

IASB® meeting

Project	Third Agenda Consultation		
Paper topic	Cross-cutting themes—capacity implications		
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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.

Objective

1. Based on responses to the IASB's Request for Information [Third Agenda Consultation](#) (Request for Information) and other feedback, we have identified three cross-cutting themes that may affect available capacity and hence the IASB's decisions about:
 - (a) the strategic direction and balance of the IASB's activities from 2022 to 2026 (Agenda Paper 24C for this meeting):
 - (i) new Accounting Standards and major amendments to Accounting Standards;
 - (ii) maintenance and consistent application of Accounting Standards;
 - (iii) the *IFRS for SMEs* Standard;
 - (iv) digital financial reporting;
 - (v) understandability and accessibility of Accounting Standards; and
 - (vi) stakeholder engagement; and
 - (b) financial reporting issues to be added to the IASB's work plan (potential projects)—to be discussed in March and April 2022.

2. These cross-cutting themes are:
 - (a) connectivity between the IASB and the International Sustainability Standards Board (ISSB);
 - (b) suggestions that the IASB should partner further with national standard-setters and other regional bodies (NSS); and
 - (c) the priority of matters identified in post-implementation reviews, as discussed in the January 2022 IASB meeting ([Agenda Paper 8A](#) for that meeting).

Summary of staff analysis

Connectivity

3. We think that coordination and resources will be needed to support connectivity with the ISSB, but we do not expect it to dominate the activities of the IASB and its staff.
4. Capacity implications of connectivity between the IASB and the ISSB are uncertain, so we need to make our best estimate of the implications and retain flexibility to deal with this uncertainty (paragraph 24 of Agenda Paper 24C for this meeting).
5. We expect connectivity to have capacity implications for the IASB's work on:
 - (a) some new Accounting Standards and major amendments to Accounting Standards (paragraphs 27–31);
 - (b) digital financial reporting (paragraphs 32–34);
 - (c) understandability and accessibility of Accounting Standards (paragraphs 35–37); and
 - (d) stakeholder engagement (paragraph 38–40).
6. We do not expect that connectivity with the ISSB will have implications for the IASB's work on:
 - (a) maintenance and consistent application of Accounting Standards (paragraphs 41–43); or
 - (b) the *IFRS for SMEs* Standard (paragraphs 44–45).

Partnering further with NSS

7. The IASB has a mutually beneficial partnering relationship with NSS that supports all six of the IASB's main activities (paragraph 1(a)). In response to the offer to provide further assistance, we look forward to continuing to deepen and broaden this relationship. Specific to new Accounting Standards and major amendments to Accounting Standards, the staff think that further partnering with NSS may be best focused on:
- (a) continuing to support the quality of the IASB's work, for example, through feedback and outreach; and
 - (b) expediting the IASB's standard-setting, for example, during the research phase of a project. We do not think these resources would enable the IASB to increase the number of projects that could be added to its work plan for 2022 to 2026, for the reasons discussed in paragraphs 48–51. However, in the longer term, this support could allow for faster completion of projects, allowing for more projects to be added to the IASB's work plan as part of future agenda consultations, if stakeholders' capacity allows.

Priority of matters identified in post-implementation reviews

8. At its January 2022 meeting, the IASB discussed the approach to prioritising matters identified in post-implementation reviews (PIRs). The IASB's decision at that meeting could result in the IASB prioritising and responding to more follow-on projects from PIRs than originally estimated in the Request for Information. This could:
- (a) decrease the capacity available for projects that could be added to the IASB's work plan for 2022 to 2026, assuming no change in the IASB's current focus on new Accounting Standards and major amendments to Accounting Standards; and
 - (b) decrease capacity available for maintenance and consistent application work, assuming no change in the IASB's current level of focus on that activity.

9. However, similar to connectivity, the capacity implications of follow-on projects from PIRs are uncertain, so we need to make our best estimate of the implications and retain flexibility to deal with this uncertainty (paragraph 24 of Agenda Paper 24C for this meeting).

Structure of the paper

10. This paper includes analysis of capacity implications of:
- (a) connectivity between the IASB and the ISSB (paragraphs 11–46);
 - (b) partnering further with NSS (paragraphs 47–51);
 - (c) priority of matters identified in the post-implementation reviews (paragraphs 52–56); and
 - (d) question for the IASB.

Connectivity between the IASB and the ISSB

Background

11. The IASB’s Request for Information was published in March 2021. On 3 November 2021, the IFRS Foundation Trustees (Trustees) announced their intention to create a new standard-setting board—the ISSB. In the Request for Information, we acknowledged that the IASB would need to consider the implications of the creation of any new board when finalising the IASB’s activities and work plan for 2022 to 2026. However, the timing of this announcement meant that the Request for Information did not further reflect any implications of the creation of the ISSB on the IASB’s work.
12. There is still uncertainty about the extent to which connectivity between the IASB and the ISSB will affect the boards’ work. It is likely that this uncertainty will continue as the work of the ISSB and IASB evolves. However, we do not think that this should prevent the IASB from making decisions about its priorities for 2022 to 2026.

13. To help the IASB make decisions, this paper analyses possible areas of connectivity between the work of the IASB and the ISSB and assesses likely effects on the IASB's capacity.

Feedback from respondents to the Request for Information

14. Many respondents commented on potential connectivity between the IASB and the ISSB and suggested that connectivity with the ISSB will be an overarching theme for the IASB in the coming years. Many of these respondents acknowledged that the IASB will need to set aside capacity to support that connectivity. However, these respondents also said connectivity should not be allowed to affect the IASB's ongoing work on improvements to Accounting Standards nor should it reduce the resources available to the IASB to make timely progress on its work plan.
15. Many respondents who commented also said the IASB needs to remain focused on developing its requirements and should not undertake any activities outside its current scope.
16. [Paragraphs 75–77 of Agenda Paper 24B for the November 2021 IASB meeting](#) provide further details on the feedback received on potential connectivity between the IASB and the ISSB.

Staff analysis

What we mean by connectivity

17. Connectivity represents areas where the IASB and the ISSB would work together to support connected standard-setting and reporting. It is not intended that the IASB would support ISSB-only work (or vice versa).
18. The IFRS Foundation's *Constitution* reflects the intended connectivity between the IASB and the ISSB by:
 - (a) specifying in the Foundation's objective that the two boards' standards will be complementary (section 2 of the IFRS Foundation *Constitution*);
 - (b) requiring Trustees to assess how effectively the two boards work together (section 16 of the IFRS Foundation *Constitution*); and

- (c) requiring each board to establish procedures for working with the other to develop compatible standards that avoid inconsistencies and conflicts (sections 37 and 58 of the IFRS Foundation *Constitution*).

19. The Technical Readiness Working Group (TRWG), which the Trustees created to provide the ISSB with technical recommendations, also discussed considerations for connectivity between the IASB and the ISSB.¹

Capacity implications of connectivity

20. We agree with stakeholders' comments that the IASB will need to consider connectivity with the ISSB in the coming years. Paragraphs 27–45 analyse potential capacity implications for each of the IASB's six main activities. The purpose of this analysis is to provide our best estimate of the capacity implications of connectivity with the ISSB to inform discussions and decisions about the IASB's priorities from 2022 to 2026. The exact nature of connectivity is not important at this stage.

21. Based on our understanding of connectivity, we have concluded that it may have capacity implications for the following main activities:

- (a) new Accounting Standards and major amendments to Accounting Standards (paragraphs 27–31);
- (b) digital financial reporting (paragraphs 32–34);
- (c) understandability and accessibility of Accounting Standards (paragraphs 35–37); and
- (d) stakeholder engagement (paragraphs 38–40).

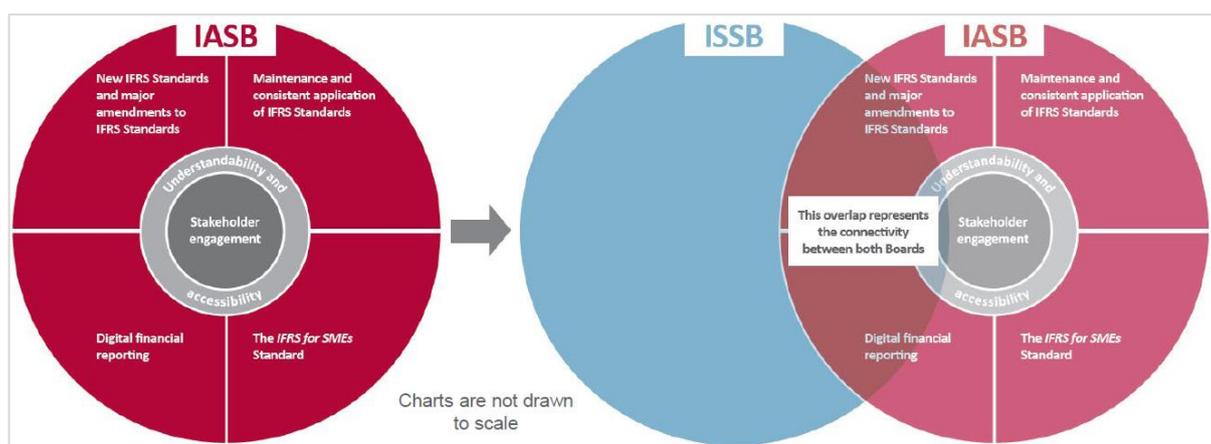
22. We do not expect that connectivity with the ISSB will have implications for the IASB's work on:

- (a) maintenance and consistent application of Accounting Standards (paragraphs 41–43); or
- (b) the *IFRS for SMEs* Standard (paragraphs 44–45).

¹ See [Summary of the TRWG's Programme of Work](#).

23. In summary, we think that some coordination and resources will be needed to support connectivity with the ISSB, but we do not expect it to dominate the activities of the IASB and its staff.
24. Capacity implications of connectivity are uncertain and are likely to evolve. Therefore, we think that the IASB should retain some flexibility to deal with increases and decreases in the resources required to support connectivity—this is discussed further in paragraph 24 of Agenda Paper 24C for this meeting.
25. The conclusions in this Agenda Paper have been considered in developing staff recommendations about whether to change the current level of focus on some of the IASB's activities (Agenda Paper 24C for this meeting).
26. Diagram 1 illustrates the IASB's main activities and possible areas of connectivity between the IASB and the ISSB—please note that the charts are not drawn to scale.

Diagram 1—An illustration of connectivity between the IASB and the ISSB



New Accounting Standards and major amendments to Accounting Standards

27. Within this activity the IASB:
 - (a) develops new Accounting Standards and major amendments to Accounting Standards through research and standard-setting projects; and
 - (b) undertakes post-implementation reviews of new Accounting Standards and major amendments of Accounting Standards.
28. We think that possible areas of connectivity may include:
 - (a) possible joint projects (paragraph 29);

- (b) possible related projects (paragraph 30); and
 - (c) process—coordination of activities and alignment of internal processes.
29. Joint projects may require joint meetings of the two boards. Such projects could include:
- (a) Management Commentary—this is a project on the IASB’s current work plan. Working together with the ISSB on this project could free up some of the IASB’s resources (that is, to the extent that ISSB technical staff join the project). However, on balance, we think that, due to additional coordination requirements, such a joint project would reduce IASB capacity.
 - (b) A project on the conceptual framework—the IASB does not have any current plans to revise the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*). Consequently, if the ISSB were to undertake a project to amend the *Conceptual Framework* jointly with the IASB, such a project would reduce the IASB’s capacity.
30. Related projects may require the two boards to work together to develop consistent and/or compatible scoping decisions, consistent terminology, and coherent and compatible requirements. We think that the development of disclosure requirements would require more coordination between the two boards than the IASB’s work on recognition and measurement of financial statement elements. Examples of potential related projects may include the following projects outlined in the Request for Information:
- (a) climate-related risks;
 - (b) going concern;
 - (c) intangible assets; and
 - (d) pollutant pricing mechanisms.
31. We think that supporting connectivity in the above areas will result in some less capacity for new Accounting Standards and major amendments to Accounting Standards, assuming no change in the IASB’s current level of focus on this activity. Said differently, we think connectivity may affect capacity to take on new projects or may result in projects taking more time to complete (or both).

Digital financial reporting

32. Within this activity, the IASB facilitates the digital consumption of financial information by developing and maintaining the IFRS Accounting Taxonomy.
33. We think that possible areas of connectivity may include:
 - (a) developing consistent and coherent concepts across the IFRS Accounting Taxonomy and the to-be-developed IFRS Sustainability Disclosure Taxonomy.
 - (b) developing technological connectivity, so companies can seamlessly use both taxonomies.
 - (c) engaging with the digital reporting ecosystem to facilitate consumption of digital reports.
34. We think that supporting connectivity in the above areas will result in slightly less capacity for the IASB’s work on digital financial reporting, assuming no change in the IASB’s current level of focus on this activity.

Understandability and accessibility of Accounting Standards

35. In undertaking its activities, the IASB strives to make its requirements understandable and to make Accounting Standards and related materials accessible.
36. We think that possible areas of connectivity between the IASB and the ISSB might include:
 - (a) drafting-related matters—respondents to the Request for Information said Accounting Standards and Sustainability Disclosure Standards need to be consistent, coherent and compatible. To achieve this, we think the IASB and the ISSB will need to allocate some capacity to develop a consistent approach to drafting and terminology. In addition, capacity may be needed to ensure that IFRS Standards and educational materials produced by the two boards include appropriate cross references.
 - (b) accessibility of Accounting Standards, Sustainability Disclosure Standards and related materials—respondents to the IASB’s Request for Information told the IASB that it should explore ways of improving the accessibility and

navigability of Accounting Standards, perhaps using technology. We think that some coordination between the IASB and the ISSB will be needed to develop consistent technological tools to improve accessibility of Accounting Standards and Sustainability Disclosure Standards and potentially to ensure that any relevant connections between the two sets of IFRS Standards and related materials are apparent.

37. We think that supporting connectivity in the above areas will result in slightly less capacity for the IASB’s work on understandability and accessibility of Accounting Standards, assuming no change in the IASB’s current level of focus on this activity.

Stakeholder engagement

38. The IASB engages with stakeholders to obtain views to support the development of high-quality financial reporting requirements and promote acceptance of Accounting Standards.
39. We think that the IASB and the ISSB will need to coordinate their stakeholder engagement activities when relevant to:
- (a) identify possible synergies—for example, opportunities for joint outreach meetings with stakeholders; and
 - (b) avoid overloading stakeholders with multiple outreach meeting requests.
40. We think that supporting connectivity in the above areas will result in slightly less capacity for the IASB’s stakeholder engagement, assuming no change in the IASB’s current level of focus on this activity.

Maintenance and consistent application of Accounting Standards

41. Together with the IFRS Interpretations Committee, the IASB maintains and supports the consistent application of Accounting Standards.
42. From 2022 to 2026, we do not expect this activity to be affected by the work that the ISSB may undertake to maintain Sustainability Disclosure Standards.
43. We recognise, however, that there could be a need for connectivity between the boards when either board creates educational material to ensure, for example, the materials appropriately reflect and refer to the sister board’s Standards and/or when

materials are produced to explain interactions between the boards' respective materials. The need for such interactions is captured in our analysis of understandability and accessibility in paragraph 36.

The IFRS for SMEs Standard

44. The IASB, supported by its consultative SME Implementation Group, sets requirements for companies that do not have public accountability (SMEs).
45. Given that the ISSB has not yet begun operations, its approach to addressing requirements for smaller companies and/or SMEs is not yet known. So, for now we are assuming no connectivity in relation to the *IFRS for SMEs* Standard. We will reassess this as the ISSB's strategy evolves.

Feedback from the IFRS Advisory Council

46. At its January 2022 meeting, the IFRS Advisory Council discussed the staff analysis of possible areas of connectivity and capacity implications. Many Advisory Council members commented on the staff analysis. Of those who commented, almost all agreed with staff conclusions, while acknowledging that the implications of connectivity will remain uncertain for some time. In addition:
 - (a) a few members said the impact of connectivity should not be underestimated and there may be more capacity implications than presented by the staff;
 - (b) a few members said there may also be some synergies from connected work, for example, on climate-related risks or if the ISSB took on a leadership role on Management Commentary project; and
 - (c) a few others said it is unclear where the capacity to support connectivity with the ISSB will come from.²

² See [January 2022 IFRS Advisory Council meeting summary](#).

Partnering further with NSS

Feedback received

47. Some respondents, mainly NSS, said partnering further with NSS could help alleviate some of the IASB's capacity constraints. Some of them provided suggestions for what that partnering might involve and said the IASB should:
- (a) cooperate with NSS who have already adopted Accounting Standards to support those who are adopting Accounting Standards for the first time.
 - (b) cooperate with NSS to help them play a greater role in ensuring the consistent application of Accounting Standards. In these respondents' view, some issues are prevalent only in some jurisdictions and could be addressed effectively by NSS based on the guidance provided by the IASB.
 - (c) use the resources of the SME Implementation Group and expertise of the NSS in jurisdictions where the use of the *IFRS for SMEs* Standard is prevalent.
 - (d) use the resources of NSS to help in the development of new Accounting Standards, particularly in the research phase of a project.
 - (e) seek synergies with or outsource some activities relating to stakeholder engagement to NSS. In these respondents' view, this approach would eliminate or minimise multiple outreach meeting requests that users receive on a particular topic and would help alleviate some users' capacity constraints. They said, however, there is a risk that the IASB could lose some granular understanding of individual views passed through a group with some jurisdiction-specific leanings.

Staff analysis

48. NSS are important partners in the IASB's work to develop a single set of globally accepted Accounting Standards. The IASB already has a significant partnering relationship with NSS, including:
- (a) technical collaboration—NSS participate in IASB research and standard-setting activities through work on specific projects (for example, research on

Extractive Activities), review of draft consultation documents, comment on due process documents and joint outreach with the IASB and technical staff to better understand the effects of the IASB’s proposals on entities in their jurisdictions.

- (b) supporting consistent application—NSS help the IASB identify issues with consistent application of Accounting Standards. NSS also undertake research on the prevalence of issues submitted to the IFRS Interpretations Committee.
 - (c) NSS participation in consultative groups and advisory bodies, such as:
 - (i) the IFRS Advisory Council;
 - (ii) Accounting Standards Advisory Forum (ASAF);
 - (iii) Emerging Economies Group (EEG);
 - (iv) SME Implementation Group (SMEIG);
 - (v) Islamic Finance Consultative Group; and
 - (vi) project-specific consultative groups.
 - (d) NSS participation at the annual IASB World Standard-Setters conferences for the worldwide community of NSS;
 - (e) IASB’s participation in International Forum of Accounting Standard-Setters (IFASS);
 - (f) IASB’s participation in regional groups and networks, such as Asian-Oceanian Standard-Setters Group (AOSSG); and
 - (g) secondments of NSS staff to the IASB staff.
49. This partnering relationship currently supports all six of the IASB’s main activities (paragraph 1(a)). The staff appreciates the help offered by stakeholders from the broad IFRS community, including NSS, and looks forward to continuing to deepen and broaden this relationship.
50. Specific to new Accounting Standards and major amendments to Accounting Standards, the staff think that further partnering with NSS may be best focused on:

- (a) continuing to support the quality of the IASB’s work, for example, through feedback and outreach; and
 - (b) expediting the IASB’s standard-setting, for example, during the research phase of a project.
51. However, the staff think that the resources of NSS would not enable the IASB to increase the number of projects it could add to its work plan for 2022 to 2026. This is because:
- (a) we need to be mindful of capacity constraints, both those of NSS and of other stakeholders to engage with the IASB, provide high-quality feedback on proposals or implement changes that result from those proposals. Feedback from some stakeholders indicates they will have limited capacity during the period from 2022 to 2026 to comment on proposals and implement new requirements, particularly in light of expected new Sustainability Disclosure Standards.
 - (b) the IASB’s work plan from 2022 to 2026 will continue to be dominated by projects already underway, for which much research has already been conducted. However, in the longer term, NSS support, particularly during the research phase of a project, could allow for faster completion of projects, providing capacity for more projects to be added to the IASB’s work plan as part of future agenda consultations.

Priority of matters identified in post-implementation reviews

52. At its January 2022 meeting, the IASB discussed its approach to prioritising matters identified in post-implementation reviews (PIRs). The IASB decided that:
- (a) a matter identified in a PIR warrants further action if there is evidence that:
 - (i) the objective of the new Accounting Standard is not being met;
 - (ii) there is a significant deficiency in how information arising from application of the new Accounting Standard is meeting the needs of users of financial statements (for example, significant diversity in application); or

- (iii) the costs or challenges of applying the new Accounting Standard or auditing, enforcing or using information arising from the application of the new Accounting Standard are significantly greater than expected (for example, there are differences from the effects analysis issued with the new Accounting Standard).
 - (b) the timing of when such a matter would be actioned would be based on the characteristics of the matter—that is, the extent to which:
 - (i) the consequences of the matter are significant.
 - (ii) the matter is pervasive.
 - (iii) the matter can be addressed by the IASB or the IFRS Interpretations Committee.
 - (iv) the benefits of any action would be expected to outweigh the costs. This would include considering the extent of disruption and operational costs from change and the importance of the matter to users of financial statements.
53. The IASB also decided that, based on its characteristics, a matter arising from a PIR would be identified as high, medium or low priority:
- (a) high priority matters would be addressed as soon as possible. These matters are expected to be rare, but would involve:
 - (i) issues relating to the objective or core principle of a new Accounting Standard that mean the IASB is unable to conclude that the new Accounting Standard is working as intended; or
 - (ii) issues for which solutions are needed urgently (like, for example, urgent projects on IBOR Reform and its Effects on Financial Reporting and covid-19-related rent concessions, recently undertaken by the IASB).
 - (b) medium priority matters would be added to the IASB’s research pipeline or the IFRS Interpretations Committee’s pipeline. These matters would consist of those for which most of the characteristics in paragraph 52(b) are present to a large extent and for which the benefits are expected to exceed the costs.

- (c) low priority matters are those that the IASB would address only if they are identified as a priority in the next agenda consultation or when the Accounting Standard is next amended in some cases. These matters would consist of those for which:
 - (i) some of the characteristics in paragraph 52(b) are present to some extent; and
 - (ii) the remainder of the characteristics in paragraph 52(b) are not met or there is insufficient information to conclude whether the characteristic is present.
 - (d) ‘no action’ matters are those on which neither the IASB nor the IFRS Interpretations Committee would take further action. These matters would consist of those for which few or none of the characteristics in paragraph 52(b) are present.
54. The capacity indicators provided in the Request for Information assumed that the IASB would undertake a small number of time-sensitive follow-on projects from PIRs, if those projects are determined to be priorities—that is, only those standard-setting projects that would be categorised as ‘high priority matters’ in paragraph 53(a). The IASB’s decision means that the IASB may also undertake ‘medium priority’ projects (paragraph 53(b)).
55. This decision may therefore:
- (a) decrease the number of (non-PIR-related) projects that could be added to the IASB’s work plan for 2022 to 2026, assuming no change in the IASB’s current level of focus on new Accounting Standards and major amendments to Accounting Standards.
 - (b) decrease capacity available for maintenance and consistent application, assuming no change in the IASB’s current level focus on this activity.
56. However, similar to connectivity, the capacity implications of follow-on projects from PIRs are uncertain, so we need to make our best estimate of the implications and retain flexibility to deal with this uncertainty (paragraph 24 of Agenda Paper 24C for this meeting).

Question for the IASB

Does the IASB have any comments or questions on the analysis included in this paper?