

Global Preparers Forum

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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 Ernesto Escarabajal Baadenhuijsen Ian Bishop Emmanuelle Guyomard Stephen Morris Elena Poeschl Nico Wegmann*
The Americas	Jeff Davidson Sallie Deysel Maria Alejandra Hryszkiewicz Patrick Matos*

*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 September 2025 meeting of the IFRS Interpretations Committee.

Intangible Assets

2. The purpose of the session was to provide a project update and to seek GPF members' advice on:
 - (a) whether the IASB staff has accurately identified and described the principles and topics to explore for the selected test cases—cloud computing and agile software development; and
 - (b) whether the IASB should select artificial intelligence-related data and solutions (AI) and data resources as test cases, and if so, why.
3. Members generally supported the use of test cases to explore potential changes to aspects of the definition of an intangible asset and the recognition requirements. A few members highlighted the importance of developing principle-based solutions rather than finding solutions to specific application issues. However, one member argued for a more fundamental review of the concepts in IAS 38 *Intangible Assets* that would include:
 - (a) reviewing the definition of an intangible asset to ensure that IAS 38 captures only assets meeting the new definition rather than assets not covered by other Standards; and
 - (b) considering requiring recognition of an additional intangible asset only if the asset has a related revenue stream and it is clear how it will be derecognised (that is, whether and how it will be amortised or how it will be tested for impairment).
4. Many members agreed with selecting cloud computing and agile software development as test cases, with one member highlighting the benefit of having consistent and stable fact patterns to explore. However:

- (a) a few members suggested the IASB add another test case or replace one or both of the selected test cases with known application issues related to more traditional intangible assets. One member argued the selected test cases are too complex, while another member suggested avoiding focusing on software only.
- (b) some members suggested adding either AI or data as a separate test case to help future-proof the Standard (see paragraph 10).

Cloud computing arrangements

- 5. Members who commented on this test case generally agreed with the staff's analysis of the principles and topics that the IASB should explore further.
- 6. Some members commented on principles and topics for the IASB to explore. For example:
 - (a) some members emphasised the importance of exploring the concept of control, including in relation to the extent of supplier involvement in a software as a service (SaaS) arrangement;
 - (b) a few members expressed mixed views on whether the concepts in IFRS 15 *Revenue from Contracts with Customers* would be helpful to include in IAS 38; and
 - (c) other suggestions included exploring how training expenses and customisation costs should be treated and considering whether a customer obtains any intellectual property rights in a SaaS arrangement.

Agile software development

- 7. Generally, members who commented on the agile development test case agreed with the staff's analysis on the principles and topics that the IASB should explore further.
- 8. Some members commented on principles and topics for the IASB to explore. For example:
 - (a) a few members emphasised the importance of exploring the unit of account topic. In addition, one member suggested a componentisation approach could be applied in accounting for intangible assets.

- (b) one member opposed removing the distinction between research and development phases because some industries have well-developed practices to determine to which phase specific activities belong.

AI and data resources

- 9. Members' views on the staff's initial view not to select AI or data resources as separate test cases were mixed. Many members said that it is too early to consider AI because it is an evolving area that involves a complex mix of diverse activities and costs.
- 10. In contrast, some members suggested using AI as a separate test case because of its broad effects on many industries and its unique characteristics, such as self-learning capabilities that could lead to assets appreciating in value. A few members suggested using data resources as a test case to explore challenges in determining the boundary between private and public data and to develop clear guidance on recognition of data resource-related assets. One member said that entities following the recently issued guidance on data resources in her jurisdiction had shown that capitalisation of data resources is technically feasible.

Next steps

- 11. The IASB will consider members' views in selecting test cases and determining which principles and topics to explore further.

Business Combinations, Disclosures, Goodwill and Impairment

- 12. The purpose of the session was to seek members' views on the following aspects of the IASB's Business Combinations—Disclosures, Goodwill and Impairment project:
 - (a) the exemption from some disclosure requirements in specific circumstances;
 - (b) restructuring and asset enhancement cash flows; and
 - (c) the basis of preparation for performance and expected synergy information.

Exemption from some disclosure requirements in specific circumstances

13. Members were asked for their views on the exemption from some disclosure requirements in specific circumstances. In particular, members were asked for their views on whether the IASB should develop:
- (a) refinements to the scope of the proposed exemption; and
 - (b) examples of situations in which an entity can apply the exemption.

Refining the exemption's scope

14. A few members said disclosing performance and expected synergy information could breach statutory legal or regulatory requirements relating to employee redundancies, or the Official Secrets Act in the UK.
15. One member said the exemption should be refined to cover situations in which disclosing performance and expected synergy information would breach statutory legal or regulatory requirements. This member agreed that such concerns would be resolved by changing the wording of the exemption to 'prejudice seriously the success of a business combination'.

Examples of situations in which an entity can apply the exemption

16. All members who commented disagreed with including examples with the final amendments, because it would be challenging to make them appropriate, and the costs and risks of developing the examples would outweigh the benefits. Additionally:
- (a) two members said because disclosures are based on a management approach and are not prescribed, examples would not be helpful;
 - (b) one member said the IASB's recent experience in illustrating uncertainties in the financial statements using climate-related examples shows that it is challenging to develop and agree on good examples; and
 - (c) two members said the example illustrated in the agenda paper did not capture all relevant facts and circumstances.

Other comments

17. Almost all members who commented expressed concerns about requiring disclosure of expected synergy information in financial statements. They said the information would be:
- (a) commercially sensitive;
 - (b) forward looking;
 - (c) challenging to calculate with accuracy; and
 - (d) challenging to audit.

Restructuring and asset enhancement cash flows

18. The purpose of this session was to seek members' views on developing an example to illustrate the current potential of an asset to be restructured, improved or enhanced included in the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*.
19. Members expressed mixed views on whether to develop an example as illustrated in the agenda paper:
- (a) some members said the example could be restrictive and may not depict real-life situations, potentially leading to their use as narrow guidelines by auditors and regulators.
 - (b) some other members said the example provided clarity. For example, one member said the example in the agenda paper illustrating how to apply the impairment test is more helpful than an example illustrating what the resulting disclosures would be.
20. A few members had specific questions or suggestions about the example illustrated in the agenda paper:
- (a) one member asked whether the example prescribes that restructuring cash flows that are not included in management budgets should be excluded from value in use (VIU); and

- (b) a few members suggested not referring to ‘budgets’—one of these members suggested instead referring to the availability of financial and technical resources mentioned in IAS 38.

Other comments

- 21. A few members commented about the Exposure Draft’s proposal to include the current potential of an asset to be restructured, improved or enhanced in the calculation of VIU:
 - (a) one member supported the proposal and said it aligns VIU with fair value less costs of disposal;
 - (b) one member supported the proposal and said it would help reflect management’s intentions and would prevent future impairment reversals; and
 - (c) one member opposed the proposal and said that it is not conceptually aligned with VIU and could delay impairment recognition.

Basis of preparation for performance and expected synergy information

- 22. The purpose of the session was to understand whether members had any concerns about requiring an entity to disclose the basis of preparation for performance and expected synergy information.
- 23. On disclosing the basis of preparation:
 - (a) one member said it would be good practice for an entity to describe how it has prepared the information in broad terms;
 - (b) one member said it would be reasonable for an entity to explain how it will measure a target such as market share, but that it would be difficult for an entity to disclose a detailed basis of preparation for expected synergies information without revealing the detailed breakdown of expected synergies, which might be commercially sensitive; and
 - (c) one member said entities might not have detailed information about the basis of preparation so that the disclosure might be difficult to implement in practice.

24. One member said the term ‘basis of preparation’ is normally used to describe how financial statements as a whole are prepared, and therefore suggested using a different term.

Other comments

25. Members also made the following comments:
- (a) one member said acquisition-date expected synergy information is not useful because it does not always reflect the circumstances at the reporting date; and
 - (b) one member said the IASB’s proposals about performance and expected synergy information would encourage entities not to include any such information in the entity’s internal reports, to avoid disclosing such information in the financial statements.

Next steps

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

Statement of Cash Flows and Related Matters Project

27. The purpose of this session was to ask 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); and
 - (c) disclosures related to cash flow MPM reconciliations.

Presentation of cash flows from discontinued operations

28. To facilitate the discussion, the staff provided examples of presentations of cash flows from discontinued operations in which:
- (a) each line item includes both of the cash flows from continuing and discontinued operations (presentation 1);

- (b) each line item includes only cash flows from continuing operations, followed by net cash flow from discontinued operations within each category (presentation 2); and
 - (c) each line item includes only cash flows from continuing operations, with net cash flows from discontinued operations presented in separate category (presentation 3).
29. Some members said that even though they did not have discontinued operations in recent years, they would be able to present discontinued operations using presentation 2 or presentation 3, because the discontinued operation would usually represent a segment where information is available, or because preparers would themselves like to know the information about the discontinued operations including cash flows for their operations.
30. A few members raised concerns about the potential complexity in preparing the information in presentation 2 or presentation 3. These members were also concerned that users might misunderstand the information presented. They said the complexity arises from the allocation of cash flows between continuing operations and discontinued operations under certain circumstances, such as when the entity has intercompany transactions and when the entity allocates costs or resources among the group.

Cash flow subtotals that might be included in the requirements for MPMs

31. Members generally said that the following category subtotals in the statement of cash flows are useful anchor points for reconciling cash flow measures to the statement of cash flows and could be excluded from the MPM disclosure requirements:
- (a) net cash flows from operating activities;
 - (b) net cash flows used in investing activities; and
 - (c) net cash flows used in financing activities.
32. A few members said that cash flows from operating activities before income taxes would be a useful subtotal for reconciling a free cash flow (FCF) measure because that measure is sometimes calculated before income taxes.

33. Some members said that the net change in working capital from the statement of cash flows differs from other subtotals because it is not well defined, and would be less useful as an anchor point to reconcile cash flow measures.
34. Many members said net cash flows from operating activities, which is a commonly used subtotal in the financial statements and well understood by users, would work well as an anchor point to reconcile an FCF measure to the statement of cash flows rather than specifying an additional subtotal that would serve as an anchor for FCF measures. The relevant disclosures could be provided for the adjustments included between the free cash flow measure and the net cash flows from operating activities.

Disclosures related to cash flow MPM reconciliations

35. Some members said that they provide narrative disclosures for transparency—including footnotes and cross-references to the notes to the financial statements—when they provide information about alternative performance measures.
36. A few members said that their accounting systems might not support disclosing the amounts related to the line items of the indirect method for some reconciling items such as changes in working capital. However, they said it would not be difficult to disclose the amounts related to the other line items in the statement of cash flows such as net capital expenditure and net interest payments.

Other comments

37. One member said that because the statement of cash flows does not use the cumulative subtotals approach like the statement of profit or loss, there might be fewer anchor points, potentially resulting in lengthy reconciliations.
38. A few GPF members suggested the IASB reconsider the proposal not to align the statement of cash flows and the statement of profit or loss. An IASB member noted that this is not an objective of the project because users have not requested it.

Next step

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

Amortised Cost Measurement

40. The purpose of this session was to obtain members' opinions on potential solutions to application issues within the scope of the Amortised Cost Measurement project. The discussion focused on accounting for modifications of financial instruments.
41. Members were asked for their views on potential improvements to requirements in IFRS 9 *Financial Instruments* for assessing whether a modification of a financial asset or financial liability is substantial, resulting in derecognition of that financial instrument.
42. One member suggested that the reason for modification (such as worsening credit quality or commercial renegotiation) should be an important factor to consider in assessing whether modification of a financial asset results in derecognition.
43. Another member said that a factors-based approach that combines both quantitative and qualitative factors is generally appropriate. However, for some financial instruments, such as credit cards and overdrafts, entities currently determine whether a modification is substantial solely based on qualitative factors (because quantitative factors such as the 10% test specified in paragraph B3.3.6 of IFRS 9 are not operationally feasible for financial instruments that do not have a repayment structure).

Next steps

44. The IASB will consider members' and other stakeholders' views in developing the proposed amendments to IFRS 9. The IASB expects to publish an Exposure Draft in the second half of 2026.

Equity Method

45. The purpose of this session was to ask members for their views on possible ways forward regarding the proposal in the Exposure Draft *Equity Method of Accounting—IAS 28 Investments in Associates and Joint Ventures (revised 202x)* to recognise gains and losses in full resulting from transactions with associates, taking into account the feedback on the Exposure Draft.¹

¹ References to 'investor', 'associate' and 'significant influence' should be read as also referring to 'joint venturer', 'joint venture' and 'joint control' in relation to investments in joint ventures, unless indicated otherwise.

46. There were members who disagreed with the proposal in the Exposure Draft to recognise gains and losses in full resulting from transactions with associates. These members said that:
- (a) the proposal would contradict the IASB's approach not to fundamentally revisit the equity method, because recognising gains and losses only to the extent of unrelated investors' interests in the associate is a core principle of equity method; and
 - (b) the proposal would not reflect the substance of the transaction, because gains or losses from transactions with associates are unrealised until the related assets are transferred to a third party.
47. One member said that the proposal increases the potential of earnings management, particularly for transactions involving one-off transfer of assets. Another member agreed, saying that depending on the relationship between an investor and its investee there could be such a risk.
48. One member asked how the proposal would result in better information for users of financial statements compared to the information applying the requirements in IAS 28 *Investments in Associates and Joint Ventures*.
49. To provide more background for the proposal, some IASB members:
- (a) explained the feedback from users on how they use information from the equity method and evaluate associates and joint ventures;
 - (b) explained that an associate is itself not within the 'reporting entity' as described in the *Conceptual Framework for Financial Reporting*; and
 - (c) discussed the benefits of the proposal—for example, that it would be more transparent than current practice and would reduce the cost of applying the equity method.
50. Some members commented on the proposal to disclose gains or losses from downstream transactions. One member agreed with the proposal and suggested to build this on the requirements in IFRS 12 *Disclosure of Interests in Other Entities* and IAS 24 *Related Party Disclosures*. A few members disagreed with the proposal to disclose gains or losses from downstream transactions:

- (a) one member said that if the proposal to recognise in full gains and losses from transactions with associates would indeed increase the risk of earnings management, a disclosure requirement could not mitigate such a risk; and
- (b) one member said that based on her discussion with users of financial statements the proposal would be of limited benefit because those users use the primary financial statements of investees in their analysis and not the disclosure in the investors' financial statements.

51. Other members commented that:

- (a) investors' access to information in their investees varies depending on their relationship with the associate; and
- (b) during redeliberations, the IASB should understand the business practices of those jurisdictions that disagreed with the proposals to evaluate their concerns.

52. One member questioned whether the benefits to users of improving the consistency of application of the equity method was justified by the costs to the IASB and to stakeholders.

53. In response to some GPF members' comments, an IASB member explained that the IASB approach to the Equity Method project is not to revisit whether the method is a 'one-line consolidation' or a measurement basis. Its approach is instead to answer application questions received by the IASB and the IFRS Interpretations Committee. The IASB acknowledged that this approach may result in changes to how the equity method is applied in practice.

Next step

54. The IASB will consider the feedback from members when redeliberating proposals on the Exposure Draft.

ISSB Update

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