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## Accounting Standards Advisory Forum

Date **4 December 2023**

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This document summarises a meeting of the Accounting Standards Advisory Forum (ASAF), a group of nominated members from national organisations and regional bodies involved with accounting standard-setting. The ASAF supports the IFRS Foundation and the International Accounting Standards Board (IASB) in their objectives, and contributes towards the development, in the public interest, of high-quality, understandable, enforceable and globally accepted IFRS Accounting Standards.

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## ASAF members who attended the meeting

Region	Members
Africa	Pan African Federation of Accountants (PAFA)*
Asia-Oceania (including one at large)	Accounting Regulatory Department, Ministry of Finance PRC (ARD)* Accounting Standards Board of Japan (ASBJ) Asian-Oceanian Standard-Setters Group (AOSSG)* Korea Accounting Standards Board (KASB)
Europe (including one at large)	Accounting Standards Committee of Germany (ASCG)* Autorité des normes comptables (ANC)* EFRAG* UK Endorsement Board (UKEB)
The Americas	Canadian Accounting Standards Board (AcSB)* Financial Accounting Standards Board, United States (FASB)* Group of Latin American Accounting Standard-Setters (GLASS)*

\* Remote participation via videoconference.

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## Agenda planning and feedback from previous ASAF meetings

1. This session discussed the proposed topics for the next ASAF meeting, which is scheduled to take place on 25–26 March 2024. Participants agreed to include on the agenda:
  - (a) the project on Rate-regulated Activities; and
  - (b) an educational session on the project on Subsidiaries without Public Accountability: Disclosures.
2. Several other topics were suggested by ASAF members for the future ASAF meetings, including:<sup>1</sup>
  - (a) Power Purchase Agreements (ASCG, AcSB, EFRAG);
  - (b) accounting for net zero commitments (ASCG, EFRAG);
  - (c) feedback on Post-implementation Reviews (PIRs) of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* (AcSB);
  - (d) Amendments to the Classification and Measurement of Financial Instruments (EFRAG);
  - (e) sharing results of the research project on intangible assets (conducted by UKEB), however most probably this is to be shared later than in March 2024; and
  - (f) sharing results of the research project on variable consideration (conducted by EFRAG).
3. The IASB is considering conducting a survey in H1 2024 to help it better understand the nature and prevalence of pollutant pricing mechanisms. The ASAF members were asked whether they would be willing to help the IASB by completing that survey about the nature and prevalence of these schemes in their jurisdictions. Representatives of GLASS, AcSB and UKEB expressed their interest in participating

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<sup>1</sup> The list is not exhaustive.

in the survey. Other ASAF members didn't share objections to participating in the survey.

## Primary Financial Statements

### *Purpose of the session*

4. The purpose of the session was to obtain input from ASAF members on:
  - (a) the high-level messages the IASB plans to use in its communications strategy for the prospective IFRS Accounting Standard, IFRS 18 *Presentation and Disclosure in Financial Statements*; and
  - (b) the purpose, timing and tools the IASB plans to use to support the implementation and consistent application of IFRS 18.

### *High-level messages to be used in the IASB's communications strategy for IFRS 18*

5. Most ASAF members agreed with the high-level messages the IASB plans to use in its communications strategy. Representatives from the AOSSG and EFRAG advised that these messages also emphasise:
  - (a) that IFRS 18 will replace IAS 1 *Presentation of Financial Statements* with some requirements carried forward unchanged;
  - (b) that the new requirements will bring improvements, not only to the statement of profit or loss, but also to the financial statements as a whole; and
  - (c) the benefits of IFRS 18 for preparers of financial statements.
6. The ASCG and AcSB representatives were concerned about the high-level message that profit or loss of an entity will not be affected by the requirements of IFRS 18, saying that it may lead to preparers of the financial statements underestimating the time required for implementation of IFRS 18. The EFRAG representative said that the transition requirement that allows entities to change the measurement basis of an investment in an associate or joint venture from the equity method to fair value would affect an entity's profit or loss.

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7. Representatives from the AOSSG, ASCG, ARD, EFRAG, KASB and UKEB suggested that it is important for the IASB to explain:
- (a) the disclosure requirements for management-defined performance measures (MPMs), including that MPMs will be subject to audit;
  - (b) how the categories in the statement of profit or loss relate to the similarly labelled categories in the statement of cash flows;
  - (c) the transition requirements for IFRS 18, including the requirement for retrospective application; and
  - (d) the rationale for the IASB's decisions on issues where there were strong views expressed by stakeholders in the Basis for Conclusions to IFRS 18.

***Supporting implementation and consistent application***

8. The representative from EFRAG said that they received some mixed feedback from their region on whether a transition resource group is required. Representatives from the ASCG, PAFA and UKEB said that a transition resource group would not be necessary and that educational material would probably be sufficient to resolve implementation questions.
9. Representatives from the AOSSG, ARD and KASB suggested that the IASB provide illustrative examples for various industries. However, the ASCG representative was concerned that providing such illustrative examples may show a bias towards certain industries.
10. Representatives from the ASCG, AcSB and UKEB agreed on having implementation support activities focused on users of financial statements in the periods closer to the effective date of IFRS 18. However, the KASB representative said that users of financial statements should be included in early implementation activities. The AcSB representative said that the IASB should encourage preparers to engage with users on the new requirements in IFRS 18.
11. Representatives from the AOSSG, ARD, ASCG, KASB and PAFA suggested that the IASB:

- (a) collaborate with national standard-setters to organise educational and training sessions;
- (b) set up a mechanism, such as a dedicated web page, to quickly resolve implementation questions;
- (c) include IFRS Accounting Taxonomy for IFRS 18 in educational materials; and
- (d) consider using the *Disclosure Initiative—Targeted Standards-level Review of Disclosures* as a model for how disclosures in financial statements can be improved.

### **Next steps**

12. The IASB will consider the feedback from ASAF members as it continues to develop its plans for implementation support for IFRS 18.

## **Climate-related and Other Uncertainties in the Financial Statements**

### **Purpose of the session**

13. The purpose of the session was to update ASAF members on the project and to seek their feedback on the development of materiality examples and other examples.

### **Materiality examples**

14. Most ASAF members said materiality examples would help entities apply IFRS Accounting Standards in reporting the effects of climate-related and other uncertainties in the financial statements.
15. Many ASAF members said that the usefulness of Examples C and K in IFRS Practice Statement 2 *Making Materiality Judgements* (Practice Statement 2) is limited because Practice Statement 2 has not been adopted in some jurisdictions and has not been translated into some languages. Many members also said that many of their stakeholders are not familiar with Practice Statement 2.
16. Most ASAF members who commented on Example C said it is a useful illustration of the requirement in paragraph 31 of IAS 1 and would be helpful to entities making

materiality judgements about climate-related uncertainties. One ASAF member said it would be helpful for an example based on Example C to illustrate scenarios other than the potential enactment of laws and regulations.

17. Most ASAF members who commented on Example K said that the example provides useful information about how entities should consider qualitative factors when assessing whether information is material. However, many of these members expressed concerns that such an example could lead to disclosure of immaterial information in the financial statements.
18. In developing the examples, a few ASAF members suggested that the IASB consider the extent to which entities should reflect the financial effects of short, medium and long term uncertainties in the financial statements. One ASAF member suggested that the IASB consider the extent to which entities should disclose mitigating activities, such as insurance policies held.
19. Most ASAF members said that it would be most helpful to include materiality examples in IFRS Accounting Standards or as illustrative examples accompanying Accounting Standards. A few ASAF members suggested issuing the examples as educational material first and as illustrative examples accompanying Accounting Standards later to allow for a faster response from the IASB.

### ***Other examples***

20. Most ASAF members said examples (other than materiality examples) would help entities apply IFRS Accounting Standards in reporting the effects of climate-related and other uncertainties.
21. ASAF members commented on the areas of IFRS Accounting Standards and fact patterns they think should be illustrated through examples. ASAF members said that it would be helpful to illustrate how entities reflect climate-related uncertainties in various accounting areas, including:
  - (a) impairment tests applying IAS 36 *Impairment of Assets*;
  - (b) expected credit losses applying IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*;

- (c) contingent liabilities and provisions applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;
  - (d) fair value measurement applying IFRS 13 *Fair Value Measurement*; and
  - (e) connectivity between financial statements and other general purpose financial reports.
22. Most ASAF members expressed a preference for examples that illustrate the application of specific requirements (stand-alone examples) instead of examples that walk through requirements across multiple Standards (walk-through examples). However, some ASAF members said walk-through examples could be developed as a second step after the IASB develops stand-alone examples.
23. ASAF members generally expressed a preference for the IASB to include such examples in the form of illustrative examples accompanying IFRS Accounting Standards or to incorporate them into the Standards instead of publishing them as educational materials.

### **Next steps**

24. The staff will continue its research activities and plans to bring a summary to the IASB for discussion.