
Accounting Standards Advisory Forum

Date **7–8 July 2025**

Contact **NSS@ifrs.org**

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)
Americas	Canadian Accounting Standards Board (AcSB) Financial Accounting Standards Board, US (FASB) Group of Latin American Accounting Standard Setters (GLASS) *
Asia-Oceania (including two at large)	Accounting Regulatory Department, Ministry of Finance, China (ARD) Accounting Standards Board of Japan (ASBJ) Australian Accounting Standards Board (AASB) and External Reporting Board, New Zealand (XRB), referred together as AASB/XRB Saudi Organization for Chartered and Professional Accountants (SOCPA) Asian-Oceanian Standard-Setters Group (AOSSG) *
Europe (including two at large)	Accounting Standards Committee of Germany (ASCG) * Autorité des Normes Comptables, France (ANC) Organismo Italiano di Contabilità, Italy (OIC) UK Endorsement Board (UKEB) EFRAG

* Remote participation by videoconference for some (GLASS, AOSSG, ASCG) sessions.

Provisions—Targeted Improvements

Purpose of the session

1. The purpose of this session was to discuss feedback on the Exposure Draft *Provisions—Targeted Improvements* and seek ASAF members' views on how the IASB should move forward with the project.
2. ASAF members discussed feedback on proposals relating to:
 - (a) the present obligation recognition criterion;
 - (b) costs to include in the measure of a provision;
 - (c) discount rates; and
 - (d) other matters.

Summary of the feedback

Present obligation recognition criterion

Past-event condition—Levies

3. ASAF members commented on concerns expressed by respondents about the proposed requirements for levies and on the solutions suggested by some respondents (set out in paragraphs 28–32 of Agenda Paper 1B).
4. ASAF members expressed mixed views on the suggestion from a few respondents that the IASB retain IFRIC 21 *Levies*:
 - (a) the ANC, AOSSG, GLASS and PAFA representatives said they continued to support withdrawing IFRIC 21. The ANC representative noted that IFRIC 21 is inconsistent with the *Conceptual Framework* and would be inconsistent with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* if amended as proposed. The GLASS representative expressed concern about the accounting consequences of applying IFRIC 21.
 - (b) the UKEB representative noted that IFRIC 21 is a correct interpretation of IAS 37, and the SOCPA representative suggested either retaining IFRIC 21 or merging it into IAS 37.

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5. The AcSB, ASBJ, FASB and UKEB representatives said they supported the suggestion that the IASB develop a solution for levies in a separate project. The AcSB, ASBJ and UKEB members said such a project would be warranted because, unlike most provisions, levies are non-reciprocal. However, there were different views on when a project on levies should be undertaken:
 - (a) the AcSB representative said the IASB should undertake a project on levies concurrently with the ongoing Provisions—Targeted Improvements project. The representative said the IASB cannot amend IAS 37 while retaining IFRIC 21 because IFRIC 21 is an interpretation of IAS 37.
 - (b) the FASB representative said the IASB could alternatively undertake a project on levies after concluding the Provisions—Targeted Improvements project.
 6. In contrast, the AASB/XRB, ANC and AOSSG representatives said they supported the suggestions for developing a solution for levies within the scope of the Provisions—Targeted Improvements project. They said that excluding levies could undermine the project's objective, fail to resolve the accounting issues that the IASB already identified and perpetuate existing diversity in practice.
 7. The EFRAG representative said EFRAG supported considering the issues around levies separately, but noted that there could be arguments both in favour of considering levies separately from other types of provisions within the current project and for the alternative of considering levies in a separate project.
 8. The GLASS representative said the IASB should resolve the issues around levies quickly and the PAFA representative said the solution should be principle-based.
 9. The OIC and UKEB representatives said the IASB should consult stakeholders subject to complex levies and thoroughly test the proposed requirements against those levies. The UKEB representative said this would help avoid any unintended consequences that the proposed requirements for levies might have on other types of provisions.

Obligation condition—legal obligations

10. On suggestions for changing the ‘virtually certain to be enacted’ threshold for proposed new laws (paragraph 24 of Agenda Paper 1C):
 - (a) the AASB/XRB and ASBJ representatives expressed support for aligning the threshold in IAS 37 with the ‘substantively enacted’ threshold in IAS 12 *Income Taxes*;
 - (b) the AOSSG representative noted split views among AOSSG members—some would align the threshold in IAS 37 with the threshold in IAS 12, but others would retain the existing ‘virtually certain’ threshold; and
 - (c) the ANC representative expressed a view that no law is virtually certain to be enacted until it is enacted.
11. On other suggestions for improving the proposed obligation condition:
 - (a) the ANC representative expressed support for the suggestion to remove the word ‘significantly’ from the description of a legal obligation (as set out in paragraph 18(a) of Agenda Paper 1C); and
 - (b) the AASB/XRB representative expressed support for the suggestion that it should be enough that a responsibility is legally enforceable (as set out in paragraph 16 of Agenda Paper 1C).

Costs to include in the measure of a provision

12. ASAF members said they continued to support the IASB’s proposal to specify the costs an entity should include in the measure of a provision. On the suggestions relating to the scope of the requirement (in paragraph 26 of Agenda Paper 1D):
 - (a) the UKEB representative expressed support for the suggestion that the IASB clarify whether the proposed amendment would apply to all provisions or only to those that would be settled by transferring goods or services.
 - (b) the AOSSG, EFRAG and GLASS representatives expressed support for the suggestion that the IASB clarify whether ancillary costs should be included in the measure of a provision. The EFRAG representative said only

incremental ancillary costs should be included to avoid recognising future operating costs. The GLASS representative expressed the view that ancillary costs should only be included if they are necessary to settle the obligation and suggested the IASB provide guidance to help determine which costs would qualify for inclusion.

13. A few ASAF members provided suggestions on other matters:
- (a) the EFRAG representative suggested clarifying the measurement objective in IAS 37.
 - (b) the AcSB representative suggested clarifying that the proposed requirement would apply only for provisions measured by reference to fulfilment costs.
 - (c) the AOSSG representative suggested clarifying whether an entity facing a range of possible outcomes should measure the provision based on the most likely outcome or on a weighted average of those outcomes.

Discount rates

14. Most ASAF members said they continued to support the IASB's proposal to require entities to exclude non-performance risk from the rate used to discount future expenditure to its present value. The ARD, GLASS and UKEB representatives said the proposed requirement would reduce subjectivity and diversity in practice and result in better accounting outcomes.
15. The AcSB representative reiterated the AcSB's disagreement with the proposal to require entities to exclude non-performance risk from the discount rate. The representative expressed a view that the desired improvements in comparability and transparency could be achieved by requiring entities to disclose more information about the discount rates they used, rather than requiring all entities to use risk-free rates. The representative said users of financial statements find Canadian oil and gas entities' disclosures useful in this respect.
16. The AcSB, EFRAG, OIC, SOCPA and UKEB representatives suggested eliminating the possibility of 'day two' adjustments for provisions assumed in a business

combination, which could arise as a consequence of applying IFRS 3 *Business Combinations*. These representatives suggested introducing an exception to the initial measurement principle in IFRS 3. The AcSB representative said the IASB should also thoroughly examine the intersection between IFRS 3 and other IFRS Accounting Standards.

17. The AASB/XRB, EFRAG, GLASS and SOCPA representatives suggested stating explicitly that the estimates of the cash flows, like the discount rate, do not reflect non-performance risk.
18. The EFRAG representative suggested adding guidance on whether and how an entity should make any liquidity adjustment to the discount rate it uses. The ANC representative suggested retaining paragraph BC82 of the Basis for Conclusions, which discusses adjustments to discount rates, including liquidity adjustments.

Other matters

19. The AOSSG and EFRAG representatives said they supported requiring entities to apply the proposed amendments retrospectively. However, the EFRAG representative suggested that the IASB consider requiring that the two simplifying exemptions (as set out in paragraphs 94D–94E of the Exposure Draft) be applied from the same date.
20. The AASB/XRB representative noted the feedback from AASB/XRB stakeholders on the importance of retaining an explicit statement in IAS 37 that no provision is recognised for future operating costs, and on the importance of allowing enough lead time for implementation of the amended Standard.
21. The AOSSG representative said the AOSSG supported the proposed disclosure requirements for IFRS 19 *Subsidiaries without Public Accountability: Disclosures*. The representative noted a comment on the Exposure Draft suggesting ‘equivalence exemptions’, whereby information would not be required if there is enough information included within a parent’s publicly available consolidated financial statements prepared in accordance with IFRS Accounting Standards. The representative said the IASB should only consider this suggestion more broadly, rather than within the scope of this project.

22. The AcSB representative reiterated the AcSB's previous requests for more formal due process around the withdrawal of IFRS Interpretations Committee agenda decisions.

Next steps

23. The IASB will consider ASAF members' views when redeliberating the Exposure Draft proposals.

Rate-regulated Activities

Purpose of the session

24. The purpose of this session was to share with ASAF members:
- (a) the IASB's tentative decisions in May 2025 relating to a sweep issue identified during the drafting of the prospective IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (prospective Standard); and
 - (b) an assessment of the likely effects (costs and benefits) of the prospective Standard.

Summary of the feedback

Sweep issue and related tentative decisions

25. ASAF members generally supported the IASB's tentative decisions to remove the minimum interest rate requirements and to include additional disclosure requirements. Some ASAF members shared further views on the tentative decisions:
- (a) the AcSB, ANC and AASB/XRB representatives said the IASB's tentative decisions would reduce complexity while maintaining the usefulness of information through the additional disclosure requirements;
 - (b) the AOSSG representative said that some AOSSG members question whether the benefits of the additional disclosures would justify their costs; and
 - (c) the PAFA and AASB/XRB representatives said that it is difficult to assess whether the additional disclosure requirements achieve an appropriate

balance between costs and benefits without seeing the full set of disclosure requirements.

Assessment of the expected benefits and costs of the prospective Standard

26. In assessing the expected costs and benefits (effects) of the prospective Standard, ASAF members shared the following views:

- (a) the UKEB representative expressed significant concerns about the effects analysis. In this representative's view, the assessment of the likely effects does not properly consider or quantify the effect of the 'direct (no direct) relationship' concept on UK-regulated entities. The UKEB representative noted that UK entities' regulatory capital bases do not have a direct relationship with their property, plant and equipment. Consequently, many UK entities would have significant unrecognised regulatory assets and regulatory liabilities under the 'direct (no direct) relationship' concept. The UKEB have estimated that unrecognised regulatory assets would represent approximately 5.6% of total assets and unrecognised regulatory liabilities would represent 1.6% of total liabilities. The vice-chair of the IASB said the IASB would be interested in further discussions with the UKEB on their quantitative analysis, because feedback from stakeholders suggests that quantifying unrecognised regulatory assets and regulatory liabilities is very difficult.
- (b) the AOSSG representative raised concerns about the potential costs of the disclosure requirements.

27. Some ASAF members made comments about the clarity of the prospective Standard:

- (a) the GLASS representative expressed concern over low preparer engagement with the project, which may suggest that preparers do not fully understand the costs and implications of the prospective Standard.
- (b) the OIC representative reported that stakeholders in his jurisdiction still struggle to determine whether there is a direct relationship between their

regulatory capital base and their property, plant and equipment, noting that this is complicated by recent changes in regulation. The representative highlighted the importance of clear guidance in and drafting of the prospective Standard.

- (c) the ARD representative urged the IASB to clearly define the scope of the prospective Standard.
- (d) the AOSSG representative stressed the importance of education to help both preparers and users understand the Standard.
- (e) the EFRAG representative suggested it might be helpful, once the Standard is issued, to create a transition resource group to discuss issues such as the 'direct (no direct) relationship' concept.

28. A few ASAF members made other comments regarding the issuance of the prospective Standard:

- (a) the UKEB representative:
 - (i) said that prohibiting recognition of some regulatory assets and regulatory liabilities for entities with no direct relationship would harm international comparability and increase reliance on alternative performance measures. They also said that this prohibition ignores the economic substance of the regulatory arrangements in the UK;
 - (ii) suggested the IASB further consider the UKEB's top-down approach;
 - (iii) reiterated their view that the decision not to re-expose is a breach of the IASB's due process.
- (b) the AOSSG representative also said that a few AOSSG members think the IASB should consider re-exposing the significant changes introduced during redeliberations.
- (c) the EFRAG representative said European constituents are generally supportive of the prospective Standard and would not support re-exposure because it would delay the issuance of the prospective Standard.

Next steps

29. The IASB will consider comments made by ASAF members as it continues balloting.

AcSB's research project on Segments

30. The AcSB representative presented the results of the AcSB's staff research on the application of IFRS 8 *Operating Segments* in Canada, including a summary of feedback from Canadian users, preparers and auditors of financial statements. The AcSB representative said the research considered whether the root cause of segment reporting difficulties relates to the requirements in IFRS 8, inappropriate application of IFRS 8, or both.
31. While the feedback suggested that some stakeholders in Canada generally view IFRS 8, and the management approach to segment reporting, as working effectively, it also identified stakeholder concerns and suggestions for improvement. For example:
- (a) users of financial statements suggested that additional information beyond information reviewed by the Chief Operating Decision Maker should be considered by preparers when identifying operating segments;
 - (b) users of financial statements asked for more focus on disaggregation of segment information, additional disclosure about segments by geography and longer-term trend information when reported segments change; and
 - (c) preparers and auditors said additional guidance would be helpful to guide management's judgements about disclosure of changes in segments, segment measures and line items by segment.
32. Some ASAF members and IASB representatives asked clarifying questions and shared their perspectives. For example:
- (a) the FASB representative commented on recent changes to segment reporting requirements in the US;

- (b) the ARD representative asked about the degree of alignment between information about reportable segments provided in the financial statements and in other sources, such as management commentary; and
 - (c) the ANC representative asked whether application of IFRS 18 *Presentation and Disclosure in Financial Statements* could improve application of IFRS 8.
33. An IASB representative suggested further areas of research for ASAF members, including:
- (a) whether there are areas of best practice in application of IFRS 8 that are common across jurisdictions and industries;
 - (b) whether there is coherence of segment information disclosed when considering requirements across IFRS Accounting Standards, including those in IFRS 8, IFRS 18 and IFRS 15 *Revenue from Contracts with Customers*; and
 - (c) whether there are common examples of segment information for which preparers of financial statements have concerns about commercial sensitivity.

Hyperinflation

34. PAFA and GLASS representatives presented challenges and concerns about the application of IAS 29 *Financial Reporting in Hyperinflationary Economies*.
35. The presentation of the PAFA representatives covered:
- (a) concerns about the judgement required to determine when an economy becomes hyperinflationary;
 - (b) questions about the reliability and usefulness of information resulting from restating financial statements in accordance with IAS 29; and
 - (c) the effect on the results—for a parent whose functional currency is the currency of a non-hyperinflationary economy—of consolidating a

subsidiary—whose functional currency is the currency of a hyperinflationary economy.

36. The GLASS representative presented preparer and user insights from Argentinian stakeholders' experiences with applying IAS 29. The representative said high-inflation and hyperinflationary environments require tailored, proportional responses from standard-setters.
37. Other ASAF members provided input and shared their experiences on these topics. ASAF members that commented on the topic generally said the matters presented were worthy of consideration.

Business Combinations—Disclosures, Goodwill and Impairment

Purpose of the session

38. The purpose of the session was to seek ASAF members' views on potential alternative approaches for identifying the subset of business combinations for which performance information would be required. ASAF members were asked for their views on:
 - (a) a rebuttable-presumption approach for identifying this subset; and
 - (b) the necessity of the proposed operating profit threshold as part of identifying the subset.

Rebuttable presumption approach

Costs and benefits

39. The AASB/XRB, AcSB, AOSSG, ARD, ASBJ, ASCG, EFRAG, FASB, GLASS, OIC, PAFA, SOCPA and UKEB representatives supported a rebuttable-presumption approach. They said it would help to address issues with the threshold approach inappropriately capturing business combinations.
40. The ANC representative said stakeholders in his jurisdictions would prefer an indicator-based approach.

41. The AcSB and SOCPA representatives said that it is important to get the right principle for a rebuttable-presumption approach to work.

Principles or basis for rebutting the presumption

42. Members discussed possible principle(s) for identifying the most important business combinations which could be used as bases for rebuttal. The agenda papers suggested two possible principles—business combinations:
- (a) for which failure to meet any one of an entity's acquisition-date key objectives would put the entity at serious risk of failing to achieve its overall business strategy; or
 - (b) for which success is essential for the advancement or achievement of an entity's overall business strategy.
43. ASAF members had mixed views on whether to use one of the suggested principles and if so, which one:
- (a) the ARD and PAFA representatives said either of the suggested principles could work;
 - (b) the EFRAG representative said the principle set out in paragraph 42(b) might be more aligned with how management regard business combinations;
 - (c) the UKEB representative preferred the principle set out in paragraph 42(a) because it better reflects investors' need for information and the AASB/XRB member said it would be more practical to apply;
 - (d) the AOSSG representative said there was no substantial difference between the two principles; and
 - (e) the AcSB and FASB representatives said that both suggested principles may not be practical to apply but did not provide alternative suggestions;
 - (f) the AASB/ XRB representative said the principle set out in paragraph 42(b) could be a challenge to apply and audit;

- (g) the SOCPA representative said it would be necessary to provide examples to help stakeholders understand and apply the rebuttable presumption.

Business combinations not meeting thresholds

44. ASAF members had mixed views on whether, in a rebuttable presumption approach, entities should also be required to consider whether to rebut the presumption that performance information is not required for business combinations that do not meet the thresholds (a two-way rebuttable presumption approach):
- (a) the GLASS, SOCPA and UKEB representatives supported such an approach because it is more principle-based. The UKEB member said that this approach could also help capture a series of business combinations undertaken for a single strategic objective.
 - (b) the ARD, ASBJ, and FASB representatives did not support such an approach because it would be difficult and costly to apply.
 - (c) the AASB/XRB and EFRAG representatives said stakeholders in their jurisdictions had split views.

Disclosing the fact and reason for rebuttal

45. ASAF members had mixed views on whether to require an entity disclose the fact of, and reason for, any rebuttal:
- (a) the AASB/XRB, FASB, SOCPA and UKEB representatives supported requiring an entity to disclose the fact of, and reason for, any rebuttal. The FASB representative said that even though the information disclosed might take the form of boilerplate text, the disclosure would instil market and regulatory discipline.
 - (b) the AcSB and GLASS representatives did not support requiring an entity to disclose the fact of, and reason for, any rebuttal, because such disclosures could take the form of boilerplate text and could conflict with how management portrayed the business combinations outside financial statements. The AcSB representative supported requiring disclosure of the

fact but not the reason for any rebuttal, because disclosure of the reason would take the form of boilerplate text and because there is no precedent for it in other IFRS Accounting Standards that have a rebuttable-presumption approach.

- (c) the AOSSG and EFRAG representatives said stakeholders in their jurisdictions are split on whether to require an entity disclose the fact and reason for rebuttal.

Operating profit threshold

- 46. The AASB/XRB, AcSB, ANC, AOSSG, ARD, ASBJ, EFRAG, FASB, OIC, PAFA, and UKEB representatives supported removing the operating profit threshold because:
 - (a) an entity's operating profit can be volatile and the threshold could inappropriately capture business combinations that are not important.
 - (b) most business combinations captured by the operating profit threshold that are important to users would be captured by the revenue or asset thresholds.
 - (c) the AASB/XRB and ACSG representatives said the operating profit threshold could capture an acquisition of a high-margin business by an asset-intensive business. Representatives said this could also be captured by a two-way rebuttable presumption approach (AcSB and ACSG) or by qualitative thresholds (AASB/XRB).
- 47. The GLASS representative said the operating profit threshold should apply only to entities with stable operating profit margins, but the OIC representative said this would make the proposals more complex.
- 48. The SOCPA representative supported retaining the operating profit threshold in combination with a rebuttable presumption approach. However, the FASB and UKEB representatives said the operating profit threshold should be removed to avoid entities needing to frequently rebut the presumption, incurring unnecessary costs.

49. The FASB representative said an operating profit threshold could be suitable in some industries, but the AASB/XRB and UKEB representatives disagreed with including a threshold only suitable to some industries.

Other comments

50. The OIC representative suggested a different way to apply the rebuttable presumption approach. That representative suggested applying the principle to identify the business combinations first before using the thresholds to exclude business combinations that do not meet the thresholds. However, the AASB/ XRB representative said having the thresholds as a starting point would be more practical.
51. The AASB/XRB, ANC, AOSSG, ARD, FASB and PAFA representatives said the proposal to set the quantitative thresholds at 10 per cent would be too low and would capture too many business combinations. Some ASAF members suggested raising the threshold to 20 per cent or 30 per cent.
52. The AcSB, ASBJ, ASCG, EFRAG and OIC representatives highlighted their concerns about requiring entities to disclose performance and expected synergy information in financial statements.
53. The EFRAG and OIC representatives said the IASB's proposals would put entities applying IFRS Accounting Standards at a competitive disadvantage to entities that apply other accounting standards.

Next steps

54. The IASB will consider the feedback from ASAF members when it redeliberates its proposals at a future IASB meeting.

Agenda planning and feedback from previous ASAF meetings

55. In this session ASAF members discussed topics for the next ASAF meeting, which is scheduled for 2 October 2025. Participants agreed the meeting should include discussion of projects on Intangible Assets, Statement of Cash Flows and Related Matters and Equity Method.