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## Accounting Standards Advisory Forum meeting

Date **September 2022**  
Project **ASAF**  
Topic **ASAF planning and feedback from previous meetings**  
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (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<sup>®</sup> Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

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## Introduction

1. The aim of this paper is to:
  - (a) discuss the agenda topics for the December 2022 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 (IASB) have considered (or will consider) the advice given at the March 2022 and July 2022 ASAF meetings.
2. Information about the IASB'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 2022 ASAF meeting; and
  - (b) Appendix B sets out a table summarising the feedback from the March 2022 and July 2022 ASAF meetings and how the staff or the IASB 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 2022 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 March 2022 and July 2022 ASAF meetings has been (or will be) used by the staff or the IASB (Appendix B)?

## Appendix A—ASAF agenda topics

Agenda topic	Purpose of the discussion
<b>March 2022 ASAF meeting (Actual)</b>	
Non-current liabilities with covenants	Discuss feedback on the Exposure Draft <i>Non-current Liabilities with Covenants</i> published in November 2021.
Supplier finance arrangements	Discuss feedback on the Exposure Draft <i>Supplier Finance Arrangements</i> published in November 2021.
Primary Financial Statements	Seek ASAF members' advice on (a) the way forward on the project and (b) how to address some questions and concerns on the analysis of operating expenses.
Rate-regulated Activities	Provide an update on the IASB's discussions on the next steps of the project, seek any advice from ASAF members and discuss whether and how ASAF members would like to provide support during the next steps.
<b>July 2022 ASAF meeting (Actual)</b>	
Dynamic Risk Management	Seek ASAF members' views on the IASB's discussions and tentative decisions to respond to the main challenges identified during 2020 outreach. Seek ASAF members' input on whether equity should be eligible for designation in the DRM model.
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	Seek ASAF members' views on the interaction between local regulations and the proposed IFRS Accounting Standard <i>Subsidiaries without Public Accountability: Disclosures</i> .
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Seek advice from ASAF members on the next steps for the project.
Financial Instruments with Characteristics of Equity	Seek ASAF members' views on whether the IASB's tentative decisions on financial instruments with contingent settlement provisions and the effects of laws on the contractual terms would resolve practice issues or would have any unintended consequences.
Goodwill and Impairment	Seek ASAF members' advice on possible ways forward for the IASB's preliminary views related to (a) additional disclosure objectives in IFRS 3; and (b) improving disclosures about subsequent performance of business combinations and expected synergies.
Post-implementation Review of IFRS 9—Classification and Measurement	Seek ASAF members' views on whether some of the application questions raised in responses to the Request for Information <i>Post-implementation Review of IFRS 9—Classification and Measurement</i> could be suitable for submission to the IFRS Interpretations Committee. Seek input from ASAF members on the topic of ESG-linked features in the light of the IASB's discussions in April 2022 and May 2022.
Primary Financial Statements	Seek ASAF members' advice on the IASB's discussion on (a) income and expenses of limited recurrence (unusual income and expenses); and (b) analysis of operating expenses by nature in the notes when an entity reports operating expenses by function in the statement of profit or loss. Ask whether ASAF members would like to conduct targeted outreach.
Review of the <i>IFRS for SMEs Accounting Standard</i>	Provide an update about the project and the forthcoming Exposure Draft proposing amendments to the <i>IFRS for SMEs Accounting Standard</i> .

<b>September 2022 ASAF meeting (Actual)</b>	
Disclosure Initiative— Subsidiaries without Public Accountability: Disclosures	Seek advice from ASAF members on some aspects of the project, including whether to retain the requirement that the ultimate or any intermediate parent financial statements should be available for public use, the approach to addressing the proposed disclosure requirements and the structure of the Standard.
Post-implementation Review of IFRS 9— Impairment requirements	Seek advice from ASAF members on matters to be considered in the Post-implementation Review of impairment requirements in IFRS 9.
Rate-regulated Activities	Seek ASAF members' advice on recent IASB's discussions on total allowed compensation and the scope of the Accounting Standard to be issued.
Goodwill and Impairment	Presentation by the UK Endorsement Board of a research paper on a hybrid approach to subsequent measurement of goodwill.
<b>December 2022 ASAF meeting (Proposed)</b>	
Business Combinations under Common Control	Seek ASAF members' advice on staff's initial views on how to respond to feedback on selecting the measurement method(s) to apply to business combinations under common control.
Equity Method	Seek input from ASAF members to help assess the implications on IASB's tentative decisions in ASAF members' jurisdictions.
Post-implementation Review of IFRS 15	Seek advice from ASAF members on matters to be considered in the Post-implementation Review of IFRS 15.
Provisions—Targeted Improvements	Seek input from ASAF members on discount rates for provisions within the scope of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> —specifically, whether discount rates for provisions should reflect the entity's own credit risk and whether financial statements currently disclose enough information about the rates entities use to discount provisions.
Variable and contingent consideration	Presentation by EFRAG of its research project on variable and contingent consideration.

## Appendix B—Feedback from the March 2022 and July 2022 ASAF meetings

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Non-current liabilities with covenants</b> (March 2022)</p> <p>The purpose of this session was to seek ASAF members' views on the Exposure Draft <i>Non-current Liabilities with Covenants</i>, which proposed amendments to IAS 1 <i>Presentation of Financial Statements</i>.</p>		
<p>Feedback on the Exposure Draft</p>	<p>ASAF members welcomed the IASB's decision to propose amendments to IAS 1 in response to stakeholders' concerns about the outcomes of applying the amendments to IAS 1, <i>Classification of Liabilities as Current or Non-current</i>, issued in 2020.</p> <p>ASAF members suggested the IASB consider improving or clarifying some aspects of the proposals and generally disagreed with the proposal to require separate presentation of non-current liabilities with covenants in the statement of financial position for the reasons set out in the alternative view to the Exposure Draft.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 16–26 of the <a href="#">March 2022 meeting summary note</a>.</p>	<p>The staff considered ASAF members' comments together with the feedback on the Exposure Draft and presented a summary to the IASB.</p> <p>The IASB considered that feedback in reaching its conclusions on how to proceed with the project at its <a href="#">June 2022 meeting</a>.</p>
<p><b>Supplier finance arrangements</b> (March 2022)</p> <p>The objective of this session was to seek feedback from ASAF members on whether the proposed disclosures in the Exposure Draft <i>Supplier Finance Arrangements</i> would enable investors to assess the effects that supplier finance arrangements have on an entity's liabilities and cash flows.</p>		
<p>Feedback on the Exposure Draft</p>	<p>ASAF members generally support the project because of the transparency it will provide about an entity's supplier finance arrangements.</p> <p>ASAF members suggested the IASB consider refining some aspects of the proposals.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 69–78 of the <a href="#">March 2022 meeting summary note</a>.</p>	<p>The staff considered ASAF members' comments together with the feedback on the Exposure Draft and presented a summary to the IASB at its <a href="#">July 2022 meeting</a>.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Primary Financial Statements</b> (March 2022)</p> <p>The purpose of this session was (a) to seek general advice from ASAF members on the way forward on the project and (b) to seek advice from ASAF members on the proposals requiring entities that report operating expenses by function in the statement of profit or loss to disclose totals of expenses by nature in the notes.</p>		
<p><b>Project direction</b></p>	<p>ASAF members suggested:</p> <p>(a) to prioritise redeliberations on the proposals for entities with specified main business activities and the definition of unusual income and expenses; and</p> <p>(b) to perform targeted outreach on the proposals that have been redeliberated, including the proposals related to disclosure of operating expenses by nature.</p>	<p>At its May and July 2022 meetings, the IASB discussed aspects of the proposals for entities with specified main business activities and continued discussing aspects of the definition unusual income and expenses. A summary of the IASB tentative decisions are included in the <a href="#">May 2022 IASB Update</a> and the <a href="#">July 2022 IASB Update</a>.</p> <p>At the July 2022 ASAF meeting ASAF members discussed the approach to targeted outreach.</p>
<p><b>Categories and subtotals</b></p>	<p>One ASAF member suggested the IASB provide illustrative examples highlighting the relationship between the proposed approach to classifying income and expenses in the financing category of the statement of profit or loss and classification of cash flows in the statement of cash flows.</p> <p>One ASAF member suggested the IASB consider requiring entities applying IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i> to present foreign exchange differences and gain or loss on net monetary position in a separate category.</p>	<p>The IASB will consider ASAF members' comments when redeliberating the project proposals at future meetings.</p>
<p><b>Management performance measures</b></p>	<p>ASAF members' views on whether management performance measures should be presented in the statement of profit or loss or disclosed in the notes varied. One ASAF member said that determining which management performance measures as defined by the IASB would be included in the financial statements would be important to the proposals' acceptance.</p> <p>Some ASAF members suggested the IASB explore further the cost and auditability of the information resulting from the requirement to disclose the income tax effect and the effect on non-controlling interests for each reconciling item.</p>	<p><a href="#">At its May 2022 meeting</a>, the IASB tentatively decided: (a) to confirm the requirement to disclose the income tax effect and the effect on non-controlling interests of each item disclosed in the reconciliation between a management performance measure and the most directly comparable subtotal or total specified by IFRS Accounting Standards; and (b) to revise the requirement specifying how to calculate the income tax effect.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<a href="#">Disclosure of operating expenses by nature in the notes</a>	ASAF members generally agreed that the IASB should explore a partial matrix approach and commented on the costs and benefits of such an approach.	<a href="#">At its April 2022 meeting</a> , the IASB discussed the feedback from limited outreach with the IASB's consultative bodies (including ASAF) and the scope of future papers related to this topic. The topic was also discussed with ASAF members in July 2022 (see below).
<p><b>Rate-regulated Activities</b> (March 2022)</p> <p><b>The purpose of this session was to seek ASAF members' views and suggestions on (a) the IASB's plan for redeliberations of the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i>; and (b) how the IASB might approach future redeliberations about the scope of the project.</b></p>		
<a href="#">Plan for redeliberations</a>	ASAF members generally agreed with the IASB's approach to prioritise its redeliberations on the proposals relating to scope and to total allowed compensation.	At its December 2021 meeting, the IASB agreed on a <a href="#">plan for redeliberating the proposals in the Exposure Draft</a> , which ASAF members generally seconded.
<a href="#">Approach to redeliberations on the scope</a>	ASAF members commented on how the IASB should approach redeliberations on the scope, following the discussion at the February 2022 IASB meeting. Suggestions for the IASB included: <ul style="list-style-type: none"> <li>(a) to clarify that the project does not intend to align financial reporting with regulatory reporting;</li> <li>(b) to discuss scope and total allowed compensation as a package;</li> <li>(c) to analyse costs and benefits of applying the proposals to agreements, arrangements and activities that would be within the scope of IFRS 9 <i>Financial Instruments</i> and IFRS 17 <i>Insurance Contracts</i>;</li> <li>(d) to undertake further research on the relationship between the project proposals and transactions within the scope of IFRS 15 <i>Revenue from Contracts with Customers</i> and IFRIC 12 <i>Service Concession Arrangements</i>; and</li> <li>(e) to conduct more research to identify different regulatory schemes, covering jurisdictions with both developed and developing rate-regulated activities.</li> </ul>	At its May 2022 meeting, the IASB continued to redeliberate the scope of the proposals. The IASB tentatively decided: (a) to clarify that, for a regulatory asset or a regulatory liability to arise, it is necessary that differences in timing originate from, and reverse through, amounts included in the regulated rates that an entity accounts for as revenue in accordance with <a href="#">IFRS 15</a> ; and (b) not to exclude from the scope of the Standard regulatory assets or regulatory liabilities related to financial instruments within the scope of <a href="#">IFRS 9</a> . The Basis for Conclusions will explain the regulation of interest rates is typically limited to setting a cap or floor on interest rates. This type of regulation is not expected to give rise to differences in timing. <p>The IASB will continue to redeliberate the project proposals at future meetings.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Concerns on the proposals on total allowed compensation</p>	<p>ASAF members mentioned the following concerns relating to the proposals on total allowed compensation:</p> <ul style="list-style-type: none"> <li>(a) the proposed treatment on the proposed treatment of returns on assets not yet available for use; and</li> <li>(b) the application of the proposals when there is a disconnect between the regulatory capital base and an entity's own assets.</li> </ul>	<p>At its July 2022 meeting, the IASB started its redeliberations on total allowed compensation.</p> <p>The IASB tentatively decided to focus the application guidance on (a) helping entities to identify differences in timing instead of specifying the components of total allowed compensation; and (b) the most common differences in timing that could arise from various types of regulatory schemes. This tentative decision applies advice in bullet (c) in Other matters below.</p> <p>The IASB also tentatively decided that the Accounting Standard to be issued specify that when an entity has an enforceable present right to regulatory returns on an asset not yet available for use, those returns would form part of the total allowed compensation for goods or services supplied during the construction period of that asset. The Standard will provide guidance for entities to assess whether their rights to these regulatory returns are enforceable.</p> <p>The IASB will continue to redeliberate the project proposals at future meetings.</p>
<p>Other matters</p>	<p>ASAF members commented on other aspects of the project. Comments included suggestions that the IASB should:</p> <ul style="list-style-type: none"> <li>(a) consider some of the requirements in US GAAP that provide users of financial statements with useful information;</li> <li>(b) consider the details that would be required in the proposed disclosures and the proposed transition requirements;</li> <li>(c) develop an Accounting Standard that is sufficiently principles-based to accommodate differences between regulatory frameworks globally; and</li> <li>(d) do more focused outreach and testing.</li> </ul>	<p>During the second quarter of 2022, the staff has undertaken outreach to understand better the concerns raised by stakeholders on the interaction between the model and IFRIC 12. The staff plan to inform the IASB on the feedback gathered in this outreach during the third quarter of 2022.</p> <p>The IASB will consider ASAF members' comments when continuing to redeliberate the project proposals at future meetings.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Goodwill and Impairment</b> (July 2022)</p>		
<p><b>The objective of this session was to seek ASAF members’ advice on two possible alternatives to respond to stakeholders’ concerns on the IASB’s preliminary views in the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i>. The alternatives were: (a) to require an entity to disclose information for only a subset of business combinations; and (b) to exempt an entity from disclosing particular information in specific circumstances.</b></p>		
<p>Requiring information for only a subset of business combinations</p>	<p>ASAF members generally agreed that the alternative to require an entity to disclose information for only a subset of business combinations would be helpful, although this alternative, even when combined with allowing disclosure exemptions in specific circumstances, might not sufficiently address preparers’ concerns or could create complexity (for example, resulting in a dual materiality threshold).</p> <p>ASAF members had mixed views on how to identify a subset of business combinations. However, ASAF members generally agreed the identification should include consideration of both qualitative and quantitative thresholds.</p>	<p>In September 2022 the staff plan to ask the IASB to decide on whether to proceed with its preliminary views related to disclosures.</p>
<p>Disclosure exemption in specific circumstances</p>	<p>ASAF members generally agreed that a disclosure exemption would help to address concerns about commercial sensitivity, although it may be difficult to draft the disclosure exemption in a way that ensures the exemption is used in only appropriate circumstances.</p> <p>ASAF members suggested to be very specific about what is exempt from disclosure and the circumstances in which an entity can use the exemption and to provide application guidance and illustrative examples to help stakeholders understand and apply any exemption.</p> <p>ASAF members suggested specific items that the IASB could exempt an entity from disclosing, including the strategic rationale, objectives, the metrics used to monitor performance and quantitative information about expected synergies.</p>	<p>In September 2022 the staff plan to ask the IASB to decide on whether to proceed with its preliminary views related to disclosures.</p>



Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Dynamic Risk Management (DRM)</b> (July 2022)</p> <p><b>The objective of this session was to seek views and comments on: (a) the progress of the DRM project, in particular on the recent refinements the IASB has made to the DRM model; and (b) whether equity should be eligible for designation in the DRM model.</b></p>		
<p>Recent refinements to the DRM model</p>	<p>ASAF members generally agreed with the project direction and the recent refinements the IASB has made to the DRM model. However, they highlighted:</p> <ul style="list-style-type: none"> <li>(a) the need for additional information on some aspects of the DRM model and clarifications on how the model would be applied in practice;</li> <li>(b) the importance of field-testing the DRM model and of carrying out more research and outreach on specific methods used by banks on DRM to ensure the operability of the refinements, including outreach with smaller banks, which may have a different risk management strategy, to ensure the DRM model is sufficiently flexible for these banks; and</li> <li>(c) the need for sufficient lead time to do an effects analysis, given the complex nature of this subject.</li> </ul>	<p>The staff plan to publish a webcast in Q4 2022 to further explain the key elements of the DRM model, and how the model is expected to work in practice. The IASB will continue to gather inputs from stakeholders as the DRM model is refined to increase the likelihood that when an exposure draft is published the model is considered viable and operable.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Designation of equity as an eligible item in the DRM model</p>	<p>On the designation of equity as an eligible item in the DRM model, ASAF members' comments varied.</p> <p>Many members said the DRM model should allow the inclusion of equity, if an entity manages it in a manner that is consistent with its risk-management strategy and practices, because equity forms part of the current net open risk positions an entity manages, and the inclusion would better reflect the reality of the risk management.</p> <p>In contrast, two ASAF members said the DRM model should not allow the inclusion of equity because it is difficult to justify the existence of deemed interest rate risk from equity, given equity is the residual interest and, although some financial institutions raise equity instruments that have characteristics similar to the debt instruments, the distinction between a liability and equity is important to calculate profit or loss.</p> <p>In terms of which equity components are deemed to have interest rate risk exposures, ASAF members' comments included that:</p> <ul style="list-style-type: none"> <li>(a) the decision should be based on the analysis of rights and obligations associated with particular payments or cash flows under each instrument; and</li> <li>(b) a principle-based guidance, rather than a specific list of equity components that would be eligible, would be welcome.</li> </ul>	<p>The staff plan to preliminarily discuss the eligible items and the determination of the current net open risk position with the IASB in Q4 2022.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Post-implementation Review of IFRS 9—Classification and Measurement</b> (July 2022)</p>		
<p>The purpose of this session was to provide an overview of the feedback on the Post-implementation Review of IFRS 9—Classification and Measurement (PIR) and seek ASAF members' views on: (a) the standard-setting project to make narrow-scope amendments to the requirements in IFRS 9 <i>Financial Instruments</i> for assessing a financial asset's contractual cash flow characteristics (that is, the 'solely payments of principal and interest' (SPPI) requirements); and (b) the prevalence and significance in ASAF members' jurisdictions of some issues raised during the PIR.</p>		
<p>Contractual cash flow characteristics of financial assets – general requirements</p>	<p>ASAF members overall agreed with the IASB's decision to clarify the general SPPI requirements in IFRS 9 and expect that the amendments would address the common application questions relating to financial assets with ESG-linked features and contractually linked instruments (CLIs).</p> <p>On additional aspects for the IASB to consider, ASAF members suggested:</p> <ul style="list-style-type: none"> <li>(a) including illustrative examples to support the consistent application of the requirements to financial assets with ESG-linked features;</li> <li>(b) clarifying how to consider non-financial contingent events to assist entities in applying the SPPI requirements;</li> <li>(c) clarifying the nature of ESG-linked features and what it constitutes;</li> <li>(d) adopting a narrow description of the concept of a 'basic lending arrangement'; and</li> <li>(e) considering the probability of not meeting the ESG targets and not only the existence of the ESG targets themselves.</li> </ul>	<p>The IASB will consider ASAF members' comments as part of its discussions on clarifying amendments to IFRS 9 during its September 2022 meeting.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Proposed clarifying amendments relating to CLIs</p>	<p>ASAF members agreed with:</p> <ul style="list-style-type: none"> <li>(a) the objective to clarify the type of instruments to which the CLI requirements are applied, specifically whether the CLI requirements should be applied when the underlying pool includes non-financial items; and</li> <li>(b) the staff recommendation not to proceed with the clarifying amendments to the CLI requirements if this would delay the clarifications relating to financial assets with ESG-features.</li> </ul>	<p>The IASB will consider ASAF members' comments as part of its discussions on clarifying amendments to CLI requirements during its September 2022 meeting.</p>
<p>Application issues</p>	<p>ASAF members said that in most cases there is no widespread diversity in practice in their jurisdictions with regards to the application issues discussed. Some ASAF members said there is diversity in practice with regards to the following issues: derecognition requirements, contracts to buy or sell a non-financial item and transaction costs on equity instruments with OCI presentation. The ASAF members did not identify these issues as priority areas for the IASB to consider.</p>	<p>The IASB will consider ASAF members' comments on these application issues as part of its assessment of PIR findings at its September 2022 meeting.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Financial Instruments with Characteristics of Equity (FICE)</b> (July 2022)</p> <p><b>The purpose of this session was to provide an update on the FICE project and to seek ASAF members' views on the IASB's tentative decisions on: (a) the classification of financial instruments with contingent settlement provisions; and (b) the effect of laws on the contractual terms.</b></p>		
<p>Classification of financial instruments with contingent settlement provisions</p>	<p>ASAF members generally agreed that the IASB's tentative decisions on the classification of financial instruments with contingent settlement provisions would resolve the main practice issues.</p> <p>One ASAF member suggested the IASB test the tentative decisions on contingently redeemable convertible preference shares issued in pre-IPO funding transactions. The member said measurement of the entire instrument at fair value through profit or loss could be justified to reduce the complexity.</p> <p>One ASAF member suggested the IASB clearly explain the meaning of 'process of permanently ceasing operations' because different jurisdictions have different requirements for the liquidation process and the meaning of liquidation for accounting and legal purposes could differ.</p> <p>ASAF members said examples of what is non-genuine would be helpful to make the understanding of non-genuine clearer. One member suggested expanding the clarification that non-genuine is not just a probability assessment or introducing a rebuttable presumption in IAS 32 <i>Financial Instruments: Presentation</i> so that a provision in a contract is presumed to be genuine unless there is evidence to demonstrate the contrary.</p>	<p>The IASB will consider suggestions from ASAF members in drafting the exposure draft and the accompanying basis for conclusions.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Effects of laws on the contractual terms</p>	<p>ASAF members generally disagreed with the IASB's tentative decisions on the effects of laws on the contractual terms because they were concerned that similar rights and obligations would be accounted for differently, depending on whether they were derived from the law or contract, and depending on the specific law in a jurisdiction.</p> <p>Suggestions from ASAF members for the IASB included:</p> <ul style="list-style-type: none"> <li>(a) discussing in the basis for conclusions on the forthcoming exposure draft of how the distinction between a financial liability and equity in IAS 32 differs from that in the <i>Conceptual Framework</i>;</li> <li>(b) clarifying that the financial effects arising from applicable law be considered in the classification; and</li> <li>(c) testing the tentative decision across a number of instruments in different jurisdictions.</li> </ul>	<p>The IASB will consider suggestions from ASAF members in drafting the exposure draft and the accompanying basis for conclusions.</p>
<p><b>Disclosure Initiative: Targeted Standards-level Review of Disclosures</b> (July 2022)</p> <p><b>The purpose of this session was to seek advice from ASAF members on the possible courses of action and the next steps in response to the feedback on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i>.</b></p>		
<p>Analysis of possible courses of action</p>	<p>On possible courses of action, ASAF members' comments varied.</p> <p>Some ASAF members suggested the IASB develop a middle-ground approach because, for example, they said the use of disclosure objectives is helpful, a middle-ground approach could strike a balance between providing comparable information, while allowing entities to provide entity-specific information, and might balance costs and benefits.</p> <p>In contrast, other ASAF members said a middle-ground approach would not effectively solve the disclosure problem and suggested the IASB clearly articulate what it would achieve through the middle-ground approach and develop further guidance on making materiality judgements about disclosures.</p>	<p>At its <a href="#">July 2022 meeting</a>, the IASB considered the feedback from ASAF members on the possible courses of action. The IASB did not make any decisions at its July 2022 meeting.</p> <p>The IASB will consider the feedback from ASAF members in deciding the project direction at its October 2022 meeting.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Proposed amendments to IFRS 13 and IAS 19</p>	<p>On the proposed amendments to IFRS 13 and IAS 19, ASAF members' comments varied.</p> <p>Some ASAF members said the IASB should not proceed with the proposed amendments to IFRS 13 and IAS 19 and, instead, these members suggested the IASB apply the proposed approach prospectively when developing new IFRS Accounting Standards.</p> <p>If the IASB decides not to proceed with the proposed amendments, one ASAF member suggested the IASB publish a feedback statement that could help entities apply some of the thought process in the disclosure proposals when applying the current disclosure requirements in IFRS 13 and IAS 19.</p> <p>In contrast, other ASAF members said the IASB should proceed with amending IFRS 13 and IAS 19. Reasons provided included that:</p> <ul style="list-style-type: none"> <li>(a) the current disclosure requirements in IAS 19 are unpopular with both users and preparers;</li> <li>(b) some of the proposed disclosure requirements in IFRS 13 and IAS 19 would result in entities providing useful information to users;</li> <li>(c) finalising the proposed amendments to IFRS 13 and IAS 19 would provide a framework that might be useful when the IASB undertakes major new projects in the future; and</li> <li>(d) the proposed amendments to IFRS 13 regarding Level 2 fair value measurements that are closer to Level 3 would result in useful information.</li> </ul>	<p>The IASB will consider the feedback in deciding whether to proceed with the proposed amendments to IFRS 13 and IAS 19 at its October 2022 meeting.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
Other comments	ASAF members highlighted the importance of guidance or illustrative examples for their stakeholders. One member suggested including disclosure objectives in the bases for conclusions on the Accounting Standards, as well as guidance or illustrative examples to help entities decide what information is material and should be disclosed.	The IASB will consider ASAF members' comments when redeliberating the project proposals at future meetings.
<b>Primary Financial Statements</b> (July 2022)  <b>The purpose of this session was: (a) to provide an overview of the proposed topics and timing for targeted outreach; (b) to update ASAF members on the current status of the redeliberations relating to the disclosure of operating expenses by nature in the notes and seek advice on next steps being explored; and (c) to seek advice from ASAF members on the IASB's recent discussions on, and proposed direction for, income and expenses with limited recurrence (unusual income and expenses).</b>		
Targeted outreach	ASAF members offered to conduct targeted outreach in their jurisdictions, between September and November, and agreed that hosting round-table discussions would be an effective approach.	In August 2022, the staff have started planning outreach with the help of ASAF members.
Disclosure of operating expenses by nature in the notes	ASAF members agreed that a disclosure requirement that would capture depreciation, amortisation and employee benefits would be helpful and suggested the IASB: <ul style="list-style-type: none"> <li>(a) continue to explore the implications of this potential disclosure requirement and any disaggregation needed, including via targeted outreach; and</li> <li>(b) better explain the objective of additional disclosure requirements for operating expenses.</li> </ul>	At the July 2022 meeting, the IASB made tentative decisions on this disclosure requirement and will explore in targeted outreach an approach that would require an entity to disclose, for all operating expenses disclosed in the notes, the amounts included in each line item in the statement of profit or loss. A summary of the IASB tentative decisions are included in the <a href="#">July 2022 IASB Update</a> .



Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Income and expenses with limited recurrence – defining ‘unusual income and expenses’</p>	<p>On defining ‘unusual income and expenses’, suggestions from ASAF members included:</p> <ul style="list-style-type: none"> <li>(a) developing a definition that only captures items such as restructuring expenses;</li> <li>(b) limiting the definition to include income and expenses that are only unusual by their type because excluding income and expenses that are only unusual by their amount will make the definition clearer and easier to apply;</li> <li>(c) reinstating the label of ‘unusual income and expenses’;</li> <li>(d) developing a principle-based requirement that allows jurisdictions the discretion to determine unusual income and expenses based on laws and regulations in their respective jurisdictions;</li> <li>(e) providing guidance on how an entity should consider the effect of inflation in determining whether income and expenses are ‘unusual income and expenses’;</li> <li>(f) requiring entities to do a comparison with past income and expenses when identifying ‘unusual income and expenses’; and</li> <li>(g) requiring entities to follow the disaggregation principles when disclosing information with respect to ‘unusual income and expenses’, instead of developing a definition of unusual income and expenses.</li> </ul>	<p>At the July 2022 meeting the IASB discussed the feedback from the IASB’s consultative groups (including ASAF). The IASB was not asked to make any decisions and will continue discussing the proposal in future meetings. This topic is one of the topics which has been selected for targeted outreach.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Income and expenses with limited recurrence – assessment period</p>	<p>On the period used to assess whether an item is unusual, ASAF members suggested the IASB:</p> <ul style="list-style-type: none"> <li>(a) provide guidance for entities to determine the assessment period and require that the assessment period used be disclosed;</li> <li>(b) conduct more outreach with users and preparers before making decisions on the assessment period and consider setting up a working group consisting of users and preparers to understand their individual needs and concerns to arrive at a consensus on the assessment period;</li> <li>(c) consider allowing some flexibility to entities subject to additional disclosure requirements, if the IASB requires a set assessment period;</li> <li>(d) consider jurisdictions with climate conditions that change every seven to eight years when determining the assessment period; and</li> <li>(e) consider determining the assessment period based on entities' business models and rely on approved budgets and forecasts.</li> </ul>	<p>At the July 2022 meeting the IASB discussed the feedback from the IASB's consultative groups (including ASAF). The IASB was not asked to make any decisions and will continue discussing the proposal in future meetings. This topic is one of the topics which has been selected for targeted outreach.</p>
<p><b>Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures</b> (July 2022)</p> <p>The purpose of this session was to ask ASAF members for feedback on the interaction between local regulations and the proposed IFRS Accounting Standard (draft Standard) set out in the IASB's Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i>.</p>		
<p>Terms used in the scope of the draft Standard</p>	<p>ASAF members shared concerns on how terms used to define the scope of the draft Standard interact with local regulations, including that:</p> <ul style="list-style-type: none"> <li>(a) the definition of 'public accountability' in the draft Standard differs from the definition of a 'public interest entity' (PIE), which is the term used in some jurisdictions to prescribe the financial reporting framework;</li> <li>(b) the term 'available for public use' should be clarified; and</li> <li>(c) there is ambiguity in the term 'fiduciary capacity' despite the clarifications that the IASB is proposing.</li> </ul>	<p>At this meeting, the staff are seeking ASAF members' advice on whether to retain the requirement that the ultimate or any intermediate parent financial statements should be available for public use. The staff plan to discuss the interaction between the scope of the draft Standard with local regulations with the IASB in Q4 2022.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Implications on preliminary cost–benefit analysis and on endorsement of the Standard</p>	<p>ASAF members provided feedback on the implications of their preliminary cost–benefit analysis of applying the Standard and on possible challenges that may arise in endorsing the Standard, were it to be finalised in its current form, including that:</p> <ul style="list-style-type: none"> <li>(a) in some jurisdictions, some subsidiaries may need to continue to apply all disclosures required by IFRS Accounting Standards or to provide such information for their parent’s consolidated financial statements;</li> <li>(b) adoption of the draft Standard in some jurisdictions that have a local reduced-disclosure framework for entities without public accountability might introduce complexity in the financial reporting framework;</li> <li>(c) some regulators may restrict the application of the Standard to avoid the confusion that would arise from a third financial reporting framework; and</li> <li>(d) there may be challenges in applying requirements in the Standard when a jurisdiction has carved out some requirements in IFRS Accounting Standards, or not endorsed an IFRS Accounting Standard.</li> </ul>	<p>In October 2022, the IASB will discuss the objective of the draft Standard including considering feedback on the cost–benefits of applying the draft Standard.</p>
<p><b>Second Comprehensive Review of the <i>IFRS for SMEs Accounting Standard</i> (July 2022)</b></p> <p><b>The purpose of this session was to provide ASAF members with: (a) an update on the IASB’s Second Comprehensive Review of the <i>IFRS for SMEs Accounting Standard</i>; and (b) an overview of the IASB’s forthcoming Exposure Draft <i>Third edition of the IFRS for SMEs Accounting Standard (Exposure Draft)</i>.</b></p>		
<p>Proposals in the forthcoming Exposure Draft</p>	<p>One ASAF member conveyed feedback from stakeholders on: accounting for borrowing costs and development costs applying the Standard; introducing an expected credit loss model in the Standard for financial assets; and removing the accounting policy option for investments in subsidiaries.</p>	<p>The staff will consider the ASAF member’s comments together with other feedback on the Exposure Draft.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
Relationship with other projects	One ASAF member suggested the IASB clarify the relationship between the <i>IFRS for SMEs</i> Accounting Standard and the Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i> .	The staff will consider the ASAF member's suggestion when communicating the changes being proposed to the <i>IFRS for SMEs</i> Accounting Standard
Guidance for micro-sized entities	One ASAF member suggested the IASB update the guidance for micro-sized entities considering the extensive revisions being proposed to the <i>IFRS for SMEs</i> Accounting Standard.	The staff will consider whether to update to the guidance for micro-sized entities when finalising the third edition of the <i>IFRS for SMEs</i> Accounting Standard.