

Capital Markets Advisory Committee

Date **Wednesday 5 and Friday 7 November 2025**
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This document summarises discussions at the meeting of the Capital Markets Advisory Committee (CMAC), a group of nominated members with extensive practical experience in analysing financial information and who are established commentators on accounting matters in their own right or through the representative bodies with which they are involved. The CMAC 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.

CMAC members who attended the virtual meeting

Region	CMAC members
Asia-Oceania	Koei Otaki David Soh Kei Tsuchiya Ge Xiaobo
Europe	Christopher Bamberry Meghan Clark Oliver Gottlieb Jacques de Greling Kenneth Lee Matthias Meitner Thomas Rahman Diego Salvador Tony Silverman Joao Toniato Larissa van Deventer Marcel Voogd
The Americas	Enitan Adebajo Anthony Scilipoti Paulo Cezar Aragão Michael Thom

Statement of Cash Flows and Related Matters

1. The purpose of this session was to ask CMAC members for their views on:
 - (a) the presentation of cash flows from discontinued operations;
 - (b) the cash flow subtotals that might be included in the requirements for management-defined performance measures (MPMs);
 - (c) implications of discontinued operations for disclosure of free cash flow (FCF) measures; and
 - (d) disclosures related to cash flow MPM reconciliations.

Presentation of cash flows from discontinued operations

2. To facilitate the discussion, the staff illustrated three examples of the presentation of cash flows from discontinued operations:
 - (a) presentation in which each line item includes cash flows from both continuing and discontinued operations (Presentation 1);
 - (b) presentation in which each line item includes only cash flows from continuing operations, followed by net cash flow from discontinued operations within operating, investing, and financing (Presentation 2); and
 - (c) presentation in which each line item includes only cash flows from continuing operations, with net cash flows from discontinued operations presented in a separate category (Presentation 3).
3. Many CMAC members said either Presentation 2 or Presentation 3 was the most useful because they mainly analyse cash flows from continuing operations to estimate future cash flows.
4. Some members preferred Presentation 2 because:
 - (a) they find net cash flows from each activity including cash flows from discontinued operations presented in the statement of cash flows useful for comparing current with prior periods; and/or
 - (b) they see less risk of missing the amount of cash flows from discontinued operations, which would be outside of each of the operating, investing and financing categories under Presentation 3. One member said this risk might become more important as analysis tasks are further automated.
5. Other members preferred Presentation 3 because:

- (a) they find it easier to remove the information about cash flows from discontinued operations;
 - (b) they find Presentation 2 cluttered with more line items than Presentation 3; and/or
 - (c) Presentation 3 is consistent with the presentation of the statement of profit or loss applying IFRS 18.
6. Many of the members who expressed a preference for Presentation 2 or Presentation 3 said that they could live with the other presentation because the two presentations provide the same information.

Cash flow subtotals that might be included in the MPM requirements

7. CMAC members generally said that the following subtotals commonly used in the statement of cash flows could be excluded from the MPM disclosure requirements and would serve as useful starting points for reconciling cash flow measures to the statement of cash flows:
- (a) net cash flows from operating activities;
 - (b) net cash flows used in investing activities;
 - (c) net cash flows used in financing activities; and
 - (d) cash flows from operating activities before income taxes.
8. Some CMAC members said that net change in working capital from the statement of cash flows is a useful subtotal for users. They said that providing disaggregated information about changes in working capital will improve transparency.
9. One CMAC member said that presenting the subtotal for cash flows from operating activities before income taxes would help users calculate an unlevered cash flow measure that is unaffected by income taxes.
10. Some CMAC members said net cash from operating activities, which is a commonly used subtotal, would work well as a starting point to reconcile a FCF measure to the statement of cash flows. These members said this would be better than the IASB specifying an additional subtotal that would serve as a starting point for FCF. They said that entities could provide disclosures relevant to the adjustments included between the cash flow measure and the net cash from operating activities.
11. However, some other CMAC members said that specifying an additional subtotal to serve as a starting point for FCF would be useful to provide a consistent reference

for a FCF measure. Specifying another subtotal would also enhance clarity, given the difficulty of providing a common definition for the FCF measure due to the variety of calculation methods used.

12. Some CMAC members suggested that any subtotal serving as a starting point for FCF should be presented in the statement of cash flows. A few others said they would prefer to disclose the subtotal in the notes to the financial statements. A few CMAC members said that even though it would be useful to specify a subtotal that would serve as a starting point for FCF, it would be difficult to agree on the composition of such subtotal.

Implications of discontinued operations for disclosure of a FCF type subtotal

13. CMAC members said it would be more useful if a subtotal that serves as a starting point for FCF included only cash flows from continuing operations, because the subtotal would reflect an entity's ongoing performance. Some of those members said that a subtotal of cash flows from discontinued operations is also useful for comparison with prior periods and application of different valuation models to discontinued operations.

Disclosures related to cash flow measure MPM reconciliations

14. Many CMAC members said that it would be helpful to disclose the amounts related to each line item in the statement of cash flows for each reconciling item in the reconciliation of cash flow measures. These members said such a disclosure would be particularly helpful to them for making complex adjustments, for example when a reconciling item relates to multiple line items in the statement of cash flows. They said disclosing how reconciling items relate to the line items of the statement of cash flows improves transparency and usefulness of the cash flow MPM. However, some CMAC members said such a disclosure might not always be necessary if the relevant cash flow items can be identified easily.
15. Some CMAC members also highlighted the importance of disclosing the impact of the reconciling items related to cash flow line items when reporting cash flows from operating activities using the indirect method in the statement of cash flows—for example, changes in working capital. These members said having granular information about working capital is useful.

Next step

16. The staff will use this feedback when developing agenda papers for future meetings of the IASB.

Equity Method

17. The purpose of the session was to seek CMAC members' views on possible ways forward regarding the proposal in the Exposure Draft to recognise in full gains and losses resulting from transactions with associates, given the feedback on the Exposure Draft.

Recognising gains and losses in full

18. One CMAC member said that Japanese stakeholders are strongly opposed to the proposal to recognise in full gains or losses. The member explained that the share of profit or loss from associates and joint ventures is a very material amount for Japanese entities, which often view these investments as similar to subsidiaries. They cautioned that full recognition could lead to distortions and may not represent the economic substance of an investor's financial performance. They acknowledged that for entities with immaterial investments in associates, recognition of those gains or losses in full is already a common practice. They suggested maintaining the current requirements for entities with material investments because this would not unduly affect entities in jurisdictions where associates are a material share of profit.
19. One CMAC member said they were in favour of recognising gains and losses in full and adding good disclosures about the gains. They said further that spreading the gains over time has the consequence that users can miss the information.

Disclosures

20. One CMAC member was not persuaded that disclosure on upstream transactions would be helpful and said that the information would not be available to preparers.
21. One CMAC member said that there should be no difference between disclosures for upstream and downstream transactions. They also thought that partial recognition should be retained because the portion of the gain is not realised. They were worried that full recognition could make financial statements less reliable.
22. One CMAC member said that, while the subject of additional information about associates is often mentioned, it is important to consider the cost-benefit balance. They also noted that groups may have many transactions with associates and joint ventures and additional disclosures may become cumbersome.

23. One CMAC member said that no distinction should be made between disclosures for associates and joint ventures. If users receive good disclosures, they can decide whether to adjust the gains or losses.

Earnings management

24. The staff asked CMAC members for their opinions on whether recognising in full gains or losses could give rise to earning management opportunities. Members expressed different views on this topic.
25. One CMAC member said that there is a danger of earnings management if an investor sells and buys back the same asset. The staff noted that requirements in Standards like IFRS 15 *Revenue from Contracts with Customers* and IAS 36 *Impairment of Assets* are designed to prevent transactions with no commercial substance and pricing that is not at a fair value.
26. One CMAC member said that there is a possibility to manage earnings by transferring goods to an associate.
27. Nick Anderson (IASB Board member) said that the restricted portion of the gain or loss will be recognised in later periods and asked if users have visibility of the reversals.
28. One CMAC member said that earning management was not the major concern of Japanese stakeholders. Their major concern is the potential distortion of the financial performance in the period, this member said.
29. One CMAC member confirmed that in Asia associates are more frequently used to conduct business than in other areas of the world, and therefore the effect of the proposal will be more significant. They therefore advised the IASB to consider carefully the impact of different business models in different jurisdictions, and to research the matter further. The IASB technical staff explained that they are conducting further outreach in the region for this reason.

Next step

30. The staff will take account of this input in developing their recommendation for when the IASB considers feedback and deliberates the proposals.

Intangible Assets

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31. The purpose of the session was to provide an update on the project since July 2024 and to seek CMAC members' advice on:
- (a) the needs of users in relation to information about recognised and unrecognised intangible assets and expenditure associated with them, in particular whether and how those needs differ by sector or type of intangible asset; and
 - (b) any specific information needs related to newer types of intangible assets and new ways of using them.

Current sources of information

32. CMAC members generally agreed with the IASB staff's initial findings on the information currently provided by entities.
33. A few members mentioned that there is variation in the amount of information in annual reports about intangible assets. These members said the variation depends on an individual entity's capability and intentions, rather than the sector it belongs to.
34. Some members said that they obtain much of the information needed to understand and value an entity's intangibles-related activities from narrative sections of annual reports, such as management commentary. Some members mentioned other sources of information, such as input from experts and academic networks, peer comparisons and direct engagement with management (though the last is rarely feasible for individual users). A few members said it is difficult to connect information in narrative sections of annual reports with the amounts in the financial statements.
35. Some members said that the information in the financial statements is insufficient for understanding intangible assets and their effects on entities' ability to generate future cash flows. These members mentioned several challenges, for example:
- (a) understanding how intangible assets—especially unrecognised internally generated intangible assets—contribute to entities' success;
 - (b) distinguishing between expenditure for growth and expenditure for maintenance; and
 - (c) comparing highly acquisitive entities and those growing organically.
36. One CMAC member said that entities may not voluntarily provide detailed information about intangible assets due to commercial sensitivity.

Improvements to information in financial statements

37. All CMAC members who spoke on this question agreed that it would be useful for users if entities provided more disaggregated information in financial statements. Members' examples of useful ways to disaggregate expenses included:
- (a) by economic nature, such as maintenance versus growth expenses or operating versus non-operating expenses;
 - (b) by products or projects for research expenses; and
 - (c) by development stage of the products or projects.
38. Other useful disclosures suggested by one or a few CMAC members included:
- (a) non-financial indicators, including key performance indicators (KPIs) to assess the performance of intangible assets—for example, churn rate or customer acquisition costs—and the development phases and timetables for individual projects;
 - (b) an entity's explanation of its key intangible assets; and
 - (c) a roll forward of total R&D spend into research expenses and capitalised development costs (and subsequent amortisation) to assess trends in R&D capitalisation and amortisation rates.
39. One CMAC member suggested the IASB and the International Sustainability Standards Board consider whether financial statements, management commentary and sustainability-related financial information as a package help users understand how an entity creates value. Another member suggested developing a disclosure framework for intangible assets and associated expenses to enhance comparability between entities. That member highlighted the importance of considering to what extent intangible asset-related expenditure could be seen economically as investment.
40. CMAC members did not identify any information in financial statements that they find unhelpful or that they ignore. A few members said the distinction between research and development is helpful.
41. A few CMAC members commented on the usefulness of the intangible assets numbers in an entity's post-acquisition financial statements. They said that although the informativeness of those numbers may be questioned, users appreciate seeing the initial allocation of the purchase price to separate assets.

Information needs related to newer types of intangible assets

42. A few CMAC members said it is challenging to assess whether newer types of intangible assets will generate future economic benefits. One CMAC member said that additional information on newer types of intangible assets is valuable if the amounts associated with the assets are significant.
43. A few CMAC members suggested that useful information about newer types of intangible assets and new ways of using them could include:
- (a) the rationale and policies for capitalisation and estimation of useful life of such assets;
 - (b) an entity's spend on those assets;
 - (c) sources of funding for investments in those assets; and
 - (d) risks related to those assets, particularly for projects using artificial intelligence (AI).
44. One CMAC member suggested that the IASB consider expanding recognition of intangible assets on the balance sheet in areas like agile software development, cloud computing arrangements, data resources and AI.

Next step

45. The IASB will consider feedback from CMAC members in analysing user information needs about intangible assets and expenditure associated with them and determining what it could do to improve the usefulness of information in financial statements.

Business Combinations—Disclosures, Goodwill and Impairment

46. The purpose of the session was to seek CMAC members' views on aspects of the IASB's Business Combination—Disclosures, Goodwill and Impairment project which relates to business combinations—also known as mergers and acquisitions (M&A). CMAC members were asked for their views on aspects of:
- (a) the exemption from some disclosure requirements in specific circumstances;
 - (b) the statement of whether performance of M&A is meeting targets;

- (c) the population of M&A for which expected synergy information would be required; and
- (d) the basis of preparation for targets and expected synergy information.

Exemption from some disclosure requirements in specific circumstances

- 47. Most CMAC members said it would be reasonable to exempt entities from disclosing information if disclosing that information would breach legal or statutory requirements. However, one member said disclosures resulting from jurisdiction-specific legal or statutory requirements could lead to lack of comparability in financial statements.
- 48. Some CMAC members expressed concerns about exempting entities from disclosing performance or expected synergy information that could have negative social or operational consequences beyond those already covered by the proposed exemption. They said extending the scope of the exemption could lead to broad interpretation and misuse. Some members suggested:
 - (a) clarifying the scope of application and including criteria or guidance to assess negative social / operational consequences; and
 - (b) ensuring the exemption is auditable.

Statement of whether performance is meeting targets

- 49. Most CMAC members said they would find it useful to get a qualitative statement of whether the performance of a business combination is meeting targets. They said the statement could:
 - (a) help users hold management accountable on a more timely basis—without a qualitative statement, it would be difficult to evaluate whether performance is on track to meet targets;
 - (b) encourage management to provide additional insights into the performance of the business combination, opening space for further discussion;

- (c) help users assess management's ability to execute its business strategy and its ability to integrate the acquired business into the entity's existing business;
- (d) help users better evaluate the performance of the business combination, especially if users do not know whether performance is expected to progress linearly with the passage of time; and
- (e) counteract possible management over-optimism regarding the business combination's performance.

50. Two CMAC members said that while the qualitative statement would be useful, it is unclear whether there is sufficient justification to require its inclusion in financial statements. They said the statement would be forward-looking, subjective and possibly difficult for auditors to verify. One of these members suggested requiring the qualitative statement outside the financial statements (for example, in management commentary) and allowing an entity to cross-refer to it in the financial statements.

Population of M&A for expected synergy information

51. CMAC members were asked for their views on whether users would find expected synergy information useful:
- (a) for all material M&A or only for strategic M&A;
 - (b) for M&A that do not result in any goodwill being recognised; and
 - (c) in aggregate for individually immaterial M&A.

All material M&A or only strategic M&A

52. Some CMAC members said expected synergy information is useful for all material M&A and helps users assess management's track record. One member said they could accept receiving expected synergy information only for strategic M&A.

M&A that do not result in any goodwill being recognised

53. Some CMAC members said expected synergy information could be useful for M&A that do not result in any goodwill being recognised. One CMAC member said it would be acceptable to not receive expected synergy information for M&A that do not result in goodwill being recognised because such cases would not be common.

In aggregate for individually immaterial M&A

54. Most CMAC members said they could accept not receiving expected synergy information for individually immaterial M&A that are material in aggregate. However:
- (a) a few of these members said they would not want any material synergies to be excluded from disclosure;
 - (b) one user said aggregated information about expected synergies for immaterial business combinations would be useful; and
 - (c) two CMAC members said the aggregated information would be useful for a series of individually immaterial M&A entered into to achieve the same strategic objective.

Basis of preparation for targets and expected synergy information

55. CMAC members said that requiring entities to disclose information about how the targets and expected synergy information are prepared would be useful. In particular:
- (a) one member said the information would help users to understand how the entity estimated the targets and expected synergies and to understand management's rationale for the investment; and
 - (b) one member said the information would help users to assess the probability of the entity achieving the targets and expected synergies;
 - (c) one member said targets and expected synergy information would be less useful for users if they do not know how the information is prepared; and
 - (d) one member said that requiring the information would prompt entities to use commonly accepted ways to prepare information about targets and expected synergies, rather than using unorthodox methods which could mislead market participants.
56. One CMAC member said securities regulations in their jurisdiction include detailed requirements for how an entity should prepare information relating to targets and synergies. This member said the basis of preparation is important for both preparers and users.

Other comments

28. A few members expressed concerns that entities might disclose only boilerplate performance information (for example, at a group level) that are not useful or set easily achievable targets for the business combination that would not help users hold management to account for their investment decisions. One of these members asked whether all performance information should be required in financial statements.
57. Other members said that requiring entities to disclose performance information in the financial statements would be helpful:
- (a) one member said that management tends to be over-optimistic and that the proposed disclosures would help users understand whether the capital deployed has created value;
 - (b) one member suggested redrafting the wording of the requirements to mitigate concerns about breaching legal or statutory requirements and ensure that the performance and expected synergy information can be required in financial statements; and
 - (c) another member said if an entity discloses easy targets, they would ask management about the valuation of the acquired business.

Next step

58. The IASB will consider the comments from CMAC members when it redeliberates its proposals.