendations and question for the IASB (paragraphs 80–82).

### **Introduction and overview**

6. At its March 2022 meeting, the IASB tentatively decided to shortlist seven potential projects for further discussion in April 2022 (in alphabetical order):
- (a) climate-related risks;
  - (b) cryptocurrencies and related transactions;
  - (c) going concern disclosures;

- (d) intangible assets;
  - (e) operating segments;
  - (f) pollutant pricing mechanisms; and
  - (g) statement of cash flows and related matters.
7. We have developed a package of recommendations on projects to add to the IASB's work plan, taking into account:
- (a) the overall capacity of the IASB and its stakeholders for additional projects (paragraphs 8–17).
  - (b) further staff analysis of the shortlisted potential projects (paragraphs 18–20).

### ***Overall capacity for additional projects***

8. Agenda Paper 24C *Strategic direction and balance of the IASB's activities from 2022–2026* for the February 2022 IASB meeting discussed the allocation of resources to each of the IASB's six main activities, including:
- (a) new IFRS Accounting Standards and major amendments to Accounting Standards; and
  - (b) maintenance and consistent application of Accounting Standards.<sup>4</sup>
9. Hence, when considering the overall capacity of the IASB and its stakeholders for additional projects, we have differentiated between two types of projects:
- (a) projects that would involve developing new Accounting Standards or major amendments to Accounting Standards (research and standard-setting projects); and
  - (b) projects that would involve maintaining and supporting the consistent application of Accounting Standards (maintenance and consistent application projects).

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<sup>4</sup> See paragraphs 11–38 of [Agenda Paper 24C Strategic direction and balance of the IASB's activities from 2022 to 2026](#) for that meeting.

10. It should be noted that work on any additional projects will not start immediately, especially research and standard-setting projects. We expect that in the short term, most or all of the IASB’s available resources for research and standard-setting projects will be allocated to:
- (a) continuing work on projects on the current work plan—at its February 2022 meeting, the IASB decided not to reprioritise projects on its current work plan, but to continue working on those projects (except for a maintenance project that the IASB decided to withdraw from its work plan);<sup>5</sup> and
  - (b) conducting the required post-implementations reviews of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.
11. Therefore, any additional research and standard-setting projects will not be added to the active work plan—instead, those projects will be added to the research pipeline, to be started before the next (fourth) agenda consultation.
12. The research pipeline currently comprises four research projects that the IASB intended to start (or to continue working on) but are currently inactive because of the need to devote resources to other projects.<sup>6</sup> However, in the Request for Information, the IASB asked for feedback on whether those projects are still a priority. Therefore, those projects were included in the staff analysis discussed at the March 2022 IASB meeting. Only one of those projects—pollutant pricing mechanisms—is included in the list of shortlisted projects. Whether that project remains on the research pipeline depends on the IASB’s decisions at this meeting about the shortlisted projects. Any research pipeline projects that are no longer considered to be a priority, when compared with other potential projects, will be removed from the research pipeline. Hence, for the purposes of this paper, we have treated the research pipeline as if it were empty.
13. We estimate that in the period from 2022 to 2026, the IASB will be able to add to its work plan:

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<sup>5</sup> See [IASB Update February 2022](#).

<sup>6</sup> See [Pipeline projects](#) webpage for more information.

- (a) 2 large projects; or
  - (b) 3–4 medium-sized projects; or
  - (c) 4–5 small projects.<sup>7</sup>
14. These capacity indicators were estimated after setting aside time for continuing work on projects on the current work plan and the required post-implementation reviews (as discussed in paragraph 10), and for any time-sensitive projects that may arise after this agenda consultation.
15. We acknowledge that there is uncertainty about the accuracy of these estimates. That uncertainty arises because:
- (a) anticipated and actual project timelines may differ;
  - (b) estimated and actual numbers and nature of time-sensitive projects may differ;
  - (c) the implications of connectivity between the IASB and the International Sustainability Standards Board (ISSB) on the IASB’s and stakeholders’ capacity are evolving; and
  - (d) the number and nature of follow-on projects from ongoing and upcoming post-implementation reviews on the IASB’s and stakeholders’ capacity are unknown.
16. To help the IASB respond to this uncertainty, we are recommending that the IASB create a reserve list of potential projects. The reserve list would include a small number of projects that could be added to the work plan if, and only if, additional capacity becomes available. We also think that creating a reserve list of potential projects will help the IASB’s stakeholders better plan their activities—for example, by helping them to identify research topics.
17. The remainder of this paper assumes that the IASB agrees to creating a reserve list of projects.

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<sup>7</sup> See paragraph 22 of [Agenda Paper 24C Strategic direction and balance of the IASB’s activities from 2022 to 2026](#) for the February 2022 IASB meeting.

***Further staff analysis of the shortlisted potential projects***

18. As noted in paragraph 7(b) of this paper, we have undertaken further analysis of the shortlisted potential projects. That further analysis builds on (but does not repeat) the staff analysis of those shortlisted potential projects presented at the March 2022 IASB meeting, taking into account:
- (a) the IASB’s comments on that analysis at the March 2022 IASB meeting;
  - (b) further consideration of aspects of the analysis that we indicated was incomplete;
  - (c) project interactions, including interactions with the work of the ISSB;
  - (d) the relative priorities of the shortlisted potential projects; and
  - (e) the overall capacity constraints discussed in paragraphs 8–17.
19. Hence, the further analysis of the shortlisted potential projects in this paper should be read in conjunction with the analysis presented at the March 2022 IASB meeting. That further analysis is set out in paragraphs 21–80, comprising:
- (a) a proposed maintenance and consistent application project on climate-related risks (paragraphs 21–29);
  - (b) two proposed research pipeline projects:
    - (i) intangible assets (paragraphs 34–41); and
    - (ii) statement of cash flows and related matters (paragraphs 42–47);
  - (c) two proposed reserve list projects:
    - (i) operating segments (paragraphs 51–55); and
    - (ii) pollutant pricing mechanisms (paragraphs 56–63); and
  - (d) two other shortlisted potential projects, which we do not propose adding to the work plan:
    - (i) cryptocurrencies and related transactions (paragraphs 67–73); and
    - (ii) going concern disclosures (paragraphs 74–79).

20. Staff recommendations and a question for the IASB are set out in paragraphs 80–82. As indicated in that question, we intend to ask the IASB at this meeting whether it agrees with the package of staff recommendations presented in this paper, rather than asking for decisions about each project individually. The staff recommendations were developed as a package because of the need to consider linkages between projects and overall capacity constraints (paragraph 18(c)–18(e)). Therefore, if the IASB disagrees with any parts of the package, we would need to reconsider the whole package and bring an alternative proposal to a future meeting.

### **Proposed maintenance and consistent application project on climate-related risks**

21. The staff analysis of this potential project was presented in paragraphs 9–28 of [Agenda Paper 24B \*Potential projects—Proposed short listed projects for the March 2022 IASB meeting\*](#).
22. As noted in paragraph 11 of that paper, feedback from respondents indicates that there are deficiencies in reporting about climate-related risks relating to:
- (a) inconsistent application of requirements in Accounting Standards; and
  - (b) insufficient information disclosed about climate-related risks.
23. However, as noted in paragraph 28 of that paper, there are questions about the underlying causes of the financial reporting deficiencies identified by respondents and how best to address them. Having considered this point further, we think that those underlying causes could include, for example:
- (a) the requirements in Accounting Standards might not be sufficiently clear about whether and how the effects of such risks should be considered when preparing an entity’s financial statements—even when considered in conjunction with the educational material [Effects of climate-related risks on financial statements](#) published in November 2020.
  - (b) the requirements in Accounting Standards might be sufficiently clear, but some entities might not be considering (or not adequately considering) the effects of climate-related risks when applying those requirements.

- (c) some entities might have considered the effects of climate-related risks when preparing their financial statements, but the information disclosed in those financial statements might be either:
    - (i) insufficient for users to understand what those effects are or how they have been reflected in the financial statements; or
    - (ii) inconsistent with (or appears to be inconsistent with) other information provided elsewhere in the entity’s annual report (or in other reports, such as in sustainability reports) about climate-related risks.
  - (d) in some cases, users might have information needs about climate-related risks that go beyond the information typically provided in financial statements. Some user information needs might be served by information provided in management commentary or sustainability reports.
24. Given that the underlying causes of any deficiencies in reporting are unclear, it is also unclear whether and what actions might be needed, without further investigation. For example:
- (a) while the Request for Information discussed two possible amendments to Accounting Standards, it is unclear whether those possible amendments are necessary or would be the best way of addressing matters raised by respondents about climate-related risks.<sup>8</sup>
  - (b) given that the educational material on climate-related risks was issued relatively recently, in November 2020, it may be too soon to assess whether that educational material is sufficient to address any application issues relating to climate-related risks.
  - (c) the ISSB’s work on climate-related disclosures (and sustainability-related financial information more broadly) could provide the IASB with helpful insights about potential improvements to the information provided in the financial statements about climate-related risks.

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<sup>8</sup> Paragraph B11 of the [Request for Information Third Agenda Consultation](#) discussed possible amendments to IAS 1 *Presentation of Financial Statements* and IAS 36 *Impairment of Assets*.

25. Although it is presently unclear whether and what actions might be needed, in the staff view, any such actions should not include developing an Accounting Standard on climate-related risks or extensive application guidance on how to take into account the effects of such risks when applying Accounting Standards. Doing so would risk undermining the IASB’s approach to developing principles-based Accounting Standards. Also, if the IASB were to change its approach, it is unclear why the IASB would limit its work to developing an Accounting Standard or application guidance on climate-related risks. Arguably, it should also develop similar Accounting Standards or application guidance on the wide range of other risks that entities face, such as technological change and geo-political conflicts.
26. Therefore, we think that if the IASB adds a project on climate-related risks to its work plan, that project should be a maintenance and consistent application project that would aim to:
- (a) investigate further the matters raised by respondents and the underlying causes of those matters (discussed in paragraphs 22–23); and
  - (b) consider whether any (and if so, what) narrow-scope actions might be needed.
27. In our view, adding this project to the IASB’s work plan would recognise the importance of this topic to users (and other respondents) while also reflecting the most appropriate way of responding to matters raised by respondents.
28. In addition, given the importance of connectivity between the requirements in Accounting Standards and the requirements developed by the ISSB on climate-related financial information, the IASB would need to coordinate any work on this topic with the ISSB. That would include consistent terminology and compatible requirements.
29. It should be noted that a maintenance and consistent application project on climate-related risks would be undertaken as part of the IASB’s work on the maintenance and consistent application of Accounting Standards. Hence, such a project is not expected to affect the resources available for any additional research and standard-setting projects, which would be undertaken as part of the IASB’s work on developing new Accounting Standards and major amendments to Accounting Standards.

## Proposed research pipeline projects

30. This section discusses two shortlisted projects that we are recommending adding to the research pipeline:
- (a) intangible assets (paragraphs 34–41); and
  - (b) statement of cash flows and related matters (paragraphs 42–47).
31. We are recommending adding these two projects to the research pipeline because, in our view, these potential projects are of higher priority than other shortlisted potential projects, based on the feedback from respondents and the staff analysis presented in March 2022.
32. Both of these potential projects would be large projects. Hence, if added to the research pipeline, these projects would likely consume the estimated available capacity for additional research and standard-setting projects during the period from 2022 to 2026 (see paragraph 13).
33. However, as discussed in paragraph 16, we are recommending the IASB creates a reserve list of projects that could be added to the work plan if, and only if, additional capacity becomes available. Proposed reserve list projects are discussed in paragraphs 48–63.

## *Intangible assets*

34. The staff analysis of this potential project was presented in paragraphs 65–90 of [Agenda Paper 24B Potential projects—Proposed short-listed projects](#) for the March 2022 IASB meeting.
35. As noted in paragraph 89 of that paper, if the IASB were to undertake a project on intangible assets, we think that any such project should aim to comprehensively review IAS 38. Although developing enhanced disclosure requirements (such as disclosures about unrecognised intangible assets) would help to address user information needs, feedback indicates that other aspects of IAS 38 also should be reviewed. For example, respondents said that IAS 38 is an old Accounting Standard in need of modernising to reflect the increasing importance of intangible assets in today’s business models.

36. Furthermore, it should be noted that although this paper refers to a project on intangible *assets* (consistent with the Request for Information and the title of IAS 38), one key issue to consider in such a project is whether it should be limited to accounting for and disclosing information about financial statement elements—intangible *assets* and *expenses* arising from expenditure on intangible items—or whether the project should aim to address intangible *items* more broadly.
37. We acknowledge that a comprehensive review of IAS 38 would be a complex and time-consuming project for the IASB and its stakeholders. To make such a large project more manageable and allow more timely progress, we think that the project should be undertaken in stages. For example, those stages could comprise:
- (a) the development of enhanced disclosure requirements, including disclosures about unrecognised intangible assets.
  - (b) a review of the scope of IAS 38 to consider whether some recognised intangible assets (such as intangible assets held for investment purposes) should remain within IAS 38 or move to another Accounting Standard.
  - (c) a review of the definition of an intangible asset and recognition criteria in IAS 38, including considering the following related issues:
    - (i) the definition of an asset in IAS 38, which is not aligned with the asset definition in the revised *Conceptual Framework for Financial Reporting (Conceptual Framework)*;
    - (ii) the recognition criteria for internally generated assets;
    - (iii) comparability between companies that grow organically and those that grow through acquisitions; and
    - (iv) specific practice issues, such as those considered by the IFRS Interpretations Committee on software as a service (SaaS) arrangements.
  - (d) a review of the measurement requirements for intangible assets within the scope of IAS 38, including the criteria for when the revaluation model is permitted.

38. Developing disclosure requirements as the first stage of a larger project on intangible assets would:
- (a) respond to the greatest need identified by users—while not all users agree with changes to the recognition and measurement requirements of IAS 38, they do agree on the need for improved disclosures in the notes to the financial statements;
  - (b) enable some progress in the medium term—reviewing other aspects of IAS 38 (such as the recognition criteria) is likely to be time-consuming; and
  - (c) help provide insights into recognition and measurement issues.
39. However, the project stages could be scoped differently or carried out in a different order. For example, instead of considering disclosure requirements first, the project could start with reviewing the definition of an intangible asset and recognition criteria in IAS 38 because:
- (a) doing so could help to address practice issues with IAS 38 sooner than otherwise would occur;
  - (b) it may be inefficient (and more costly for preparers) to develop and implement revised disclosure requirements first, because any such requirements would likely need to be reviewed again, if and when changes are made to recognition and measurement requirements; and
  - (c) considering disclosure requirements later may assist with managing interactions with the ISSB’s work on related topics (discussed further in paragraph 41)—those interactions primarily relate to the disclosure of sustainability-related financial information rather than to the recognition or measurement of intangible assets in the financial statements.
40. It is not necessary for the IASB to decide, as part of its deliberations on the Third Agenda Consultation, how a project on intangible assets should be divided into stages or how those stages should be ordered. Instead, these matters could be considered as part of the project planning when the research project commences.
41. Also, further to paragraph 36 and paragraph 39(c), the interaction between the IASB’s project and the work of the ISSB on related topics would need to be considered as part

of that project planning, especially in relation to the disclosure of sustainability-related financial information. The ISSB's work covers information that gives insight into sustainability-related risks and opportunities that affect enterprise value, providing a sufficient basis for users of general purpose financial reporting to assess the resources and relationships on which an entity's business model and strategy for sustaining and developing that model depend. An example is information about how the composition of an entity's work force contributes to enterprise value. Therefore, the ISSB's work is likely to overlap with the disclosure of information in the financial statements about intangible assets (or intangible items) that support the sustainability of the entity's business.

### ***Statement of cash flows and related matters***

42. The staff analysis of this potential project was presented in paragraphs 127–140 of [Agenda Paper 24B \*Potential projects—Proposed short-listed projects\*](#) for the March 2022 IASB meeting.
43. As noted in paragraph 140 of that paper, we think that if added to the work plan, the project should initially include all issues raised by respondents that are related to the statement of cash flows, given the range and extent of those issues, combined with the importance of this topic to users. Those issues include both presentation issues (such as the classification of cash flows into operating, investing and financing activities) and other issues (such as improved disclosures about non-cash financing). Also, the project could include some issues relating to the statement of cash flows that arose in the Primary Financial Statements project but were outside the scope of that project.
44. In the research phase of a project on the statement of cash flows and related matters, the IASB could consider the issues outlined in paragraph 43 further, to determine whether all such issues should remain within the project's scope and the feasibility of potential solutions to those issues.
45. Determining the scope of a project on the statement of cash flows and related matters is linked to what the project aims to achieve. Respondents to the Request for Information expressed mixed views on the purpose of such a project. For example, some respondents said the IASB should undertake a comprehensive review of IAS 7.

Some other respondents were in favour of a more targeted approach, although they expressed different views on which issues should be addressed in a more targeted project.

46. In our view, the mixed feedback from respondents suggests that, if added to the work plan, a key issue to consider in such a project is whether to retain or modify the objective of IAS 7, as that could help to determine whether a comprehensive review of the Accounting Standard is needed or a more targeted approach. IAS 7 states that its objective is to require the provision of information about the historical changes in cash and cash equivalents of an entity.<sup>9</sup> However, some of the issues raised by respondents—such as improving disclosures about non-cash financing and other non-cash movements—raise questions about whether that objective should be revisited.
47. In our view, it is not necessary for the IASB to decide, as part of its deliberations in the Third Agenda Consultation, what the purpose and scope of a research project on the statement of cash flows and related matters should be. The staff comments in paragraphs 43–46 are intended to provide an indication of some of the key issues to be addressed at the start of any such project.

### **Proposed reserve list projects**

48. As discussed in paragraph 16, we are recommending the IASB create a reserve list of projects that could be added to the work plan if, and only if, additional capacity becomes available.
49. This section discusses two shortlisted projects that we are recommending putting on the reserve list:
  - (a) operating segments (paragraphs 51–55); and
  - (b) pollutant pricing mechanisms (paragraphs 56–63).
50. As indicated in the discussion in this section, we think that if added to the work plan, both projects would need a research phase, in which the IASB would gather further

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<sup>9</sup> See the second paragraph in the Objective section of IAS 7.

evidence about the problems to be solved and assess feasible solutions, before considering whether to start a standard-setting project.

### **Operating segments**

51. The staff analysis of this potential project was presented in paragraphs 91–108 of [Agenda Paper 24B \*Potential projects—Proposed short-listed projects\*](#) for the March 2022 IASB meeting.
52. We think that if added to the work plan, such a project should not reconsider whether to use the management approach to determine an entity’s operating segments. As discussed in paragraph 101 of Agenda Paper 24B for the March 2022 IASB meeting, there does not seem to be a clear case for considering such a fundamental change to IFRS 8 *Operating Segments*. Instead, we think that the objective of a project on operating segments should be to conduct research into:
  - (a) the underlying causes of users’ concerns about the granularity of segment information that entities provide; and
  - (b) the feasibility (including costs to preparers) of potential solutions that could be implemented without reconsidering the use of the management approach to determine an entity’s operating segments.
53. As discussed in paragraphs 103–104 of Agenda Paper 24B for the March 2022 IASB meeting, a research project on operating segments could include analysing the similarities and differences between the matters raised by respondents and the matters the IASB considered previously, and the benefits and costs of improvements to IFRS 8 to address those matters.
54. As is the case with all research projects, at the conclusion of that research, the IASB would consider the research findings before deciding on next steps in the project, including whether to move the project to standard-setting.
55. We acknowledge that such a project could be challenging. However, given feedback from users about the importance of segment information and their concerns about the information currently provided, we think that a research project on segment reporting should be added to the reserve list.

**Pollutant pricing mechanisms**

56. The staff analysis of this potential project was presented in paragraphs 109–126 of [Agenda Paper 24B \*Potential projects—Proposed short-listed projects\*](#) for the March 2022 IASB meeting.
57. Taking into account the IASB’s comments on that analysis, we have considered further several aspects of that analysis:
- (a) the complexity and feasibility of this potential project, including the previous work of the IASB and the IFRS Interpretations Committee on this topic (paragraphs 58–60);
  - (b) interactions with the ISSB (paragraph 61); and
  - (c) project scope (paragraphs 62–63).
58. As noted in paragraph 120 of Agenda Paper 24B for the March 2022 IASB meeting, the IFRS Interpretations Committee issued IFRIC 3 *Emission Rights* in 2004, which focused on cap-and-trade schemes, such as the EU Emissions Trading Scheme. However, IFRIC 3 was withdrawn in 2005 because many stakeholders did not think that the accounting mismatches that it created, both in recognition and measurement bases, were appropriate.
59. We understand that, in practice, few entities apply the approach set out in IFRIC 3. Instead, entities have developed a range of different approaches. For example, we are aware of at least two other approaches that are applied in practice. Hence, as indicated in feedback from respondents, the lack of specific requirements on pollutant pricing mechanisms has resulted in diversity in practice, which impairs comparability. Those effects are increasing, with more entities now subject to pollutant pricing mechanisms and seeking to become carbon neutral, as discussed in paragraphs 113–114 of Agenda Paper 24B for the March 2022 IASB meeting.
60. We acknowledge that developing specific requirements for pollutant pricing mechanisms would be complex, as illustrated by the IASB’s previous research on emission trading schemes after the withdrawal of IFRIC 3. However, that project was suspended to allow the IASB to focus on higher priority projects and complete its revision of the *Conceptual Framework*—not because it was thought that feasible

solutions could not be found. Furthermore, we think that developments since that earlier work was undertaken would assist with a project on pollutant pricing mechanisms. In particular, we think that such a project would benefit from both the concepts in the revised *Conceptual Framework* (such as the revised liability definition) and work undertaken in the Rate Regulated Activities project. Also, guidance developed by standard-setters could inform the IASB’s work.

61. As noted in paragraph 118 of Agenda Paper 24B for the March 2022 IASB meeting, a project on pollutant pricing mechanisms would likely have some interactions with the work of the ISSB. However, those interactions would largely relate to disclosures about pollutant pricing mechanisms (for example, information about the scheme applicable to the entity may be relevant in explaining an entity’s climate-related risks). We expect that a substantial amount of the IASB’s work on pollutant pricing mechanisms (if added to the work plan) would be focused on developing recognition and measurement requirements for such mechanisms. That work could proceed, irrespective of any interactions with the work of the ISSB.
62. If added to the work plan, the IASB would need to consider whether to address:
  - (a) all types of pollutant pricing mechanisms, or only some, such as emission trading schemes; and
  - (b) accounting by traders and scheme administrators, or limit the project to entities that are required to (or choose to) participate in such schemes.
63. In our view, these scoping issues should be considered in the research phase of the project.

**Other shortlisted potential projects**

64. This section discusses two other shortlisted potential projects, which we think should not be added to the work plan (or to the research pipeline or reserve list):
  - (a) cryptocurrencies and related transactions (paragraphs 67–73); and
  - (b) going concern disclosures (paragraphs 74–79).

65. As discussed in this section, the staff reached this view after considering these potential projects in the context of overall capacity constraints and other potential projects that we think are of higher priority.
66. It should be noted that a decision now not to add these two potential projects to the work plan would not preclude the IASB from reconsidering either topic in the future if circumstances change and these projects become a higher priority. As part of its ongoing activities, the IASB monitors financial reporting developments and practice. Also, some of the IASB's available resources for research and standard-setting activities are set aside for any time-sensitive projects that may arise after this agenda consultation (as noted in paragraph 14). Consequently, if for example, the prevalence of cryptocurrencies substantially increases in the future, a project on cryptocurrencies could become a higher priority. In such circumstances, the IASB could consider whether to undertake any action on this topic, in advance of considering cryptocurrencies as part of the proposed research project on intangible assets (as discussed in paragraphs 70 and 73).

### ***Cryptocurrencies and related transactions***

67. The staff analysis of this potential project was presented in paragraphs 29–44 of [Agenda Paper 24B Potential projects—Proposed short-listed projects](#) for the March 2022 IASB meeting.
68. As noted in paragraph 44 of that paper, while respondents highlighted the increasing prevalence of cryptocurrencies and related transactions, the analysis raises questions about whether such transactions have a pervasive effect on the financial statements of many entities at present. Questions also arise about the scope of a potential project on cryptocurrencies and related transactions. We have considered these matters further.
69. In our view, if added to the work plan, the project should not aim to comprehensively consider the accounting for different types of crypto-assets and liabilities, as suggested by some respondents.<sup>10</sup> In addition to questions about prevalence and pervasiveness, the analysis presented at the March 2022 IASB meeting indicates that

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<sup>10</sup> See paragraph 14 of [Agenda Paper 24E Potential projects—Feedback summary for proposed short-listed projects](#) for the March 2022 IASB meeting.

such a project would be complex and may be premature, given such crypto-assets and liabilities are part of a new and rapidly evolving ecosystem. Hence, in our view, any project on this topic should focus on holdings of cryptocurrencies, not other types of crypto-assets or liabilities.

70. Feedback from respondents indicates that any deficiencies in the reporting of holdings of cryptocurrencies primarily relate to such holdings to which IAS 38 applies.<sup>11</sup> As discussed in paragraphs 30–41, we are recommending adding a project on intangible assets to the research pipeline, which would aim to comprehensively review IAS 38. One of the key issues raised by respondents about a potential project on intangible assets is whether the scope of IAS 38 captures some types of assets that may be better addressed within the scope of another Accounting Standard. Cryptocurrencies are often cited as an example of such assets. In our view, whether cryptocurrencies should remain within the scope of IAS 38 should be considered in the proposed research project on intangible assets. That would enable the IASB to consider the scope of IAS 38 in a more holistic way, rather than on an asset-by-asset basis.
71. We acknowledge that the proposed research project on intangible assets would be a complex and time-consuming project, which would not start immediately and would take some time to complete. We therefore considered whether the IASB should, as an interim step, add to its work plan a narrowly scoped project to develop enhanced disclosures about cryptocurrencies within the scope of IAS 38, to provide better information to users about these assets. Issues to consider in such a project would likely include:
- (a) whether those disclosures should be limited to information about the fair value of cryptocurrencies accounted for by applying the cost model in IAS 38 or should also include other types of information; and
  - (b) whether any fair value information should be limited to cryptocurrencies traded in an active market, because of measurement uncertainties and costs to preparers associated with estimating the fair value of cryptocurrencies that are not traded in an active market.

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<sup>11</sup> See paragraph 31 of [Agenda Paper 24B Potential projects—Proposed short-listed projects](#) for the March 2022 IASB meeting.

72. We think that there is merit in a narrowly scoped disclosure project on cryptocurrencies within the scope of IAS 38, when such a project is considered on a standalone basis. However, when we considered such a project in the context of capacity constraints and other potential projects that we think are of higher priority, in our view the IASB should not add a project on cryptocurrencies to its work plan.
73. Instead, as noted in paragraph 70, we think that the requirements applying to cryptocurrencies within the scope of IAS 38 should be considered as part of the proposed project on intangible assets.

### ***Going concern disclosures***

74. The staff analysis of this potential project was presented in paragraphs 45–64 of [Agenda Paper 24B \*Potential projects—Proposed short-listed projects\*](#) for the March 2022 meeting.
75. As noted in paragraph 63 of that paper, we think that a project on going concern disclosures, if added to the work plan, could be narrowly scoped to focus on clarifying existing disclosure requirements.
76. More specifically, we think that any such project could consider:
- (a) incorporating into IAS 1 *Presentation of Financial Statements* the 2010 and 2014 Agenda Decisions of the IFRS Interpretations Committee about going concern disclosures, which would aid the understandability and accessibility of the requirements of IFRS Accounting Standards on this topic; and
  - (b) adding more specificity to the requirement in paragraph 25 of IAS 1 to disclose material uncertainties, when an entity prepares its financial statements on a going concern basis but is aware of material uncertainties related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. That added specificity could be based on specific disclosure requirements already developed by a national standard-setter on this matter.
77. However, we acknowledge that it may be challenging to keep a project on going concern disclosures narrowly scoped. For example, in relation to disclosures about

material uncertainties (paragraph 76(b)), we think that any such project should not include developing guidance on *when* those disclosures are required. As noted in paragraph 59 of Agenda Paper 24B for the March 2022 IASB meeting, the IASB has previously considered staff proposals to clarify when disclosures about going concern were required but decided not to proceed with developing those proposals. We think that a more narrowly scoped project, as outlined in paragraph 76, would be more feasible.

78. We think that there is merit in a narrowly scoped project on going concern disclosures, when such a project is considered on a standalone basis. However, when we considered such a project in the context of capacity constraints and other potential projects that we think are of higher priority, in our view the IASB should not add a project on going concern disclosures to its work plan.
79. However, it should be noted that other current and potential projects could result in providing users with better information to assess an entity's ability to continue as a going concern, such as projects that are expected to provide better information about the entity's liquidity and solvency. For example, if the proposed project on the statement of cash flows and related matters is added to the work plan, that project could result in better information about the entity's cash flows and debt.

### **Staff recommendations and question for the IASB**

80. This section sets out a package of staff recommendations and a question for the IASB on projects to add to the work plan, based on the discussion in this paper and the staff analysis presented in Agenda Paper 24B from the March 2022 IASB meeting.
81. As noted in paragraph 20 of this paper, if the IASB disagrees with any part of the package of staff recommendations, we may need to revisit all parts of the package and bring back a revised package to a future IASB meeting.
82. We recommend that the IASB:
  - (a) add to its work plan a maintenance and consistent application project on climate-related risks, which would aim to:

- (i) investigate further the matters raised by respondents and the underlying causes of those matters; and
- (ii) consider whether any (and if so, what) narrow-scope actions might be needed.
- (b) add to the research pipeline a project on intangible assets, which would aim to comprehensively review IAS 38.
- (c) add to the research pipeline a project on the statement of cash flows and related matters. We also recommend that the IASB consider, as part of its initial work on such a project:
  - (i) whether the project should aim to comprehensively review IAS 7 or make more targeted improvements; and
  - (ii) whether to retain or exclude from the project’s scope any of the matters raised by respondents related to the statement of cash flows.
- (d) create a reserve list of projects that could be added to the work plan if, and only if, additional capacity becomes available.
- (e) add to the reserve list a project on operating segments. We also recommend that if the IASB subsequently decides to add such a project to its work plan, such a project should aim to research:
  - (i) the underlying causes of users’ concerns about the granularity of segment information; and
  - (ii) the feasibility of potential solutions that could be implemented without reconsidering the use of the management approach to determine an entity’s operating segments.
- (f) add to the reserve list a project on pollutant pricing mechanisms. We also recommend that if the IASB subsequently decides to add such a project to its work plan, such a project should aim to develop specific requirements for pollutant pricing mechanisms. However, at the start of such a project, the IASB would consider whether the project should aim to address:

- (i) all types of pollutant pricing mechanisms, or only some, such as emission trading schemes; and
  - (ii) accounting by traders and scheme administrators, in addition to scheme participants.
- (g) not add to its work plan projects on:
- (i) cryptocurrencies and related transactions; or
  - (ii) going concern disclosures.

**Question for the IASB**

Does the IASB agree with the staff recommendations in paragraph 82?