IFRS Accounting

Meeting summary

Accounting Standards Advisory Forum

Date **10–11 July 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.

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 28 September 2023. Participants agreed to include the proposed topics on the agenda.

2. ASAF members said that, at the September meeting, they would also be willing to discuss:

   (a) the status of the Rate-regulated Activities project;

   (b) the status of the work on applying the 'own use' exception to some power purchase agreements;

   (c) sharing of information by ASAF members about the implementation of Pillar Two model rules in their countries or jurisdictions.

Intangible assets

3. Representatives of EFRAG and the UKEB presented the results of their research on intangible assets. ASAF members heard:

   (a) a summary of the feedback on EFRAG's discussion paper *Better Information on Intangibles – Which is the best way to go?* and EFRAG's recommendations in response to that feedback; and

   (b) an overview of the UKEB's report *Accounting for Intangibles: UK Stakeholders' Views*.

4. These presentations were followed by question-and-answer sessions and discussions with ASAF members. ASAF members and IASB representatives remarked that the research performed by EFRAG and the UKEB was both informative and timely. The IASB will consider the results of the research in defining the scope of the future project. The IASB would appreciate further feedback from national standard-setters, especially suggestions on how to prioritise the matters to be considered as part of the project.

Business Combinations—Disclosures, Goodwill and Impairment

5. IASB staff presented an education session on the IASB's proposals to require an entity to disclose better information about business combinations.

6. ASAF members asked clarifying questions about the IASB's proposals, which the staff and the IASB members in attendance answered.

Primary Financial Statements

7. The purpose of this session was to:

    (a) update ASAF members on the Primary Financial Statements project; and

    (b) receive feedback on examples prepared for the session to help the IASB develop the illustrative examples it plans to issue with the prospective IFRS Accounting Standard *General Presentation and Disclosures*.

Update on the project

8. IASB staff updated ASAF members on the project's status and explained that:

    (a) the IASB completed redeliberations on technical topics in June 2023;

    (b) the IASB will discuss the due process requirements, including whether re-exposure of the proposed requirements is necessary, and the effective date for the prospective IFRS Accounting Standard in July 2023; and

    (c) if the IASB decides that re-exposure is not required and gives its permission to ballot, the IFRS Accounting Standard will not be published until the balloting process is completed in 2024.

Illustrative examples

9. In this session, ASAF members provided their views on:

    (a) whether the examples prepared for the session are useful for illustrating the proposed requirements and, specifically, whether for stakeholders in their regions the examples:

(i) are helpful to preparers for understanding the proposed requirements; and

(ii) provide information that users would want to see under the proposed requirements;

(b) which of the three variants of the examples on management performance measures is the most useful for illustrating the proposed requirements;

(c) whether any aspect of the examples is misleading or would result in an entity supplying boilerplate information;

(d) whether the examples could be improved; and

(e) whether and what should be illustrated to facilitate the creation of elements in the IFRS Accounting Taxonomy.

Examples relating to the statement of profit or loss (Illustrative examples 1–3)

10. Most representatives agreed that the examples would be useful for illustrating the proposed requirements (ACSG, AOSSG, ASBJ, EFRAG, GLASS, KASB and UKEB).

11. The ARD representative said that although the examples would generally be helpful for preparers, they find that the examples are oversimplified.

12. The ANC, ASCG, EFRAG and UKEB representatives said that the examples should be accompanied by further explanations of how an entity has applied the proposed requirements or exercised its judgement (for example, how it has exercised accounting policy choices or decided to present specific line items or subtotals).

13. Some representatives asked for more examples for specific types of entities, in particular:

(a) the GLASS representative suggested that more examples of a statement of profit or loss be added for entities from specific industries;

(b) the representatives from EFRAG and ANC suggested that an example of a statement of profit or loss be added for an entity engaged in both banking and insurance activities as its main business activities; and

(c) the KASB representative suggested keeping the examples in the exposure draft of a statement of profit or loss for:

(i) an insurer; and

(ii) an entity in the investment property sector.

14. ASAF members made suggestions relating to the example of a statement of profit or loss for a general corporate entity (Illustrative Example 1). The representative:

(a) from EFRAG suggested adding an example for an entity that presents most line items in the operating category of the statement of profit or loss by nature and one or more line items by function;

(b) from the KASB suggested adding an example that illustrates how an entity would present a gain or loss on the loss of control of a subsidiary;

(c) from the ARD suggested adding more line items in each of the three categories in the statement of profit or loss;

(d) from the ANC suggested adding a line item for interest income and expense on cash and cash equivalents; and

(e) from the AOSSG suggested adding a separate line item for impairment losses for each class of assets (including goodwill impairment losses).

15. Some representatives said providing more educational material in the illustrative examples would be helpful. For example, the ASBJ representative suggested adding educational material such as decision-tree flow charts to help preparers understand the proposed requirements and the changes that made to the proposals in the Exposure Draft *General Presentation and Disclosures* (Exposure Draft). The KASB representative suggested that a comparison between a statement of profit or loss prepared in accordance with IAS 1 *Presentation of Financial Statements* and a statement of profit or loss prepared in accordance with the proposed requirements of the prospective IFRS Accounting Standard would be helpful.

16. The KASB representative said that in their region it is current practice to aggregate selling expenses and general and administrative expenses and present these expenses as a single line item in the statement of profit or loss. IASB staff explained

that in applying the proposed principles of aggregation and disaggregation, some entities would be required to disaggregate selling expenses and general and administrative expenses.

17. The AcSB representative discussed Illustrative Example 2 (Statement of profit or loss for a manufacturer with customer financing). The representative said that the presentation of 'foreign exchange losses on borrowings not related to the provision of financing to customers' in that Illustrative Example is uncommon in current practice. Classifying foreign exchange gains or losses in different categories would require significant changes to systems and would affect the time required by the entities to make the transition to using the prospective IFRS Accounting Standard.

18. The UKEB representative discussed Illustrative Example 3 (Statement of profit or loss for an investment and retail bank). The representative said that presenting 'net investment income including from cash and cash equivalents' was not common in current practice. The AcSB representative said that users did not expect to see 'credit impairment losses' presented as a separate line item because they expected it to be included in 'net interest income'.

Example relating to management performance measures (Illustrative Example 4)

Preferred variant(s)

19. The representatives from AcSB, EFRAG, GLASS, PAFA and UKEB said stakeholders in their region preferred variant A because:

    (a) it reflects current practice;

    (b) it is clear and concise with no duplicated information;

    (c) the line items relating to the statement of profit or loss in the Illustrative Example follow the structure of the statement of profit or loss; and

    (d) separate tables for information on the reporting period and the comparative period make that information easier to understand.

20. The KASB representative said that stakeholders in their region preferred variant C because it includes all the information in a single table and allows for comparability

between periods. The ASCG representative said that variant C might be best suited for tagging in digital reports.

21. The representatives from ARD and AOSSG said stakeholders in their region had mixed views on which variant should be preferred. The representative from:

    (a) the ARD said stakeholders preferred either:

        (i) variant A, because it is clear and concise and follows the structure of the statement of profit or loss; or

        (ii) variant B, because the reporting and comparative periods are in the same table.

    (b) the AOSSG said each variant was supported by some stakeholders in their region. Variant A is clear, avoids duplication and follows the structure of the statement of profit or loss. Variant B discloses the reporting and comparative period in the same table and variant C discloses all information in a single table.

22. Representatives from the ASCG, EFRAG and PAFA expressed concerns about variant B, in particular:

    (a) that an entity adjusting for many items would present many reconciling items, which could result in a cluttered note disclosure;

    (b) that judgement would be required to decide what information to disclose in the table and what information to disclose in the footnote; and

    (c) that tagging footnotes in digital reports would be challenging.

23. Representatives from the AcSB, EFRAG, PAFA and UKEB (who preferred variant A) and the representative from ARD (who preferred either variant A or B) said that stakeholders in their region did not prefer variant C because its application would be complex and would result in a cluttered note disclosure.

Starting point for reconciling management performance measures

24. Many representatives said that stakeholders in their region preferred the starting point for reconciling management performance measures to be a measure specified by IFRS Accounting Standards (AOSSG, EFRAG, FASB and KASB).

Other comments

25. Some representatives (ASBJ, ASCG and FASB) asked the staff whether the IASB intends to illustrate more than one variant in the final illustrative examples. The IASB staff explained that they would consider whether to illustrate one or more variants based on feedback.

26. The representatives from AcSB and PAFA said that having a single variant in the illustrative examples might achieve better comparability. However, the representative from UKEB said they were not in favour of having only one variant because entities should be able to understand that they have flexibility in how to disclose the information.

Example relating to the disclosure of operating expenses by nature (Illustrative Example 5)

27. The representatives from the ARD, ASCG and EFRAG said that the narrative information accompanying the table was confusing and that it was difficult to understand what the amounts disclosed in the table represent (that is, whether they represented expenses incurred in the period or something else).

28. The AOSSG representative said that some stakeholders in their region had suggested disaggregating the amounts disclosed in the table further into amounts recognised as expenses in the period and amounts included in the carrying amount of an asset. The FASB representative explained that such a proposal (for cost of sales) was being prepared for exposure in their region.

Next step

29. The IASB will consider the feedback from ASAF representatives in developing the illustrative examples for the prospective IFRS Accounting Standard.

Business Combinations under Common Control

30. IASB staff:

    (a) provided an update on the Business Combinations under Common Control (BCUCC) project; and

    (b) asked ASAF members for their views on the project direction.

31. In April 2023 the IASB had discussed whether the current project direction would be likely to result in the project moving into the standard-setting phase and whether the IASB should consider changing the project direction. The IASB had discussed three options for the project direction:

    (a) Option I—to develop recognition, measurement and disclosure requirements;

    (b) Option II—to develop disclosure-only requirements; and

    (c) Option III—to develop no recognition, measurement or disclosure requirements.

32. ASAF members were asked:

    (a) what problems are caused by the gap in IFRS Accounting Standards for reporting BCUCCs;

    (b) whether members had specific examples in which the reporting for BCUCCs resulted in financial statements that were misleading or failed to provide useful information about the BCUCC and, if so, how common such examples were; and

    (c) which of the three options the IASB should choose.

Problems in reporting BCUCCs

33. The AcSB, ANC, EFRAG and GLASS representatives said the gap in IFRS Accounting Standards causes diversity in practice and affects comparability between entities. For example, they had observed diversity in selecting the measurement method or in how entities applied a book-value method.

34. The FASB and UKEB representatives acknowledged diversity in the reporting for BCUCCs but said it did not cause significant problems. The AOSSG, ARD, KASB, and PAFA representatives said there is limited or no diversity in their jurisdictions. They explained that:

(a) local requirements specify the reporting for BCUCCs (ARD, FASB, KASB and the jurisdictions represented by the AOSSG where BCUCCs occur frequently); or

(b) in jurisdictions without local requirements, the practice is largely settled (PAFA, UKEB)—for example, preparers have developed accounting policies based on guidance from auditors and regulators.

Examples of misleading reporting

35. The PAFA representative was aware of one example of misleading reporting in recent years, in which a preparer's accounting policy contradicted the regulator's guidance. The ANC and EFRAG representatives said it would be inappropriate for entities with no (or insignificant) non-controlling shareholders (NCS) to apply the acquisition method to a BCUCC but did not provide examples of transactions in which investors had been misled.

Which option to choose

Option I—To develop recognition, measurement and disclosure requirements

36. The ANC, EFRAG and GLASS representatives supported Option I because it would fill the gap in IFRS Accounting Standards and resolve diversity in practice. The ANC and EFRAG representatives questioned why users would not prioritise the project—the ANC representative said the diversity would affect future reporting periods and BCUCCs often arise in the context of initial public offerings.

37. ASAF members outlined the suggestions and concerns they would have if the IASB were to select Option I. The representative from:

(a) the ANC suggested standardising how to apply a book-value method, which is the most common practice.

(b) GLASS expressed concerns about the IASB's preliminary views on how to apply a book-value method in the Discussion Paper *Business Combinations under Common Control*.

(c) the ANC and EFRAG suggested specifying which BCUCCs must be reported applying a book-value method and allowing entities a choice on how to report other BCUCCs. For example, the ANC representative suggested the 'NCS choice' principle outlined in Agenda Paper 5A for this meeting.

38. ASAF members who disagreed with Option I said:

(a) it could not meet the information needs of all users while eliminating diversity in practice, and the NCS choice principle could not represent the substance of BCUCCs and may bring practical challenges (ARD); and

(b) it would require significant resources (ASBJ and ARD).

Option II—To develop disclosure-only requirements

39. The ARD and PAFA representatives supported Option II. The representative from:

(a) the ARD and the representative from PAFA took the view that Option II would enhance transparency—the PAFA representative said current disclosure practice is inconsistent;

(b) the ARD said selecting Option II would avoid disruption to current recognition and measurement practice; and

(c) PAFA said considering the time already invested in this project, the IASB should at least develop disclosure requirements.

40. Various ASAF members said existing requirements (for example, those in IAS 1) are, or might be, sufficient including:

(a) members who disagreed with Option II (AcSB and some jurisdictions represented by the AOSSG representative, which were split between Option II and Option III);

(b) the ACSG representative who supported Option II if the resources required would not be too significant but said identifying which disclosures users would need might require significant resources; and

(c) the ASBJ representative who would want to understand the objective of a disclosure-only project before recommending whether the IASB should choose it.

41. The KASB representative disagreed with Option II because it would impose costs on preparers without reducing diversity in practice.

Option III—To develop no recognition, measurement and disclosure requirements

42. The AcSB, KASB and UKEB representatives and some jurisdictions represented by the AOSSG representative supported Option III because:

(a) the project is not a priority with regard to the use of the IASB's resources (AcSB, UKEB and some jurisdictions represented by the AOSSG representative);

(b) investors have shown little interest in the project (UKEB); and

(c) this option would avoid disrupting current practice (KASB).

43. The ARD representative said that if consensus cannot be reached on Option I or Option II after considering all factors, Option III would also be acceptable.

Provisions—Targeted Improvements

44. The purpose of this session was to obtain ASAF members' views on:

(a) initial suggestions for possible amendments to the requirements and illustrative examples supporting the 'present obligation' recognition criterion in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*;

(b) whether to add to IAS 37 application requirements specifying when an entity would recognise a provision for costs payable if a measure of its activity were to exceed a threshold; and

(c) what guidance, if any, to include in IAS 37 on the meaning of 'no practical ability to avoid'.

Initial suggestions for possible amendments

45. The AcSB, ANC, AOSSG, ARD, ASBJ, EFRAG, GLASS, KASB and UKEB representatives agreed generally with the initial suggestions for possible amendments set out in Agenda Paper 6A for this meeting. The AcSB and ASCG representatives noted that although the amendments were targeted, they could have significant implications in practice. The ASCG representative suggested that good communication would be needed to motivate stakeholders to engage in discussions on this topic.

46. Several ASAF members commented on the proposed requirements for identifying a past event that resulted in a present obligation. The EFRAG and GLASS representatives said the focus should be on evaluating whether there is a present obligation at the reporting date, not on identifying the past event that might have created it.

47. Several ASAF members commented on the possible requirement to distinguish obligations to transfer economic resources (which can give rise to provisions) from obligations to exchange economic resources (which do not give rise to provisions). Although not disagreeing with the possible requirement:

  (a) the AcSB, ANC and ASBJ representatives said the IASB would need to provide more clarity on how to apply the requirement. Specifically:

    (i) the ASBJ representative expressed concern that, without further clarification, the requirement could lead to fewer provisions being recognised; and

    (ii) the AcSB representative questioned the analysis of the smoke filter example as an obligation to exchange resources.

  (b) the GLASS representative noted that care should be taken to preserve the meaning of the requirement when translating it into Spanish because in that language the words 'transfer' and 'exchange' can mean the same thing.

(c) the ANC representative suggested adding to IAS 37 the definition in the *Conceptual Framework* of an economic resource.

48. Regarding guidance on net zero commitments, the KASB representative suggested adding an example discussing the obligations of entities that have joined the ‘RE100’ initiative, publicly committing to sourcing 100% renewable energy throughout their operations by a target year.

49. Commenting on other matters:

(a) the ANC representative suggested that the rationale underpinning the amendments—the need to distinguish the actions that created an obligation from those required to settle the obligation— be made more explicit, perhaps in the Basis for Conclusions;

(b) the ANC representative queried the conclusion suggested in Illustrative Example 13B in Appendix B to Agenda Paper 6A; and

(c) the KASB representative noted that the conclusion to Illustrative Example 13C in Appendix B to Agenda Paper 6A, unlike the conclusion to the other illustrative examples, did not identify the event that gave rise to the present obligation.

Thresholds

50. The AcSB, ANC and ARD representatives commented on the need for application requirements for costs that would become payable if a measure of the entity’s activity were to exceed a threshold. These representatives all took the view that application requirements would be helpful—especially for interim financial statements.

51. Commenting on when the present obligation criterion would be met for such costs:

(a) some ASAF members said they thought the criterion could be met *before* an entity’s activity exceeded the threshold. Specifically:

(i) the ASBJ and AcSB representatives thought that an obligation would start to arise as soon as the entity started to undertake the activities to which the threshold related; and

(ii) the EFRAG representative thought the criterion would be met if the entity had no practical ability to avoid meeting the threshold.

(b) the ANC, AOSSG, ARD and UKEB representatives reported mixed views among their group members or stakeholders and explained the reasons for each of those views.

Guidance on the meaning of 'no practical ability to avoid'

52. The AOSSG, ARD and ASCG representatives expressed the view (or reported views held by their group members or stakeholders) that IAS 37 should include application guidance on the meaning of 'no practical ability to avoid'.

53. The AcSB, AOSSG, ANC, ARD, KASB and UKEB representatives said they (or some members of their group) agreed that the transfers of economic resources an entity has no practical ability to avoid extend beyond those that are legally enforceable. The EFRAG representative said the focus should be on assessing the entity's practical ability to avoid a transfer—legal enforceability is no more than one form of evidence that the entity has no practical ability to avoid a transfer.

54. Several members referred to the difference between the broad definition of an obligation suggested for IAS 37 (which would encompass economic compulsion) and the narrower definition applied in IAS 32 *Financial Instruments: Presentation* (which does not include economic compulsion). The representative from:

(a) the KASB said the IASB needed to explain why provisions should be treated differently from financial instruments.

(b) the AcSB and the representative from the UKEB said that the requirements of IAS 37 should not be constrained by those of IAS 32. The types of obligations within the scope of IAS 37 are different from financial instruments—they exist outside contractual environments.

(c) the ANC noted that the *Conceptual Framework* clearly envisages that in some contexts, the definition of an obligation could encompass economic compulsion. That representative suggested clarifying in the Basis for Conclusions that the definition of an obligation in IAS 37—including guidance on the meaning of no practical ability to avoid—applied only for the purpose of applying IAS 37.

55. The GLASS representative suggested that if IAS 37 refers to economic compulsion it must make clear what that term means. Otherwise, the term might be wrongly translated. For example, in Spanish, the word for 'compulsion' is also used to refer to pressure that can be exerted by a judge or by an authority.

56. On whether IAS 37 should replace the requirement for a legal obligation to be enforceable by law:

(a) the ANC representative agreed that the requirement should be replaced with one that better reflects the conclusion reached by the Interpretations Committee in its agenda decision *Negative Low Emission Vehicle Credits*.

(b) the AOSSG representative reported that three AOSSG group members thought the IASB should retain the requirement for a legal obligation to be enforceable by law.

57. Commenting on the initial staff suggestions for possible guidance drafted in paragraph 14D of Appendix A to Agenda Paper 6A, the ANC representative suggested an alternative structure for the guidance. The first step could be to identify whether a transfer is enforceable by law. If the transfer were enforceable by law, no assessment of economic consequences would be needed.

58. The FASB representative suggested that the conclusion in the example on net zero commitments in Appendix B to Agenda Paper 6A could appear inconsistent with the notion of economic compulsion so it might be helpful to add more analysis to that example to reconcile the two.

Climate-related Risks in the Financial Statements

59. The purpose of this session was:

(a) to provide ASAF members with an overview of the project; and

(b) to seek ASAF members' views:

(i) on the reasons for stakeholder concerns about reporting climate-relate risks in financial statements and on whether and how the IASB should take further action to address these concerns; and

(ii) on whether the scope of the project should be generalised to cover other risks in addition to those posed by climate.

Reason for concerns and possible actions

60. The ARD, EFRAG, PAFA and UKEB representatives said that information in the financial statements on the effects of climate-related risks appears to be disconnected from or inconsistent with information provided elsewhere. The AOSSG and ARD representatives reported concerns about insufficient disclosure on how climate-related risks are factored into significant judgments and assumptions.

61. The EFRAG and UKEB representatives said that one possible cause of these concerns could be that financial statements provide mainly historical information while sustainability-related financial reports also provide forward-looking information. These representatives also suggested that different interpretations of materiality, including a focus on quantitative rather than qualitative materiality, might be a cause of the concerns. The ASCG representative disagreed that different interpretations of materiality could be a cause of the concerns. The representative stated that because climate-related risks are usually long-term risks, the effect of the discounting is that the impact on values reported in the financial statements of climate-related risks is often immaterial.

62. The EFRAG, PAFA and UKEB representatives noted challenges for preparers in providing reliable quantitative information and balancing qualitative and quantitative information. The KASB, PAFA and UKEB representatives also said that companies provide varying levels of detail when providing information on climate-related risks in financial statements.

63. In terms of possible courses of action, the ASCG and KASB representatives questioned the need for any amendments to IFRS Accounting Standards. On the other hand, the AcSB, AOSSG, ARD, ASBJ, EFRAG, GLASS, PAFA and UKEB

representatives said that there might be scope for some targeted amendments to IFRS Accounting Standards, for example, IAS 1 and IAS 36 *Impairment of Assets*.

64. However, the AOSSG and ASCG representatives cautioned the IASB against changing some of the requirements in IAS 36, for example the requirement that budgets or forecasts shall cover a maximum period of five years unless a longer period can be justified, since changing this requirement could have unintended consequences.

65. The AOSSG representative also suggested that the IASB explore whether concerns about insufficient disclosures could be addressed through additional guidance or illustrative examples.

66. The ANC and ASBJ representatives noted a possible overlap between potential amendments to requirements resulting from this project and those resulting from the IASB's Provisions—Targeted Improvements project and the Business Combinations—Disclosures, Goodwill and Impairment project.

67. The AcSB, ANC, ASBJ, EFRAG and UKEB representatives said that the IASB should consider publishing educational material to clarify what information users of financial statements should expect to be included in financial statements. The UKEB representative said that such educational material would be particularly useful for the new types of investor who focus on sustainability matters.

68. The AcSB, ARD, EFRAG, KASB and UKEB representatives said that further educational material would be helpful to stakeholders, particularly educational material on how financial statements interact with sustainability-related financial reports.

Scope of the project

69. The AOSSG, ARD, EFRAG, PAFA and UKEB representatives expressed concerns about generalising the scope of the project to include other risks. These representatives suggested starting with climate-related risks and possibly expanding to other risks later to avoid delaying any potential actions the IASB might take to address concerns about the reporting of climate-related risks.

70. The AcSB and ASCG representatives said that any standard-setting actions should be principle-based and apply to other risks in addition to those related to climate matters, but that educational materials or illustrative examples could be specific to climate-related risks.

71. The EFRAG representative said that the IASB should also consider action that might encourage companies to provide a more balanced overview of the long-term risks they face than what they currently provide.

Equity Method

72. The purpose of the session was to ask ASAF members for their views on whether the IASB should publish an exposure draft of amendments to IAS 28 *Investments in Associates and Joint Ventures* or an exposure draft of IAS 28 revised.

Publishing an exposure draft of amendments to IAS 28

73. Most ASAF members supported the publication of an exposure draft of amendments to IAS 28. The representative from:

    (a) the ANC said an exposure draft of amendments to IAS 28 would encourage stakeholders to focus and provide comments only on the proposed amendments, and not on the requirements in IAS 28 that remain unchanged;

    (b) the ARD and the representative from KASB said an exposure draft of amendments to IAS 28 would be more aligned with the project's objective and approach;

    (c) the AcSB and the representatives from the ASBJ and UKEB said an exposure draft of amendments to IAS 28 would manage stakeholders' expectations, whereas, publishing an exposure draft of IAS 28 revised would suggest fundamental changes have been made to the Standard, which is not in line with the project's objective and approach; and

(d) the ARD and the representative from EFRAG said an exposure draft of amendments to IAS 28 would require less time and resources and possibly have an earlier publication date than an exposure draft of IAS 28 revised.

Publishing an exposure draft of IAS 28 revised

73. The AOSSG representative said that most of its members strongly supported the publication of an exposure draft of IAS 28 revised. The representative also said that incorporating the amendments into the Standard and rearranging the order of paragraphs would improve the understandability of the Standard.

Supplementary comments

74. The KASB representative said amending IAS 28 on a piecemeal basis, without conducting a comprehensive review of the underlying principles of the equity method, could lead to confusion in the application of IAS 28. The representative also said that the IASB’s tentative decision that an investor would recognise the full gain or loss on all transactions with its associate is a departure from the principles underlying IAS 28. He said that, consequently, an overall review of the principles of the equity method should be conducted and IAS 28 should be revised to ensure coherence and consistency.

75. The ASCG member said there were merits to both options, as shown in Agenda Paper 8 for this meeting.