IFRS Accounting

Meeting Summary

Global Preparers Forum

Date **Friday 28 March 2025**
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This document summarises a meeting of the Global Preparers Forum (GPF), a group whose members have considerable practical experience of financial reporting. The group's members are also established commentators on accounting matters in their own right, or through working with the representative bodies in which they are involved. The GPF 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

GPF members who attended the meeting.

Region	Members
Africa	Keshni Kuni*
Asia-Oceania	Lily Hu Srinath Rajanna* Kazuhiro Sakaguchi* Amrita Srikanth* Feifei Wang*
Europe	Frédéric Agnès Ian Bishop Ernesto Escarabajal Baadenhuijsen Emmanuelle Guyomard* Stephen Morris* Stefan Salentin* Nico Wegmann
The Americas	Jeff Davidson* Sallie Deysel Maria Alejandra Hryszkiewicz Patrick Matos* Michael Tovey*

*Remote participation via videoconference.

IASB and IFRS Interpretations Committee Update

1. The purpose of this session was to update members on the IASB's current work plan and on the March 2025 meeting of the IFRS Interpretations Committee.
2. GPF members were specifically provided with a status update on the project on Climate-related and Other Uncertainties in the Financial Statements.

Financial Instruments with Characteristics of Equity

3. The purpose of this session was:
   (a) to recap the proposals and feedback related to the presentation and disclosure sections of the Exposure Draft *Financial Instruments with Characteristics of Equity*; and
   (b) to seek members' views on:
      (i) possible changes to the proposed amendments related to presentation requirements and to some new disclosure requirements in response to the feedback; and
      (ii) the timing of issuance of these amendments described in (i).

Presentation of equity instruments

4. GPF members generally agreed with the IASB's preferred approach to presentation of equity instruments—Approach A. This approach would require an entity to present profit or loss attributable to ordinary shareholders, other participating instrument holders and non-participating instrument holders separately in the statement of profit or loss.
5. A GPF member said building on the requirements in IAS 33 *Earnings per Share* would be a sensible approach because, in this member's view, it is a good Standard that is easy to understand. The member also agreed with the IASB's focus on the income statement and on reporting the current year's results to the shareholders.
6. A GPF member observed that, in their jurisdiction, in response to requests from users of financial statements, some banks already disaggregate profit or loss attributable to the parent.

7. Another GPF member mentioned the prevalence of perpetual bonds in their jurisdiction, which, in this member's view, would fall into the category of 'non-participating equity instruments'. The member said Approach A was preferable because it would require profit or loss attributable to non-participating instruments to be presented separately from profit or loss attributable to ordinary shareholders. This separate presentation would enhance the accuracy of entity valuations that are based on earnings multiples and reduce the need to remind users of financial statements not to include profit attributable to these bond holders (bond interest) in earnings measures used for ordinary share valuation purposes.
8. A few GPF members said the proposed presentation requirements would mainly affect entities with complex capital structures and would not affect those with only ordinary shares.
9. A GPF member asked whether profit allocated to other participating instruments would be objectively determinable or require estimation and assumptions. The staff explained that the amount allocated to the other participating instruments would, for example, depend on their contractual terms which indicate their rights to share in profits or losses.

Disclosures

Nature and priority of claims on liquidation (including terms and conditions related to priority on liquidation)

10. A GPF member raised a concern that the scope of the disclosure related to nature and priority of claims would include trade payables, but exclude pension liabilities and lease liabilities. The member noted that these liabilities are all contractual obligations and users of financial statements might not understand why the scope of this disclosure is limited to those financial liabilities subject to the liquidity risk disclosures required by IFRS 7 *Financial Instruments: Disclosures*. The member suggested that the IASB require an entity to cross-reference the disclosures related to pension and lease liabilities in the disclosure related to nature and priority of claims to clarify that these items are not included in the latter disclosure.
11. Another GPF member agreed with this member's view, noting that excluding lease liabilities from the disclosure related to nature and priority of claims could create a

misconception that lease liabilities are not financial liabilities. The member said the proposed disclosure would be more complete if it included lease liabilities.

12. A GPF member asked whether disclosure of a description of intra-group arrangements would be required at a consolidated entity level. The staff explained that a description of intra-group arrangements such as guarantees issued by a parent over a subsidiary's liabilities to external parties would be required at a consolidated entity level because such intra-group arrangements provide useful information to users of financial statements about structural subordination.

Potential dilution of ordinary shares

13. A GPF member said the proposed disclosure would be helpful but that the IASB should avoid duplicating the requirements in IAS 33. The member also noted that an entity providing boilerplate descriptions of debt instruments that are already in the public domain would not be helpful to users of financial statements. In this member's experience, the worst-case scenario might be very unlikely or almost certain to happen, depending on the conversion price.

14. The same member suggested the IASB take a holistic approach to dilution instead of focusing on only the worst case or the basic terms and conditions. The member suggested that the IASB require an entity to disclose information about current market circumstances that could help users of financial statements to understand the likelihood of dilution and sensitivities of share prices. This information would be useful because dilution can happen unexpectedly depending on share price movements and market conditions.

Timing of issuance

15. A GPF member said it would be helpful if the IASB made the amendments related to presentation and disclosures available for early application when entities first apply IFRS 18 *Presentation and Disclosure in Financial Statements* in 2027, even if the mandatory effective dates are not aligned. The member said doing so would enable entities to make necessary changes to the statement of profit or loss only once.

16. However, the member acknowledged that preparers have more flexibility regarding possible changes to presentation and disclosure requirements than they do for

possible changes to recognition and measurement requirements. In this member's view, if the IASB has already clarified the future direction for presentation and disclosure, preparers could consider voluntarily applying the proposed requirements without contradicting currently applicable requirements in IFRS Accounting Standards.

Next step

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

Intangible Assets

17. IASB technical staff provided a brief update on the project and answered questions about:
    (a) the staff's initial thoughts on possible objectives for the project; and
    (b) the broad groups of topics the IASB could explore in the project.

Statement of Cash Flows and Related Matters

18. The purpose of this session was to seek members' views on the IASB's initial research findings, initial analysis and next steps for the project.

19. Having considered the initial research findings, most members generally agreed with the topics identified as high priority for preparers Most members also agreed with the interconnections identified between the topics on the statement of cash flows and related disclosures. Some members shared their experiences on issues related to:
    (c) classification of cash flow information;
    (d) definition of cash and cash equivalents; and
    (e) information about common cash flow measures.

20. Some members also provided feedback on disaggregation of some cash flow information, which is a priority topic for users of financial statements. .

Classification of cash flow information

21. A few members suggested that the IASB consider aligning the statement of cash flows more closely with the statement of profit and loss, in line with the requirements in IFRS 18 *Presentation and Disclosure of Financial Statements*. For example, the

IASB could consider requiring an entity to present income taxes in a separate category and to classify transactions related to property, plant and equipment and business combinations including divestments in the same category of the statement of cash flows as in the statement of profit and loss in accordance with IFRS 18. One member said that complete alignment between the two statements might not always provide users with the most useful information. For example, it might be more useful for cash flows from business combinations to be classified outside of operating activities. Another member suggested that the IASB consider requiring an entity to classify cash flows from some leasing transactions as operating activities.

Definition of cash and cash equivalents

22. Some members suggested that the IASB clarify the definition of cash and cash equivalents, due to diversity in practice regarding some instruments.

23. A few members said entities in their jurisdictions commonly use some financial instruments in the same way as cash equivalents but those financial instruments do not necessarily conform to the definition of cash and cash equivalents in accordance with IAS 7 *Statement of Cash Flows*. These members suggested that the IASB consider expanding the definition of cash and cash equivalents to capture these types of instruments.

Information about common cash flow measures

24. Some members suggested that the IASB apply an approach to ‘free cash flow’ similar to that used for management-defined performance measures in IFRS 18. These members said that providing a common definition of ‘free cash flow’ would be challenging. One member said defining ‘net debt’ and ‘working capital’ would also be challenging.

Disaggregation of cash flow information

25. Some members commented on the disaggregation of capital expenditure between growth and maintenance. These members said it would be difficult to create a single definition for growth and maintenance capital expenditure that would work for all industries and applying a definition might involve significant judgement. A few members said they understand why disclosing cash flow information by segment would be useful. However, one member said that it would be challenging for entities

to provide this information because of many assets are shared between different business units, particularly for financing cash flows. Another member said disaggregating cash flow information after a business combination transaction would be challenging because, once the transaction had been completed, subsequent cash flows would be integrated with other business activities.

Other comments

26. A few members emphasised the complexity that entities would face if they were required to implement the direct method in reporting operating cash flows. A few other members suggested the IASB provide more guidance regarding the effects of non-cash transactions such as supplier finance transactions.
27. One member asked the IASB to consider excluding financial institutions from the requirement to prepare a statement of cash flows because such a statement has limited use and is not the main source of information for users of financial institutions' financial statements.
28. One member said the IASB will need to prioritise some topics over others, given the many topics and details to consider. This member suggested that the IASB prioritise the topics that are more important to users of financial statements.

Next step

The IASB will consider feedback from GPF members and other stakeholders in deciding on the project direction.

ISSB Update

29. The purpose of this session was to update members on the ISSB's current work plan.