IFRS Accounting

Staff paper

Agenda reference: 19B

IASB® Meeting

Date	**September 2023**
Project	**Extractive Activities**
Topic	**Removing the temporary status of IFRS 6**
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Purpose and structure

1. As explained in Agenda Paper 19, this paper sets out our analysis and recommendation of whether the International Accounting Standards Board (IASB) should remove the temporary nature of the exemption in IFRS 6 *Exploration for and Evaluation of Mineral Resources* from the application of paragraphs 11–12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.[1] We also present our analysis and recommendation of whether the IASB should delete paragraphs 13–14 of IFRS 6 which the IASB had requested us to research as part of the work on whether to remove the temporary status of IFRS 6.

2. This paper is structured as follows:

    (a) Summary of staff recommendations (paragraph 3);

    (b) Temporary exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 (paragraphs 4–43):

[1] Removal of the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 would mean the deletion of the word 'Temporary' from the heading 'Temporary exemption from IAS 8 paragraphs 11 and 12' which is positioned above paragraph 6 of IFRS 6 and the inclusion in the Basis for Conclusions on IFRS 6 of a statement that the IASB has completed its comprehensive review of accounting for extractive activities. We sometimes refer to this as removing the 'temporary status of IFRS 6'.

  - (i) Completion of the comprehensive review of accounting for extractive activities (paragraphs 8–25); and
  - (ii) Whether and how to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 (paragraphs 26–43);

(c) Removal of paragraphs 13–14 of IFRS 6 (paragraphs 44–55);

(d) Questions for the IASB;

(e) Appendix A—Draft proposed changes to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8; and

(f) Appendix B—Research on paragraphs 13–14 of IFRS 6.

Summary of staff recommendations

3. We recommend that the IASB:

   (a) conclude that the work done in publishing the Discussion Paper *Extractive Activities* in April 2010 and in this Extractive Activities research project constitute the comprehensive review of the accounting for extractive activities envisaged by the IASB when issuing IFRS 6.

   (b) remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8.

   (c) retain paragraphs 13–14 of IFRS 6 which provide specific requirements for when an entity changes their accounting policy for exploration and evaluation (E&E) expenditure.

   (d) amend IFRS 6 to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 as part of the next *Annual Improvements to IFRS Accounting Standards* cycle.[2]

[2] This would be the next *Annual Improvements to IFRS Accounting Standards* cycle after the annual improvements included in the Exposure Draft *Annual Improvements to IFRS Accounting Standards—Volume 11*, expected to be published in September 2023.

Temporary exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8

Background

4. The Exposure Draft *ED 6 Exploration for and Evaluation of Mineral Resources* published in January 2004 explained that it was not feasible for the IASB to complete a comprehensive project on accounting and financial reporting issues for the extractive industries in time for the many entities that would adopt IFRS Accounting Standards in 2005.

5. However, the IASB decided it was necessary to provide principles on the treatment of E&E expenditure for entities applying IFRS Accounting Standards in 2005 while avoiding unnecessary disruption to the application of that treatment, pending a more complete consideration of the accounting issues involved. The IASB issued IFRS 6 in December 2004.

6. Paragraphs BC2 and BC3 of the Basis for Conclusions on IFRS 6 explain:

> BC2 Paragraphs 10–12 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* specify a hierarchy of criteria that an entity should use in developing an accounting policy if no IFRS applies specifically to an item. Without the exemption in IFRS 6, an entity adopting IFRSs in 2005 would have needed to assess whether its accounting policies for the exploration for and evaluation of mineral resources complied with those requirements. In the absence of guidance, there might have been uncertainty about what would be acceptable. Establishing what would be acceptable could have been costly and some entities might have made major changes in 2005 followed by further significant changes once the Board completes its comprehensive review of accounting for extractive activities.

BC3 To avoid unnecessary disruption for both users and preparers at this time, the Board proposed to limit the need for entities to change their existing accounting policies for exploration and evaluation assets. The Board did this by:

(a) creating a temporary exemption from parts of the hierarchy in IAS 8 that specify the criteria an entity uses in developing an accounting policy if no IFRS applies specifically.

(b) limiting the impact of that exemption from the hierarchy by identifying expenditures to be included in and excluded from exploration and evaluation assets and requiring all exploration and evaluation assets to be assessed for impairment.

Analysis

7. Our analysis considers:

   (a) Completion of the comprehensive review of accounting for extractive activities (paragraphs 8–25); and

   (b) Whether and how to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 (paragraphs 26–43).

Comprehensive review of accounting for extractive activities

8. As explained in paragraphs 4–6, the IASB provided a temporary exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 because the IASB was unable to complete a comprehensive review of the accounting for extractive activities[3] prior to many entities adopting IFRS Accounting Standards in 2005.

[3] Extractive activities are the activities that an entity would undertake when it is exploring for and finding minerals, oil and natural gas deposits, developing those deposits and extracting the minerals, oil and natural gas. They are conducted in phases, with separate phases typically identified for exploration, evaluation, development, production and decommissioning.

9. Therefore, before considering whether and how to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8, we considered whether it is reasonable for the IASB to conclude that it has performed a comprehensive review of the accounting for extractive activities.

10. The objective of IFRS 6 is to specify the financial reporting for the exploration for and evaluation of mineral resources. An entity applies the Accounting Standard to E&E expenditure that it incurs. IFRS 6 does not address other aspects of accounting by entities engaged in exploration for and evaluation of mineral resources.

11. Following the issue of IFRS 6, the IASB has reviewed the accounting for extractive activities by:

    (a) adding a research project to its work plan to undertake a comprehensive assessment of accounting for extractive activities and publishing the Discussion Paper in 2010 (see paragraphs 12–16); and

    (b) adding the current Extractive Activities research project to its work plan to gather evidence to help the IASB decide whether to develop proposals to amend or replace IFRS 6 (see paragraphs 17–23).

Discussion Paper

12. In April 2004 the IASB approved a research project to be undertaken by the staff from the national standard-setters in Australia, Canada, Norway and South Africa. Throughout the research project, the project team consulted with an advisory panel that included members from entities operating in the mining and the oil & gas industries, accounting firms, users of financial statements (users) and securities regulators.

13. The Discussion Paper was prepared for the IASB by the project team. The results of the research and the proposals in the Discussion Paper were discussed in IASB meetings as the research project progressed, but the Discussion Paper contained only the views of the project team members.

14. The Discussion Paper addressed the financial reporting issues associated with exploring and finding minerals, oil and natural gas deposits, developing those deposits and extracting the minerals, oil and natural gas (see paragraph 1.1 of the Discussion Paper).

15. The Discussion Paper explored matters including:

    (a) definitions of minerals and oil and gas reserves and resources;

    (b) minerals or oil and gas asset recognition model including:

        (i) recognition; and

        (ii) unit of account selection;

    (c) an asset measurement model including:

        (i) current value; and

        (ii) historic cost (including some consideration of impairment and depreciation); and

    (d) disclosures (including disclosure of reserve quantities).

16. The IASB received 141 comment letters from a wide range of stakeholders. The comment letter analysis was presented to the IASB in October 2010 (see Agenda Paper 7A to the IASB's October 2010 meeting).

Extractive Activities research project

17. The current Extractive Activities research project was added to the research pipeline as a result of the 2015 Agenda Consultation. During 2018, the IASB commenced work on the research project to gather evidence to help it decide whether to develop proposals to amend or replace IFRS 6. We have researched and the IASB have considered:

    (a) Matters in the scope of IFRS 6 including (see Agenda Paper 19C to the IASB's September 2021 meeting):

(i) whether to develop requirements or guidance to reduce the diversity of accounting policies applied to E&E expenditure;

(ii) whether to develop additional requirements or guidance for impairment testing of E&E assets; and

(iii) whether to develop requirements or guidance to improve the information an entity discloses about its E&E expenditure and activities (see Agenda Paper 19A);

(b) Matters outside the scope of IFRS 6—whether to develop requirements or guidance for the application of other IFRS Accounting Standards to extractive activities (see Agenda Paper 19D to the IASB's September 2021 meeting); and

(c) Reserve and resource information—whether to develop requirements to disclose and use reserve and resource information in financial statements (see Agenda Paper 19E to the IASB's September 2021 meeting).

18. Although the project aimed to gather evidence to help the IASB decide whether to amend or replace IFRS 6, we also asked stakeholders about difficulties they had in applying other IFRS Accounting Standards to extractive activities, to better understand how entities account for extractive activities. The feedback on matters outside the scope of IFRS 6 mainly relate to activities other than E&E activities.

19. E&E activities generally occur prior to the identification and disclosure of a reserve. Accordingly, reserve and resource information is generally not as relevant to E&E activities and is more relevant in the context of extractive activities outside the scope of IFRS 6. Hence matters beyond E&E activities have been considered in this project.

20. The evidence for the project has been obtained largely from outreach with various stakeholders representing different stakeholder groups and different jurisdictions. The following agenda papers provide further details of the outreach performed:

(a) feedback from national standard-setters whose staff contributed to the Discussion Paper and other initial outreach (see paragraphs 9 and 25 of Agenda Paper 19 to the IASB's March 2019 meeting);

(b) feedback about extractive activities from other jurisdictions and stakeholder groups (see paragraphs 4 and 12–14 of Agenda Paper 19A to the IASB's June 2020 meeting);

(c) targeted investor outreach (see paragraph 12 and Appendix B of Agenda Paper 19 to the IASB's September 2021 meeting); and

(d) feedback on suggestions to improve the information an entity discloses about its E&E expenditure and activities (see paragraphs 11–17 of Agenda Paper 19 to the IASB's July 2023 meeting).

21. Evidence has also been obtained from research we have performed and from academic evidence, for example:

(a) an academic literature review on accounting for E&E expenditure and reserve and resource disclosures (see Agenda Paper 19B to the IASB's July 2020 meeting);

(b) academic evidence on disclosures about E&E expenditure and activities (see paragraphs 19–26 of Agenda Paper 19A to the IASB's September 2022 meeting);

(c) reserve and resource reporting requirements of jurisdictions with significant extractive industries (see Agenda Paper 19A to the IASB's September 2020 meeting);

(d) diversity of accounting policies applied to E&E expenditure (see Agenda Paper 19A to the IASB's October 2020 meeting); and

(e) a review of a sample of entities' annual filings to understand what information entities provide about E&E expenditure and activities (see Agenda Paper 19B to the IASB's September 2022 meeting).

22. The IASB discussed the project at 14 public meetings including one education session which provided IASB members with a summary of the life-cycle of a minerals and oil and gas property, the activities performed in the different phases of that life-cycle

together with common accounting challenges associated with those activities (see Agenda Paper 19A to the IASB's February 2021 meeting).

23. The project was also discussed at meetings of the Accounting Standards Advisory Forum (October 2018 and March 2021), Capital Markets Advisory Committee (March 2019) and Emerging Economies Group (October 2018, March 2019 and December 2019).

Staff recommendation

24. Although a significant part of the Discussion Paper and this research project has focused on E&E expenditure and activities, other extractive activities have been considered. We think there has been an opportunity for stakeholders to raise issues with the accounting for those other extractive activities.

25. Therefore, based on the analysis in paragraphs 8–23, we recommend the IASB conclude that the work done in publishing the Discussion Paper in April 2010 and in this Extractive Activities research project constitute the comprehensive review of the accounting for extractive activities envisaged by the IASB when issuing IFRS 6.

Whether and how to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8

26. If the IASB agrees with the staff recommendation in Agenda Paper 19A and decides not to pursue any of the disclosure suggestions then, together with the decisions the IASB have previously made in the project (see paragraph 2 of Agenda Paper 19), the IASB will have decided that there is not compelling evidence of a problem that requires standard-setting.

27. As explained in paragraphs 4–6, the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 is temporary because the IASB was unable to complete a comprehensive review of the accounting for extractive activities prior to many entities adopting IFRS Accounting Standards in 2005. The exemption is described as

'temporary' in IFRS 6—the heading above paragraph 6 of IFRS 6 being 'Temporary exemption from IAS 8 paragraphs 11 and 12'.

28. If the IASB agrees with the staff recommendation in paragraph 25, the IASB will have concluded that it has performed the comprehensive review of extractive activities that was envisaged when IFRS 6 was issued.

29. We think if the word 'temporary' remains in the heading in IFRS 6 this might leave stakeholders with an expectation that the IASB plans to perform more work on the accounting for extractives activities and reconsider the necessity for the exemption in the future—one preparer in the outreach we conducted on the suggestions to improve the information an entity discloses about its E&E expenditure and activities said that it would make sense to remove the word 'temporary' to provide some certainty.

30. If the IASB concludes that the comprehensive review of the accounting for extractive activities has been completed and decides not to undertake standard-setting, we think retaining the word 'temporary' in the heading could be misleading.

31. We acknowledge that there could be a concern that removing the temporary nature of the exemption could be perceived by stakeholders as the IASB endorsing the diversity in accounting policies for E&E expenditure developed using the exemption—one regulator that one national standard-setter spoke with, said that the word 'temporary' should not be deleted until the requirements for the recognition and measurement of E&E expenditure have been addressed in IFRS 6.

32. If the IASB agree with our recommendations and conclude there is not a compelling case for standard-setting, we intend to publish a staff project summary to explain the topics the IASB considered, the evidence that was gathered and the decisions the IASB made together with the rationale for those decisions. We think this will be helpful for stakeholders and will also help stakeholders identify whether particular issues they experience in the future have already been considered by the IASB.

33. We think the concern that the IASB is perceived as endorsing the diversity in accounting policies for E&E expenditure can be managed through careful

communication of the IASB's decisions. The project summary and other materials can highlight that, although the IASB did not address the diversity of accounting policies for E&E expenditure that does not mean the IASB views the diversity as ideal, rather the evidence demonstrated that the problem is not significant enough to justify the costs of making improvements.

34. We considered whether the amendment to IFRS 6 to remove the word 'temporary' could be included as part of the next annual improvements cycle.

35. The IASB periodically issues an exposure draft for a package of narrow-scope or minor amendments to IFRS Accounting Standards, known as annual improvements (see paragraphs 6.10–6.15 of the Due Process Handbook).

36. Annual improvements are limited to changes that either:

    (a) clarify the wording in an IFRS Accounting Standard; or

    (b) correct relatively minor unintended consequences, oversights or conflicts between existing requirements of the Accounting Standards.

37. Annual improvements should:

    (a) not merit separate consultation and outreach beyond the comment letter process;

    (b) not propose a new principle or change an existing principle; and

    (c) be well defined and narrow in scope.

38. The amendment to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 would involve the deletion of the word 'Temporary' from the heading 'Temporary exemption from IAS 8 paragraphs 11 and 12' which is positioned above paragraph 6 of IFRS 6 (see Appendix A).

39. We think this amendment would meet the criteria of an annual improvement. It is well defined and narrow in scope and it does not propose a new principle or change an existing principle. It would clarify wording in an existing IFRS Accounting Standard

that, as a consequence of the decisions of the IASB, we think could be unclear and potentially misleading as explained in paragraphs 29–30.

40. This approach benefits from grouping the amendment with other annual improvements and exposing these amendments together as part of the due process for the annual improvements cycle which, compared to issuing a separate exposure draft for the amendment, would be a more efficient way to make this minor amendment. The amendment would not be made until the next annual improvements cycle.[4] We think that the amendment is necessary, however we think there is no particular urgent need for the amendment to be made. We also think publication of the staff project summary at the conclusion of the research project will help in the intervening period.

41. However, we acknowledge that this approach is only available if the IASB agree with our staff recommendation in paragraph 55 to retain paragraphs 13–14 of IFRS 6. If the IASB disagreed and decided to remove these paragraphs, the changes being proposed would not meet the criteria for an annual improvement because that amendment would change a principle in IFRS 6.

Staff recommendation

42. Based on the analysis in paragraphs 26–41, we recommend that the IASB remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8.

43. As discussed in paragraph 39, we think the amendment qualifies as something that can be dealt with in the IASB's annual improvement cycle and we therefore recommend that the amendment be made in the next annual improvement cycle.

[4] This would be the next *Annual Improvements to IFRS Accounting Standards* cycle after the annual improvements included in the Exposure Draft *Annual Improvements to IFRS Accounting Standards—Volume 11*, expected to be published in September 2023.

Removal of paragraphs 13–14 of IFRS 6

Background

44. In its March 2022 meeting the IASB asked us, as part of the work on the removal of the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8, to research the need for paragraphs 13–14 of IFRS 6 which provide specific requirements for when an entity changes its accounting policy for E&E expenditure. The IASB asked us whether these specific requirements would still be necessary if the temporary nature of the exemption in IFRS 6 was removed.

45. The research that we performed to provide evidence to help the IASB decide whether to retain or remove paragraphs 13–14 of IFRS 6 is summarised in Appendix B.

46. Paragraph 14 of IAS 8 generally applies when an entity changes its accounting policies. Paragraph 14 of IAS 8 explains the criteria that need to be met before an entity can change an accounting policy:

> 14 An entity shall change an accounting policy only if the change:
>
> (a) is required by an IFRS; or
>
> (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

47. Paragraphs 13–14 of IFRS 6 provide specific requirements for entities to apply when changing their accounting policies for E&E expenditure instead of the requirements in IAS 8:

> 13 An entity may change its accounting policies for exploration and evaluation expenditures if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant

> to those needs. An entity shall judge relevance and reliability using the criteria in IAS 8.
>
> 14 To justify changing its accounting policies for exploration and evaluation expenditures, an entity shall demonstrate that the change brings its financial statements closer to meeting the criteria in IAS 8, but the change need not achieve full compliance with those criteria.

48. Paragraphs 13 of IFRS 6 allows an entity to change its accounting policy for E&E expenditure if it makes the financial statements no less relevant to the economic decision-making needs of users as long as it makes the financial statements more reliable. Paragraph 14 of IAS 8 would only allow an entity to change its accounting policy if it provides more relevant information.

49. Paragraph BC49 of the Basis for Conclusions on IFRS 6 explain the reasons for this relief:

> BC49 IAS 8 prohibits a change in accounting policies that is not required by an IFRS, unless the change will result in the provision of reliable and more relevant information. Although the Board wished to avoid imposing unnecessary changes in this IFRS, it did not believe it should exempt entities from the requirement to justify changes in accounting policies. Consistently with its conclusions in IFRS 4, the Board decided to permit changes in accounting policies for exploration and evaluation assets if they make the financial statements more relevant and no less reliable, or more reliable and no less relevant judged by the criteria in IAS 8.

Analysis

50. We think the specific requirements in paragraphs 13–14 of IFRS 6 were included so, as paragraph 14 of IFRS 6 says, entities can change their accounting policies to bring

their financial statements closer to meeting the criteria in IAS 8 but without needing to achieve full compliance with those criteria.

51. Both our review of Alphasense and the feedback from stakeholders (see Appendix B) indicate that changes in accounting policies for E&E expenditure are not frequent but they do occur (3.7% of entities with accounting policies for E&E expenditure changed their policy during 2019–2021).

52. In our research we found 22 entities changed their accounting policy applying paragraphs 13–14 of IFRS 6. Therefore, for entities that we could tell from the descriptions of changes to their accounting policies for E&E expenditure whether they were using the requirements in paragraphs 13–14 of IFRS 6 or could have made the changes using IAS 8, 51% needed to use the paragraphs in IFRS 6. Similarly, stakeholders we spoke with had mixed views of whether the paragraphs in IFRS 6 were required.

Staff recommendation

53. Although the use of paragraphs 13–14 of IFRS 6 might not be common, we think that entities are using these paragraphs to change their accounting policies for E&E expenditure. We think these changes, whether the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable and no less relevant to those needs, improve the quality of financial statements for these entities.

54. Given the decisions the IASB has made in this project not to address the diversity in accounting policies for E&E expenditure, we think these paragraphs are still useful for entities that might want to change their accounting policies for E&E expenditure. The evidence gathered does not provide a compelling case to remove these paragraphs from IFRS 6.

55. Therefore, we recommend the IASB retain paragraphs 13–14 of IFRS 6 which provide specific requirements for when an entity changes their accounting policy for E&E expenditure.

Questions for the IASB

Questions for the IASB
1. Does the IASB agree with our recommendation in paragraph 25 that the IASB conclude that the work done in publishing the Discussion Paper in April 2010 and in this Extractive Activities research project constitute the comprehensive review of the accounting for extractive activities envisaged by the IASB when issuing IFRS 6? 2. Does the IASB agree with our recommendation in paragraph 42 that the IASB remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8? 3. Does the IASB agree with our recommendation in paragraph 55 that the IASB retain paragraphs 13–14 of IFRS 6 which provide specific requirements for when an entity changes their accounting policy for E&E expenditure? 4. Does the IASB agree with our recommendation in paragraph 43 that the amendment to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8 be made in the next annual improvement cycle?[5] 5. Does the IASB have any comments on our proposal to publish a staff project summary for the research project to explain the work the IASB undertook in the project and the decisions it made as outlined in paragraph 32?

[5] This would be the next *Annual Improvements to IFRS Accounting Standards* cycle after the annual improvements included in the Exposure Draft *Annual Improvements to IFRS Accounting Standards—Volume 11,* expected to be published in September 2023.

Appendix A—Draft proposed changes to remove the temporary nature of the exemption in IFRS 6 from the application of paragraphs 11–12 of IAS 8

A1. Proposed changes to IFRS 6:

International Financial Reporting Standard 6
Exploration for and Evaluation of Mineral Resources

…

Recognition of exploration and evaluation assets

~~Temporary e~~Exemption from IAS 8 paragraphs 11 and 12

6 When developing its accounting policies, an entity recognising exploration and evaluation assets shall apply paragraph 10 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

…

Appendix B—Research on paragraphs 13–14 of IFRS 6

B1. The research we performed to provide evidence to help the IASB decide whether to retain or remove paragraphs 13–14 of IFRS 6 focused on:

(a) How often do entities change their accounting policies for E&E expenditure?

(b) Did entities changing their accounting policies use the requirements in paragraphs 13–14 of IFRS 6?

(c) What are stakeholders' views of the need for paragraphs 13–14 of IFRS 6?

B2. We followed two approaches for our research:

(a) Alphasense search (paragraphs B3–B8); and

(b) Outreach (paragraphs B9–B12).

Alphasense search

Methodology

B3. We used the financial research database Alphasense, which contains financial statements for approximately 37,000 entities from around the world, to identify entities applying IFRS Accounting Standards, or accounting requirements equivalent to IFRS 6, that made changes to their accounting policies for E&E expenditure.

B4. We searched the database for filings made in 2019, 2020 and 2021 in jurisdictions that require or permit IFRS Accounting Standards.

B5. To identify the relevant changes in accounting policies we then used the following keyword search:

("exploration and evaluation" OR "IFRS 6") AND ("accounting policy change" OR "change in accounting policy" OR "change in accounting policies")

Findings

B6. Applying this methodology, we identified 116 entities who changed their accounting policies during the three-year period and had E&E expenditure during the period.

B7. We reviewed the financial statements of all 116 entities and found that 26 of these entities did not change their accounting policy for E&E expenditure. These 26 entities appeared in our search results because, for example, they changed their accounting policy related to other line items in their financial statements, however they presented the entire balance sheet (including an E&E asset line) in their disclosure for their change in accounting policy.

B8. Of the remaining 90 instances of changes in accounting policies for E&E expenditure (3.70% of the total number of companies with accounting policies for E&E in the sample) we reviewed the descriptions the entities provided for the changes in accounting policy. Based on those descriptions, 22 entities used paragraphs 13–14 of IFRS 6 to change their accounting policy, whereas 21 could have applied IAS 8 to change their accounting policy and for the remainder (47) we could not tell from the descriptions provided whether paragraphs 13–14 of IFRS 6 had been used.

Description	Number of results	Number changing applying IFRS 6	Number changing applying IAS 8 or IFRS 6	Unknown
Changes in E&E accounting policies between 2019–2021	90	22	21	47
Total number of entities with E&E accounting policies between 2019–2021	2,434			
Total number of entities changing E&E accounting policies between 2019–2021		90	90	90
Percentage	3.70%	24.44%	23.33%	52.22%

Outreach

B9. During our outreach on the suggestions to improve information an entity discloses about its E&E expenditure and activities (see Agenda Paper 19A), we also asked preparers, auditors and regulators about the use of paragraphs 13–14 of IFRS 6. We wanted to understand whether entities are using the different requirements in IFRS 6 to make changes to their accounting policies and whether the different requirements in IFRS 6 are still necessary.

B10. Most preparers said they had not changed their accounting policies for E&E expenditure. However, one preparer said they had changed their accounting policy from one of expensing their E&E expenditure in the year it was incurred to one of capitalising their E&E expenditure using the ‘successful efforts’ method. The auditors we spoke with said changes to accounting for E&E expenditure were fairly rare.

B11. Stakeholder feedback about the usefulness of these paragraphs was mixed. Although many stakeholders said the paragraphs in IFRS 6 are helpful, many others said the paragraphs could be removed—for example because, conceptually, changes to accounting policies for E&E expenditure should be consistent with IAS 8 and some preparers who changed their accounting policy said they could have done so applying IAS 8.

B12. Stakeholders one of the national standard-setters spoke with also had mixed views. Those in favour of retaining these paragraphs said the flexibility the paragraphs provide is helpful and the paragraphs might be particularly beneficial for junior mining entities that can be bought and sold more frequently. Those not in favour of retaining these paragraphs said there was minimal usage of these paragraphs and therefore the paragraphs might not make a significant difference to entities when changing their accounting policies. Stakeholders the other national standard-setter spoke with were generally more supportive of removing the paragraphs from IFRS 6.