IFRS Accounting

Meeting summary

Accounting Standards Advisory Forum

Date **24–25 March 2025**

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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)
Americas	Canadian Accounting Standards Board (AcSB) Financial Accounting Standards Board, USA (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 via videoconference for all (FASB, SOCPA) or some (AOSSG, GLASS) sessions.

Equity Method

Purpose of the session

1. The purpose of this session was:

   (a) to provide ASAF members with an overview of the feedback on the Exposure Draft *Equity Method of Accounting—IAS 28* Investments in Associates and Joint Ventures *(revised 202x)*; and

   (b) to seek ASAF members' views on the project's next stage (the project direction).

2. ASAF members were asked for views on:

   (a) the project objective;

   (b) the project approach;

   (c) a list of topics for further analysis, which include:

      (i) changes in an investor's ownership interest;

      (ii) recognition of the investor's share of losses (share of profit or loss and share of other comprehensive income); and

      (iii) subsidiaries accounted for using the equity method in separate financial statements.

Summary of the feedback

Project objective and project scope

3. The ASBJ representative expressed concern about the direction of the project. In their opinion, without a discussion on whether the equity method is a consolidation or a measurement basis, the proposals lack a conceptual basis. The ASCG representative said the project missed an opportunity to discuss the equity method at a fundamental level.

4. Other ASAF members agreed with the IASB retaining the project objective to reduce diversity in practice by solving application questions. These ASAF members also said the project would improve the understandability and comparability of financial

statements. Some ASAF members said a fundamental review of the equity method could be considered in the next agenda consultation.

5. The AASB/XRB, AcSB, ANC and OIC representatives suggested the IASB explain in more detail the underlying principles of each proposal in the Exposure Draft, especially for proposals that would amend the requirements in IAS 28 *Investments in Associates and Joint Ventures*. The EFRAG representative asked the IASB to clarify what it would mean to examine the overall cohesiveness of the proposals.

6. The UKEB and PAFA representatives said the amendments to IAS 28 should be principles-based and not introduce a set of rules.

7. The FASB representative noted the FASB has included the equity method in their Agenda Consultation and their stakeholders have shown interests in applying the financial instruments requirements to investments in associates and joint ventures.

Feedback on key topics

8. The AASB/XRB, AcSB, AOSSG and PAFA representatives supported the conceptual basis of the proposal related to purchases of additional ownership interests. However, they raised concerns about practical implementation challenges and related costs, particularly for frequent transactions or complex group structures. The AcSB representative said that providing simplifications for measuring the insignificant purchase of additional ownership interests would add more complexity to applying the proposed requirements.

9. In relation to the proposal related to other changes in ownership interests, the EFRAG representative noted that some multinationals have many associates in several jurisdictions and therefore tracking the capital transactions of those associates is burdensome.

10. The ARD representative reiterated their concerns, originally raised in a comment letter, on the proposals in the Exposure Draft:

    (a) not to require an entity to offset bargain purchase gains against goodwill included in the carrying amount of the investment when purchasing an additional ownership interest;

(b) to require an entity to recognise other changes in its ownership interest in profit and loss; and

(c) to recognise any losses not recognised as a “catch up” adjustment when purchasing an additional ownership interest.

Additional comments

11. The EFRAG and OIC representatives asked to clarify what it would mean to have a ‘high hurdle’ to add more application questions to the scope of the project.

12. The PAFA representative said IAS 27 *Separate Financial Statements* and IAS 28 do not define ‘cost’ and asked the IASB to provide more clarity on what items are included in cost.

13. The ASBJ and ARD representatives disagreed with the proposal to require entities to recognise gains and losses from transactions with associates and joint ventures in full. In their view the proposal introduces the risk of earnings management if transactions with associates or joint ventures are not completed at arm's-length prices. These ASAF members also said that the proposed disclosure requirements would not adequately address their concerns.

14. In a discussion about the proposal to remove ‘significant or prolonged decline in fair value’ as a criterion for assessing impairment:

(a) the PAFA representative agreed with the proposal as a way to ensure consistency with IAS 36 *Impairment of Assets*;

(b) the AcSB and AASB/XRB representatives agreed with the proposal and suggested that the IASB clarify the removal is not meant to mark investments down to market prices; and

(c) the ARD representative disagreed with the proposal because it could result in more frequent impairment testing.

15. The AASB/XRB, ANC and SOCPA representatives suggested the IASB consider some issues not addressed in the Exposure Draft, including:

(a) the definition of ‘significant influence’;

(b) cross-holdings;

(c) acquisition-related costs;

(d) other fact patterns in changes of ownership interest, such as an associate's subsidiary issuing shares to a third party or multiple ownership changes occur simultaneously, for example, increased interest through the issue of additional shares and simultaneous dilution; and

(e) a common control exemption.

16. The OIC representative said the IASB should consider requirements for step-up acquisitions and loss of control in separate financial statements, in relation to subsidiaries accounted for under the equity method or at cost in separate financial statements.

Next steps

17. The IASB will discuss the feedback from ASAF members at its May 2025 meeting.

Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard

Purpose of the session

18. The purpose of the session was to provide ASAF members with an overview of the second comprehensive review of the *IFRS for SMEs* Accounting Standard (the Standard), including the major changes to the Standard.

Summary of the feedback

19. ASAF members welcomed the third edition of the Standard. However:

(a) some ASAF members said they would have liked to have seen more topics added to the Standard, such as cryptocurrency;

(b) the GLASS representative said it was disappointing that the Standard continues not to permit capitalisation of development and borrowing costs; and

(c) several ASAF members praised the IASB's decision not to align the Standard with IFRS 16 *Leases* at this time.

20. The AcSB representative asked whether the IASB had considered making more frequent amendments to the Standard, highlighting the 10 years that passed between the second and third editions. However, a few other ASAF members believed the importance of maintaining the existing stable platform for SMEs in making changes to the Standard. The Chair observed that the stability of the Standard is particularly important to SMEs and another IASB member reminded participants that the SME Implementation Group can issue Q&As to answer questions about the Standard as they arise. Another IASB member also drew ASAF members' attention to the Pillar Two amendments to the Standard, which were issued outside the normal comprehensive review cycle.

21. ASAF members expressed appreciation for the education modules and other supporting materials the IASB is producing.

Next steps

22. The IASB will continue to produce podcasts and webcasts to support implementation of the Standard and will update the educational modules beginning in the second quarter of 2025.

Intangible Assets

Purpose of the session

23. The purpose of the session was to provide an update on IASB research and outreach activities since April 2024 and to obtain ASAF members' strategic advice on the project direction before the IASB makes further decisions on the project.

Summary of the feedback

Strategic advice on the project direction

24. The AOSSG, EFRAG, GLASS and UKEB representatives suggested that the Intangible Assets project adopt a principles-based approach, emphasising the importance of laying out clear and consistent principles for accounting for intangibles.

25. The AOSSG, EFRAG, OIC and UKEB representatives advised the IASB to be ambitious in the project. The UKEB representative encouraged the IASB to use the project as an opportunity to comprehensively review the fundamental principles of IAS 38 *Intangible Assets*.

26. ASAF members' views on the starting point for the project varied. During the discussion:

    (a) the AOSSG representative suggested starting with overarching principles and using test cases to test the principles.

    (b) the AASB/XRB and EFRAG representatives suggested starting with exploring the definition of an 'intangible asset'.

    (c) the AcSB representative suggested starting with improving disclosure requirements, arguing that the benefits of improved information for users of financial statements (users) would outweigh the costs of several possible changes to requirements for preparers. However, some ASAF members argued that improving disclosures should not be used as a replacement for reviewing the definition, recognition and measurement. The EFRAG and UKEB representatives warned against assuming disclosure would be a quick and easy solution.

27. During the discussion of how to balance the needs for timely improvements and a comprehensive review:

    (a) the AOSSG, EFRAG, GLASS, OIC and UKEB representatives said that, although it would be challenging, the project should provide improved requirements in a timely manner.

(b) the AcSB and ARD representatives said high-priority topics with stakeholder consensus should be advanced first. The AcSB representative argued the project will be lengthy, so starting with disclosure topics could address users' needs sooner and highlight which topics can be omitted.

(c) the AOSSG, FASB, GLASS and OIC representatives suggested focusing on users' needs and highlighted the importance of prioritising understanding what information users find useful for decision-making.

(d) the UKEB representative said doing piecemeal standard-setting would not be quick or easy and suggested the IASB omit peripheral issues and consider concentrating resources to accelerate progress.

(e) the AOSSG representative suggested the IASB should develop new processes for agile standard-setting.

28. The AcSB, AOSSG, ASBJ and ASCG representatives said it is important to have a clear boundary between financial statements and other reports to determine the appropriate location for the intangibles-related information and therefore what this project should address.

Possible objectives of the project

29. The AcSB and ASCG representatives said IASB's role is not to bridge a gap between book value and market value. The AASB/XRB representative said that, although general purpose financial reports are not designed to show the value of a reporting entity, larger gaps can potentially reduce the relevance of information in the financial statements.

30. The ASBJ and OIC representatives agreed modernising IAS 38 could be an objective of the Intangible Assets project. The AcSB representative raised a concern about stating 'modernisation' as a project objective, arguing that the meaning of the term and the extent of intended changes are unclear.

Scope topics

31. The ASCG, GLASS and OIC representatives opposed expanding the scope of intangible assets covered by IAS 38.

32. ASAF members expressed mixed views on exploring accounting for cryptocurrencies and carbon credits. During the discussion:

    (a) the ASBJ, EFRAG, GLASS and OIC representatives agreed with exploring accounting for cryptocurrencies as part of the Intangible Assets project.

    (b) the ARD representative suggested cryptocurrencies and carbon credits should be addressed in a separate project because these assets are highly dependent on local regulations and have a different nature than other intangible assets. The ANC representative said the IASB should address carbon credits separately, arguing that the accounting matters related to carbon credits are broader than those for intangibles assets held for investing. The AOSSG representative said it would be inappropriate for the IASB to address pollutant price mechanisms because governments tend to use them as a policy instrument.

Subject area topics

33. Many ASAF members supported exploring the definition of an ‘intangible asset’ and addressing application matters related to newer intangible assets. The ASBJ representative suggested the IASB consider replacing the term ‘intangible asset’ with another term to reflect the economic substance of these items, noting that a focus on physical form is becoming outdated.

34. The AOSSG and SOCPA representatives suggested the IASB explore accounting for internally generated intangible assets. The FASB representative said the FASB’s stakeholder feedback shows stakeholders have no desire to look at broader recognition, but they did raise questions about the difference between requirements for intangible assets generated internally and those for acquired in a business combination. The EFRAG representative said EFRAG has not heard calls for

recognising fewer intangible assets in a business combination and are planning to explore this topic further.

35. During a discussion on measurement:

(a) the OIC representative said the IASB should retain the cost model for internally generated intangible assets in IAS 38 because of concerns about the reliability of fair value measurement; and

(b) the SOCPA representative said the IASB should address the restrictions on the revaluation model applied to intangible assets.

36. In ASAF members' discussion on improving disclosure:

(a) the EFRAG and FASB representatives said users' information needs vary by type of intangible assets and how it is used by an entity;

(b) the FASB representative highlighted challenges related to balancing costs and benefits when developing enhanced disclosure requirements; and

(c) the ANC representative highlighted stakeholders' concerns related to competitiveness and sensitive information and warned against developing requirements exceeding those in the FASB accounting standards.

Next steps

37. The IASB will consider ASAF members' views when deciding the project direction in its May 2025 meeting.

Financial Instruments with Characteristics of Equity

Purpose of the session

38. The purpose of this session was:

(a) to recap the proposals and feedback related to the presentation and disclosure sections in the Exposure Draft *Financial Instruments with Characteristics of Equity*; and

(b) to seek ASAF members' views on:

(i) the possible changes to the proposed amendments related to presentation and some disclosures in response to stakeholder feedback on the Exposure Draft; and

(ii) the timing of issuing the amendments related to presentation and some disclosures.

Summary of the feedback

Presentation of equity instruments

39. Most ASAF members agreed with Approach A, the IASB's preferred approach. This approach would require an entity to separately present profit or loss attributable to ordinary shareholders, other participating instrument holders and non-participating instrument holders of the parent, in the statement of profit or loss. They agreed Approach A would provide useful information about amounts attributable to various types of equity instrument holders and that this level of detail is useful to users.

40. Many ASAF members commented on matters related to practical implementation. During the discussion:

(a) the AcSB, AOSSG, ARD, EFRAG and UKEB representatives suggested the IASB provide definitions for 'participating instruments' and 'non-participating instruments' and additional guidance on categorising these instruments, especially for hybrid instruments with both fixed coupon and participating dividend rights;

(b) the ARD representative said stakeholders will need application guidance and/or illustrative examples on how to allocate profit or loss to various types of equity instrument holders; and

(c) the ANC, AOSSG and OIC representatives highlighted the need for field testing to evaluate the practical implications of categorising participating instruments and non-participating instruments and to assess the methods of allocating profit or loss amounts.

41. ASAF members were encouraged to contribute their suggestions for defining participating instruments and non-participating instruments and to submit examples

of complex equity instruments for the IASB to consider before finalising these amendments.

42. The ASCG representative raised concerns about applying Approach A to a consolidated entity from the group perspective, particularly regarding non-controlling interests and potential conflicts between IFRS Accounting Standards and local GAAPs in relation to subsidiaries. While acknowledging the approach's value for stand-alone entities, the ASCG representative questioned its practicability from the group perspective.

43. The AcSB representative said the proposed presentation requirements might lack relevance for some types of entities, such as credit unions that do not have ordinary shares. The AcSB representative suggested the IASB consider limiting the scope of the proposed amendments to listed entities, similar to the scope exclusion in IAS 33 *Earnings per Share*. However, the UKEB representative cautioned against this scope limitation and the focus on special cases, because it would exclude many unlisted entities that issue unusual equity instruments, such as private equity instruments. The ANC representative, who agreed with Approach A, requested the IASB provide a long enough transition period for adoption, particularly for unlisted entities.

44. The AOSSG representative suggested focusing on distributable profit, instead of profit, when attributing amounts to various types of equity instrument holders. In their view, this information might better meet users' needs and avoid the challenges and limitations of IAS 33. In addition, the ARD representative suggested the IASB consider any potential impact of IAS 33 application issues if proceeding with Approach A.

Disclosures

45. Most ASAF members agreed the suggested changes aim to reduce the costs to preparers while still meeting users' information needs. They generally appreciated the IASB's efforts to respond to stakeholders' concerns about the increased volume and complexity of disclosures.

46. However, the AOSSG representative suggested the IASB conduct field testing, because preparers would still incur costs, and provide illustrative examples for the

new disclosure requirements. The ASBJ representative questioned the extent of cost reduction and whether the level of detail provided would make the information comparable. The ARD representative concluded the changes would address stakeholders' concerns to some extent, but further simplification is needed.

47. The OIC representative asked whether the IASB will consider the applicability of the disclosures for entities within the scope of IFRS 19 *Subsidiaries without Public Accountability: Disclosures.* In their view, further simplification of the disclosure requirements would be necessary for those subsidiaries.

Terms and conditions

48. The AOSSG representative expressed concerns that the proposed disclosure requirements would result in significant costs for preparers. The AOSSG representative said aggregating by class is difficult because terms and conditions vary by instrument and entities might have to provide an instrument-by-instrument disclosure.

49. The AASB/XRB representative suggested the IASB provide application guidance explaining the proposed disclosure could be provided by class of instruments that share similar characteristics because this clarification would help reduce the disclosure overload.

Nature and priority of claims

50. The EFRAG, OIC and UKEB representatives supported the suggested changes to the proposed disclosure requirements, including moving the focus away from liquidation. The representatives said those changes would reduce concerns about the difficulties of preparing information for a consolidated entity with subsidiaries operating in more than one jurisdiction. However, the AcSB representative said users in their jurisdiction commented that information about priority is still important to them because they want to understand their positions as claimants, especially when making investment decisions.

51. Many ASAF members asked for further clarification on the suggested changes to the proposed disclosure requirements. Specifically:

(a) the AcSB, ASBJ, EFRAG, FASB, OIC and UKEB representatives asked what ‘changing the focus away from liquidation’ means and what information would be disclosed;

(b) the AASB/XRB, AOSSG and ARD representatives asked the IASB to define ‘equity instruments issued for the raising of finance’ as part of clarifying the scope of this disclosure, in order to reduce potential diversity in practice; and

(c) the AOSSG representative asked whether information about claims would include potential changes in priority due to regulatory requirements.

52. The GLASS representative suggested the IASB withdraw the proposed disclosure requirements for the nature and priority of claims because of the practical difficulties in providing the information for groups operating in more than one jurisdiction with varying regulations or for those with many financial instruments.

Potential dilution of ordinary shares

53. The AcSB and AOSSG representatives said users in their jurisdictions are in favour of the proposed disclosure requirements. The ARD representative commented that it would be useful for entities to present a worst-case scenario despite the difficulties in producing this information. In addition, the AcSB representative commented that users in their jurisdiction fully understand the differences between the disclosures required by IAS 33 and this proposed disclosure.

54. The AOSSG representative said it would be helpful if entities are required to disclose information that would enable users to understand the probability of conversion. The AOSSG representative concluded some financial instruments are not likely to be converted into ordinary shares unless specified events occur (for example, insolvency) or unless management has no intention to redeem those instruments. In their view, it might not be useful to include these instruments in the disclosure without providing information about the probability of conversion.

Timing of issuing the amendments

55. The ANC, AOSSG, ARD, OIC and UKEB representatives agreed the IASB should not expedite the issuance of the amendments related to presentation and disclosures before issuing the amendments related to classification and other disclosures. These ASAF members said the IASB needs time to develop application guidance and to clarify some aspects of the proposed requirements. In addition, they said preparers and users should also be given enough time to fully understand and implement the amendments.

56. The AASB/XRB representative supported issuing the proposed amendments related to presentation and some disclosures on a stand-alone basis, but suggested a later effective date than that of IFRS 18 *Presentation and Disclosure in Financial Statements* to allow entities enough time to implement the IFRS 18 requirements before focusing on these amendments.

57. Similarly, the AcSB representative said it would benefit users if the IASB were to require entities to provide information related to the proposed presentation and disclosure requirements earlier. In their view, the IASB might need additional time to consider the amendments related to classification, and the possibility of a change in classification of some financial instruments or duplication of efforts is a risk worth taking to give users better information sooner.

58. The EFRAG representative suggested the IASB expedite the issuance of the proposed amendments related to presentation and disclosures. In their view, these amendments are easier to agree on than other topics such as the ‘effects of relevant laws or regulations’ and ‘obligations to purchase own equity instruments’, about which stakeholders held various views on what the solution should be.

59. However, the AOSSG representative said the IASB should not rush to issue these amendments. In their view, it could be misleading for entities to disclose information based on the current classification, which could change later due to the classification amendments even though the instrument itself did not change.

60. The ANC representative said it would be useful to see an overall update of the project timeline because presentation and disclosures are just two elements of this

project and the expected timing of finalising the overall project could affect their view on whether the IASB should issue the amendments related to presentation and disclosures earlier.

Next steps

61. The IASB will consider the feedback from ASAF members before making decisions on the proposed presentation and disclosure requirements.

Due Process Handbook Review

Purpose of the session

62. The purpose of this session was:

    (a) to provide ASAF members with an overview of the key proposals in the Exposure Draft *Proposed Amendments to the IFRS Foundation* Due Process Handbook; and

    (b) to ask ASAF members for their views on the proposals.

Summary of the feedback

63. ASAF members agreed with the main aim of the proposed amendments, which is to include the International Sustainability Standards Board (ISSB) within the *Due Process Handbook*. During the discussion:

    (a) the UKEB representative said the IASB and ISSB should be developing Standards that connect rather than merely being complementary;

    (b) the GLASS, PAFA and UKEB representatives said the SASB Standards' due process should be as robust as the boards' standard-setting due process, noting that the SASB Standards Board Adviser Group meet in private; and

    (c) the AOSSG and OIC representatives said that there should be the equivalent of the IFRS Interpretations Committee for the ISSB.

64. ASAF members raised several points related to the due process for the Interpretations Committee. The GLASS representative cautioned against addressing

questions raised by a single entity and suggested submissions should be accepted from national standard-setters only. The ASCG representative said it would be useful if agenda decisions had an effective date and a due process for revoking them.

65. The ANC and PAFA representatives welcomed the clarification of the meaning of the 'widespread effect' criterion the Interpretations Committee applies in assessing a submission. They suggested treating the two components of widespread effect (prevalence and diversity) as separate criteria.

66. When discussing the due process for post-implementation reviews (PIRs):

(a) the EFRAG representative said EFRAG's stakeholders expressed confusion about when they could raise application questions. The AASB/XRB representative said that their stakeholders also expressed frustration about the outcome of recent PIRs, in that the application challenges raised do not seem to get addressed.

(b) there was broad agreement that starting a PIR two years after a Standard is issued is sub-optimal, but they agreed that some indication of when the process would be expected to start and the latest by which it would be started (that is, a backstop) is necessary. ASAF members suggested it could be difficult to determine an appropriate backstop date because the later the start date, the greater the cost of disruption from any actions arising from a PIR.

(c) the AcSB representative said the objective of a PIR had been clarified in the proposed amendments, but it remained unsatisfactory. That representative encouraged the Due Process Oversight Committee (DPOC) of the Trustees of the IFRS Foundation to adopt the FASB's approach and suggested greater use of transition resource groups could be helpful in addressing application questions.

(d) the ASBJ representative thought the proposed changes introduce a vagueness as to when a board should start a PIR. Instead, the representative argued a requirement should specify the latest date at which the process should start.

67. The AASB/XRB representative said the DPOC should clarify the scope of what could be included in the minor improvements process and the ASBJ representative said the comment period of 90 days for such proposed amendments should be longer due to translation needs.

68. ASAF members discussed other proposed amendments in the *Due Process Handbook.* During the discussion:

   (a) the EFRAG and OIC representatives suggested the DPOC increase the voting threshold to remove a project from a board's work plan from a simple majority to a supermajority;

   (b) the PAFA representative suggested the use of the term 'general purpose financial reports', introduced to cover the work of both boards, could cause confusion because it is too closely related to 'general purpose financial statements';

   (c) the UKEB representative said there would be concern if stakeholders used surveys instead of comment letters;

   (d) the EFRAG representative suggested comment periods should be longer if field testing is required; and

   (e) the ASCG representative suggested the DPOC review the use of the term 'guidance' in the *Due Process Handbook* because it is used in the context of both materials that accompany a Standard (application guidance) and other supporting materials (such as interoperability guidance).

Next steps

69. The DPOC will consider feedback with an aim to publish the revised *Due Process Handbook* in the second half of 2025.

Statement of Cash Flows and Related Matters

Purpose of the session

70. The purpose of this session was:

(a) to provide ASAF members with a summary of the IASB’s initial research activities for the Statement of Cash Flows and Related Matters project; and

(b) to seek ASAF members' views regarding those initial research findings, including:

   (i) the topics identified as stakeholder priorities;

   (ii) the topics that should be assessed together because of their interconnected nature; and

   (iii) any comments on the factors the IASB will consider in deciding the next steps for the project.

Summary of the feedback

71. Most ASAF members generally agreed with the identified stakeholder priorities and acknowledged the connections between the topics on the statement of cash flows and related disclosures. ASAF members researching the statement of cash flows and related matters said the IASB’s research findings were mostly consistent with the stakeholder feedback from their jurisdictions and provided insights regarding their research findings and observations.

Requirements for classifying cash flows

72. The UKEB representative said entities generally prepare the statement of cash flows within a limited period, sometimes just before the financial statement audit. In such cases, the statement of cash flows does not receive the necessary focus and attention, which results in a disconnect from the other primary financial statements. Even though entities do present the information, users struggle to locate it because cash flow information is scattered. Additionally, users find it challenging to reconcile the statement of cash flows with other primary financial statements or notes to the financial statements. Therefore, users suggest better cross-referencing to improve clarity and accessibility of information.

73. The ANC, ARD, ASCG and OIC representatives reported diversity in practice in classifying some transactions, such as foreign exchange, reverse factoring of trade

receivables and supplier finance arrangements. These representatives and the AOSSG representative suggested the IASB produce educational materials and application guidance to aid consistent classification of cash flows. The AcSB representative stated classification was not a priority issue for users in their jurisdiction.

74. The ANC, AOSSG, ARD, OIC and PAFA representatives suggested the IASB consider greater alignment between the statement of cash flows and the statement of profit and loss in line with the requirements of IFRS 18. However, the ASCG representative said it would be necessary to understand the extent to which comparability should be considered between the statements when seeking alignment, due to differences in the nature and purpose of the two statements.

Disaggregation of cash flow information

75. The UKEB representative said disaggregation of cash flow information—in particular more disaggregated information on mergers and acquisitions—is generally a priority issue for users in their jurisdiction. The ASCG representative said some users highlighted the importance of cash flow information by segments. The AcSB representative said it would be useful to understand the improvements to the statement of cash flows that result from the application of new requirements in IFRS 18 on aggregation and disaggregation of information.

76. ASAF members expressed mixed views about disaggregating capital expenditure between growth and maintenance. The AASB/XRB, ARD, ASCG and PAFA representatives said this disaggregation was a priority issue for users. However, the AcSB, AOSSG and ANC representatives said providing a common definition for growth and maintenance capital expenditure would be difficult. Those representatives suggested applying an approach similar to management-defined performance measures in IFRS 18. The EFRAG representative suggested requiring entities to disclose more detailed information on capital expenditures to allow users to make their own judgements.

Definition of cash and cash equivalents

77. The AASB/XRB, ANC, AOSSG, ARD, ASCG, GLASS, EFRAG and PAFA representatives said stakeholders in their jurisdictions said it is important to have more clarity on the definition of ‘cash and cash equivalents’, specifically application of the 90-day threshold in identifying cash equivalents. The ASCG and SOCPA representatives requested the IASB provide more guidance on digital currencies. However, the AcSB and UKEB representatives said users in their jurisdictions were not particularly concerned about the definition of cash and cash equivalents.

Effects of non-cash transactions

78. The ANC, ASCG and UKEB representatives said the effects of non-cash transactions is a priority issue to their stakeholders, particularly information about non-cash transactions economically similar to cash transactions.

Method of reporting operating cash flows

79. The AcSB, ANC and UKEB representatives said their stakeholders prefer the indirect method for reporting operating cash flows compared to the direct method because it provides the linkage between the statement of cash flows and the statement of profit and loss. The PAFA representative said both direct and indirect methods are used in their jurisdiction and reported no major issue in relation to this topic. The AcSB representative highlighted that users are generally satisfied with the method of reporting of operating cash flows and do not necessarily expect changes to that method.

Information about commonly used cash flow measures

80. The AcSB, FASB and UKEB representatives said information about ‘free cash flow’ is a high-priority topic for their stakeholders. Many users said that having more transparent information is important for their own computations. The ASCG and SOCPA representatives suggested the IASB require disclosure of an additional subtotal similar to free cash flow in the statement of cash flows and to apply an approach similar to management-defined performance measures in IFRS 18 to improve transparency.

81. The ASCG and UKEB representatives said users in their jurisdictions wanted information about how entities define and reconcile net debt.

Statement of cash flows for financial institutions

82. The AASB/XRB and ANC representatives said the statement of cash flows has limited use for financial institutions. The AOSSG representative highlighted the importance of completing more research before scoping out the requirement for preparing a statement of cash flows for financial institutions, while the GLASS representative recommended the IASB consider requiring alternatives to the statement of cash flows for such institutions before removing the requirement.

Project approach and scope

83. Some ASAF members discussed whether the project should be split into separate components or maintained as one comprehensive project. The ASBJ representative suggested the IASB consider splitting the project if complex topics were delaying progress on simpler issues. However, the AcSB, EFRAG, FASB and UKEB representatives preferred a holistic approach due to the interconnected nature of the topics. The FASB representative noted their stakeholders prefer changes to be made together to minimise the implementation costs.

84. These ASAF members suggested that stakeholder needs for an improved statement of cash flows and related disclosures might be satisfied by implementing targeted improvements instead of making fundamental changes.

Next steps

85. The IASB will consider the feedback from ASAF members and other stakeholders in deciding the project plan.

Post-implementation Review of IFRS 16 *Leases*

Purpose of the session

86. The purpose of this session was to provide an update on the project on the Post-implementation Review (PIR) of IFRS 16 *Leases*, including a summary of the IASB's tentative decisions from its March 2025 meeting.

87. At that meeting the IASB discussed which matters to include in a Request for Information (RFI) based on stakeholder feedback and other information gathered in the first phase of the project.

Summary of the feedback

88. The AASB/XRB, ANC, GLASS, OIC and SOCPA representatives generally agreed with the IASB's tentative decisions on which matters to include in the RFI.

89. Some ASAF members highlighted matters they thought important to ask stakeholders about that the IASB had tentatively decided against including in the RFI. These matters included:

    (a) distinguishing a lease from an in-substance purchase (raised by the ANC and EFRAG representatives);

    (b) applying IFRS 16 with IAS 36 *Impairment of Assets* (raised by the EFRAG representative); and

    (c) identifying leases, accounting for leases with non-cash consideration and eliminating intragroup leases (raised by the ARD representative).

90. The FASB representative said one of the objectives of the PIR is to identify improvements for future standard-setting. That representative said it would be helpful to understand what the IASB could have done differently when developing IFRS 16, particularly in relation to the consideration of initial and ongoing costs of applying the new requirements.

91. When providing suggestions for drafting the RFI:

(a) the EFRAG representative said it would be helpful for stakeholders if the IASB explained in the RFI the role of the IFRS Interpretations Committee in addressing application questions;

(b) the ANC representative recommended the IASB make the RFI more understandable by avoiding negative forms of words in questions (for example, avoiding 'not significantly different');

(c) the ASBJ representative expressed concerns regarding the IASB's planned approach to drafting the RFI, which is to group matters based on similar characteristics, such as ongoing costs of application of the requirements or areas that require use of judgement; and

(d) the AASB/XRB and UKEB representatives noted some preparers and users are adjusting financial information to exclude the effects of IFRS 16 and thought it would be helpful to explore why stakeholders do so.

Next steps

92. The IASB plans to publish the RFI in June 2025.

Agenda planning and feedback from previous ASAF meetings

93. In this session ASAF members discussed topics for the next in-person ASAF meeting, which is scheduled for 7–8 July 2025. Participants agreed the meeting should include discussion of projects on:

(a) Provisions—Targeted Improvements;

(b) Rate-regulated Activities;

(c) Fourth Agenda Consultation;

(d) Hyperinflation;

(e) Business Combinations—Disclosures, Goodwill and Impairment; and

(f) AcSB's research project on Segments.