Meeting summary

Accounting Standards Advisory Forum

Date **2 October 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, US (FASB) Group of Latin American Accounting Standard Setters (GLASS) *
Asia-Oceania (including two at large)	Accounting Regulatory Department, Ministry of Finance, China (ARD) Accounting Standards Board of Japan (ASBJ) Australian Accounting Standards Board (AASB) and External Reporting Board, New Zealand (XRB), referred together as AASB/XRB Saudi Organization for Chartered and Professional Accountants (SOCPA) Asian-Oceanian Standard-Setters Group (AOSSG) *
Europe (including two at large)	Accounting Standards Committee of Germany (ASCG) Autorité des Normes Comptables, France (ANC) Organismo Italiano di Contabilità, Italy (OIC) UK Endorsement Board (UKEB) EFRAG

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

Business Combinations—Disclosures, Goodwill and Impairment

Purpose of the session

1. The purpose of the session was to seek ASAF members' views on aspects of the Exposure Draft *Business Combinations—Disclosures Goodwill and Impairment*. ASAF members were asked for their views on:

   (a) possibly refining the proposed exemption and developing examples of situations in which an entity can apply the exemption; and

   (b) developing an example to illustrate the current potential of an asset to be restructured, improved or enhanced.

Summary of the feedback

Proposed exemption

Possible refinement to the scope of the proposed exemption

2. The AASB/XRB, AOSSG, ASBJ, ARD, ANC, EFRAG, FASB, OIC and UKEB representatives said the exemption should cover breach of statutory legal or regulatory requirements. The UKEB representative said the exemption should not include commercial or contractual factors.

3. The agenda paper suggested a possible refinement to the exemption to cover breach of statutory legal or regulatory requirements and negative social or operational consequences. ASAF members commented on the possible refinement:

   (a) the ANC, EFRAG, AcSB, AASB/XRB, AOSSG and FASB representatives said the term 'success of a business combination' might be too broad:

      (i) the ANC representative said the proposed refinement could raise application challenges and suggested a more targeted refinement focusing on, for example 'commercial, social and legal prejudices';

      (ii) the AOSSG representative said that the interpretation of 'negative social or operational consequences' might vary by jurisdiction; and

(iii) the ARD representative said ‘success of a business combination’ is not defined by accounting standards and suggested the wording ‘have a significant negative effect on the entity’ instead, along with a clarification on the specific situations in which an entity can apply the exemption.

(b) the OIC representative said the refinement should focus on situations that can be evidenced, for example, whether disclosing information would breach statutory legal or regulatory requirements can be audited and enforced.

(c) the EFRAG and FASB representatives said breach of statutory legal or regulatory requirements should not be linked to the ‘success of a business combination’ and suggested allowing an entity to use the exemption if disclosing information ‘can be expected to prejudice seriously the achievement of any of the acquirer’s acquisition-date key objectives for the business combination or breach statutory legal or regulatory requirements’.

4. ASAF members provided examples of situations in which disclosure of information could breach legal or regulatory requirements or have negative social or operational consequences:

(a) the ANC representative mentioned the example of announcing a restructuring plan prior to consultation with employees, which would breach laws in France;

(b) the EFRAG representative mentioned the example of disclosing price-sensitive information;

(c) the GLASS representative mentioned the example of disclosing information that could have a negative effect on future business combinations;

(d) the AOSSG representative mentioned the example of disclosing information about step acquisitions;

(e) the FASB and ANC representatives mentioned the example of disclosing information about government contracts or information that could result in repayment of government grants; and

(f) the ARD representative mentioned the example of regulations in China that exempt entities from disclosing information if it relates to commercial secrets or confidential business information.

5. The SOCPA representative said while the exemption is needed, the IASB should not refine it further.

Illustrative examples of situations in which an entity can apply the exemption

6. ASAF members had mixed views on whether to provide illustrative examples:

(a) the ARD, ANC, EFRAG and AOSSG representatives said the examples would be helpful. The ARD representative said it should be clarified that examples are for reference only.

(b) the AASB/XRB and AcSB representatives said examples should illustrate the principle underpinning the exemption.

(c) the PAFA and UKEB representatives did not support providing examples. The PAFA representative said that if the IASB provides examples, the examples should illustrate the principle underpinning the exemption.

(d) the ANC, AOSSG and SOCPA representatives said the examples were simplistic and suggested changing the fact pattern.

7. A few members suggested including additional illustrative examples:

(a) the AOSSG representative suggested including an example on the exemption being applied to expected synergy information and to only some of the key objectives and related targets for a business combination; and

(b) the EFRAG representative suggested including an example on aggregation of information.

Other comments

8. The EFRAG, AcSB and OIC representatives said that because disclosures about performance and expected synergy for a business combination should not be required in financial statements, the exemption would not be necessary.

9. Considering challenges in designing the exemption, the AcSB representative suggested an alternate approach, by which an entity would be required to disclose performance information in financial statements only if it has publicly disclosed such information elsewhere (for example, in investor presentations).

10. The OIC representative did not support providing an exemption for the reason that investors need information about business combinations. If the information is not disclosed (for example, due to commercial sensitivity), the entity would be penalised by the market.

11. The ARD representative said that the exemption is subjective. They suggested setting a higher quantitative threshold for strategic business combinations, which would reduce the number of business combinations subject to the proposed disclosure requirements.

12. The UKEB representative said the exemption should be limited to ‘extremely rare circumstances’.

Developing an example to illustrate the current potential of an asset to be restructured, improved or enhanced

13. The EFRAG, ANC, ASCG, AASB/XRB, FASB, GLASS, OIC and ASBJ representatives supported developing an example to illustrate the current potential of an asset to be restructured, improved or enhanced. They provided specific feedback about the example suggested in the agenda paper and what, in their view, the example should illustrate:

    (a) a few members commented on the simplistic nature of the example:

        (i) the ANC, ASCG and EFRAG representatives suggested adding elements to the example—for example, by illustrating more cash-

generating units (CGUs), or by adding sustainability-related restructuring or multiple probability-weighted scenarios; and

(ii) the ASBJ representative said the example is simple but raises a question about how much certainty is required to include cash flows in value-in-use.

(b) the ANC and FASB representatives said the example appears to focus on documentation of the supportableness of the cash flows.

(c) the AASB/XRB, AOSSG and FASB representatives suggested explaining the notion of 'current potential' more clearly:

(i) the AOSSG representative suggested explaining the differences between current potential, current condition and asset enhancement. The AOSSG representative also said including variations of the same example would help illustrate distinctions between the terms.

(ii) the FASB representative said if current potential was more clearly explained, then the examples would only need to show when an entity cannot include cash flows in value-in-use.

(d) the GLASS representative suggested a possible way to make the fact pattern clearer.

14. The AcSB representative said the example in the agenda paper seems to suggest there are more restrictions to including cash flows in the value-in-use calculation than the proposal—in particular because the word 'feasibility' could have a specific meaning in the extractives industry.

Other comments

15. ASAF members provided other feedback about the proposal relating to the current potential of an asset to be restructured, improved or enhanced:

(a) the GLASS representative said that while the example is important, so is reducing excessive over-optimism for CGUs containing goodwill.

(b) the OIC representative asked for the Basis for Conclusions to explain the remaining differences between value-in-use and fair value less cost of disposal.

(c) the SOCPA representative observed that not many issues are raised in their region.

16. In the ARD representative's view, restructuring and asset enhancement cash flows should not be included in value-in-use, because doing so would delay impairment recognition, which would be inconsistent with the project's objective. For that reason, the ARD representative also disagreed with including an example.

Next steps

17. The IASB will consider ASAF members' views when redeliberating the proposals.

Intangible Assets

Purpose of the session

18. The purpose of the session was to provide a project update since March 2025, focusing on the IASB's test cases for the stream exploring potential changes to the definition and some aspects of recognition requirements, and to obtain ASAF members' advice on:

(a) whether the staff has accurately identified and described the principles and topics to explore further 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.

Summary of the feedback

Cloud computing arrangements

19. All ASAF members agreed with using software as a service (SaaS) arrangements as a test case. Most of them agreed with the staff's analysis of the principles and topics that the IASB should explore further.

20. Some ASAF members commented on the principles and topics that the IASB should explore:

    (a) the AASB/XRB and ARD representatives suggested that the IASB's analysis should include an assessment of future economic benefits of using software in various arrangements.

    (b) the AASB/XRB, AcSB and ASCG representatives expressed concerns about accounting under IAS 38 *Intangible Assets* mirroring IFRS 15 *Revenue from Contracts with Customers* because of potential unintended consequences.

    (c) the AASB/XRB representative suggested that the IASB should consider prepayments made to SaaS providers.

    (d) the AASB/XRB, EFRAG and GLASS representatives highlighted the importance of responding to issues related to the unit of account, because determining the unit of account drives subsequent accounting. The EFRAG representative gave the example that an entity may control a customised private copy of software even if the entity has no rights to the source code. The GLASS representative suggested the IASB explore how the componentisation notion could apply for intangible assets.

    (e) the OIC representative suggested the IASB consider a pragmatic approach similar to the one the FASB has implemented.

21. In exploring cloud arrangements:

    (a) the AOSSG representative suggested broadening the consideration beyond plain SaaS arrangements to include platform as a service to reflect increasing complexity of cloud computing arrangements; and

    (b) the AOSSG and EFRAG representatives suggested considering whether arrangements are delivered through private or public clouds, because the answer may have implications for how control is determined.

22. The FASB representative expressed some reservations about finding common principles for updating the definition of an intangible asset to suit all types of intangible assets.

Agile software development

23. Generally, ASAF members agreed with using agile software development as a test case. The ANC and ARD representatives said this test case could help resolve broader issues related to iterative development beyond software. The AcSB representative said it could be helpful in exploring both recognition and measurement principles. However, the UKEB and FASB representatives said it may be difficult to separate issues related to agile software development and cloud computing.

24. The AcSB, AOSSG, EFRAG and FASB representatives emphasised the importance of exploring the unit of account topic. In addition:

    (a) the EFRAG representative suggested that the IASB consider a componentisation approach as well as the suitability of the part of paragraph 20 of IAS 38 which states that additions to intangible assets or replacements of part of them are rare; and

    (b) the FASB representative suggested retaining application of reasonable judgement rather than introducing prescriptive rules.

25. On exploring the recognition requirements:

    (a) the AcSB representative highlighted the complexity in applying the technical feasibility criterion compared to traditional software development approaches and the difficulty in determining whether micro-enhancements should be treated as maintenance expenses or capitalised enhancements. The AASB/XRB, FASB and UKEB representatives also mentioned challenges in distinguishing between maintenance and enhancements.

    (b) the AASB/XRB and FASB representatives expressed reservations about basing recognition requirements on the development methods. The AASB/XRB representative suggested that doing so could create opportunities for contract structuring. The FASB representative said that

there may not be a clear, binary split between waterfall and agile methods and that developing separate guidance for the agile method could add cost and complexity to the existing guidance.

(c) the AASB/XRB and ANC representatives opposed removing the current distinction between research and development phases, arguing that it is still appropriate in many circumstances. However, the ASCG representative questioned whether the distinction between research and development phases provides useful information for users of financial statements.

AI and data resources

26. The ANC, ASCG, EFRAG, FASB, GLASS, PAFA and SOCPA representatives agreed with the staff's initial view not to select AI or data resources as separate test cases. The ANC, SOCPA and PAFA representatives said that the two test cases of cloud computing and agile software development are appropriate for starting the research without overcomplicating the initial phase. The EFRAG and PAFA representatives said that it would be important to monitor developments and consider AI and data resources when working on selected test cases to ensure that future guidance remains up to date.

27. In contrast, the ARD, ASBJ and UKEB representatives suggested using data resources as a test case to explore how such resources having standalone value could affect accounting and to explore challenges in determining the boundary between private and public data. The AOSSG representative said half of AOSSG members suggested using AI as a separate test case, arguing that AI self-learning capabilities result in much faster upgrades and create additional challenges such as determining when an asset is ready for use. The ARD representative also expressed this view.

Other comments

28. Generally, ASAF members supported the use of test cases to find the underlying causes of application issues and develop principle-based solutions. A few ASAF

members suggested broadening the scope of research to make it more comprehensive and to develop future-proof principles:

(a) the UKEB representative expressed concern that the proposed test cases were too narrowly focused and advocated for the inclusion of other traditional assets to help identify the key principles;

(b) the ASBJ representative expressed a concern that the IASB was focusing on too few cases, and should consider both existing intangible assets and potential future innovation;

(c) the AcSB and ARD representatives emphasised the importance of considering disclosure requirements; and

(d) the SOCPA representative suggested testing any potential solutions on a wide range of intangible assets.

29. The AOSSG representative cautioned against oversimplifying the selected test cases because doing so could lead to the IASB developing principles that would have to be revised to work for more complex cases.

Next steps

30. At a future IASB meeting, the IASB will consider ASAF members' views when selecting test cases and determining which principles and topics to explore further.

Statement of Cash Flows and Related Matters

Purpose of the session

31. The purpose of this session was:

(a) to give ASAF members a project update; and

(b) to ask ASAF members for feedback on the staff's initial analysis on classification issues identified during outreach.

Summary of the feedback

Payments related to business combinations

32. The AOSSG representative said that stakeholders have different views on how payments that relate to business combinations that do not meet the definition of investing should be classified, and that some stakeholders believe that classifying these payments as cash flows from operating activities does not faithfully represent the economic substance of the transaction.

33. The ARD, AcSB and EFRAG representatives also questioned whether other acquisition-related payments should be classified as cash flows from investing activities rather than cash flows from operating activities, because the payments relate to the acquisition (for example, payments of contingent consideration in excess of a liability recognised at the acquisition date, variable consideration or transaction costs).

Payments related to government grants or derivatives

34. The EFRAG representative questioned why the staff's initial analysis appeared to suggest that the classification of payments related to government grants was clear, because the IFRS Interpretations Committee already discussed this topic in 2012 without reaching a conclusion.

35. The FASB representative added that the FASB recently finished a project on government grants and concluded that the classification should be based on a principle rather than explicit guidance, because of the wide range of grant types.

36. The AcSB representative said that the timing of payments of government grants might cause the classification to change depending on whether grants are deferred or paid when expenses are incurred or assets are acquired.

37. The ARD representative said that it can be difficult to determine what a grant relates to, and that a practical solution might be for the IASB to require such payments to be classified as cash flows from operating activities. The SOCPA representative also said that the classification of payments related to government grants or derivatives can be challenging when such grants or derivatives relate to multiple assets.

Payments related to the purchase of assets on deferred payment terms

38. The ANC representative said that the classification of payments related to the purchase of assets on deferred payments terms is not clearly addressed in IAS 7 *Statement of Cash Flows*, whereas the FASB provides explicit guidance on this issue.

39. The AASB/XRB and FASB representatives said that the classification of payments related to the purchase of assets on deferred payment terms depends on how a transaction is structured.

40. The ARD representative asked whether the staff's analysis refers to both deferred payments for the purchase of long-term assets and for goods, and whether such payments should be classified consistently regardless of the type of asset acquired. The ARD representative also asked whether a payment that is settled within one year would be considered a deferred payment, and whether deferred payments should be classified differently to payments made in instalments.

Payments for which the classification depends on principal revenue-producing activities

41. The OIC, AOSSG and ARD representatives said that it can be challenging for a conglomerate to determine what constitutes a principal revenue-producing activity.

42. The AOSSG representative said that the classification can sometimes differ between consolidated and separate financial statements, and that classification requirements are applied inconsistently across industries.

43. The ARD representative asked whether 'main business activities' (as defined in IFRS 18 *Presentation and Disclosure in Financial Statements*) and 'principal revenue-producing activities' (as used in IAS 7) represent the same concept.

Other comments

44. The EFRAG representative said that for arrangements in which a third party provides financing and acts on behalf of a purchaser, some stakeholders believe the third party's cash flows should be included in the purchaser's statement of cash flows.

45. The FASB representative said that the FASB recently undertook a project on supplier finance arrangements and that feedback from users suggested that users valued the additional disclosures for such arrangements even though there was limited inconsistency in the cash flow presentation.

46. The OIC representative said the IASB should focus on targeted improvements to IAS 7 rather than making major changes to it. The SOCPA, GLASS, AASB/XRB, OIC and AOSSG representatives said that adding more explicit guidance in IAS 7 could help resolve inconsistent application—in relation to, for example, factoring; supplier finance arrangements; specific derivatives; or the question of what constitutes a principal revenue-producing activity. The UKEB representative emphasised the need to focus on broader principle-based solutions to enhance investor understanding, which include the need for cohesiveness between the statement of cash flows and other financial statements, as well as making sure that cash flow disclosures are incorporated across IFRS Accounting Standards. This representative also said that including cross-references to IAS 7 in other IFRS Accounting Standards could encourage preparers to consider cash flow presentation earlier in the reporting process.

47. The ARD and GLASS representatives said that there should be a stronger alignment between the categories in the statement(s) of financial performance and in the statement of cash flows.

48. The ASBJ representative said the IASB should consider whether the classification requirements in IAS 7 lead to a presentation in the statement of cash flows that provides users with useful information.

Next steps

49. The IASB is expecting written feedback from ASAF members by 3 November 2025 on specific items for which inconsistent application of the classification requirements in IAS 7 was observed. The IASB will consider all feedback provided when determining how it might reduce diversity in the classification of cash flows.

Equity Method

Purpose of the session

50. The purpose of this session was to ask ASAF members for their views on specific proposals in the Exposure Draft *Equity Method of Accounting—IAS 28* Investments in Associates and Joint Ventures *(revised 202x)* (Exposure Draft) on:

    (a) two alternative answers to the application question 'How does an investor recognise acquisition-related costs when applying the equity method?':

        (i) Alternative 1—Recognising acquisition-related costs in profit and loss as incurred.

        (ii) Alternative 2—Recognising acquisition-related costs as part of the cost of the associate.

    (b) the presentation of dilution gains or losses and on how the proposals in the Exposure Draft apply to indirect dilutions.

Summary of the feedback

Acquisition-related costs

51. Overall, ASAF members supported Alternative 2 for various reasons, including that it would result in the least change to practice. A number of ASAF members said there are mixed views in their jurisdictions on how the IASB should proceed. Some ASAF members said that whatever alternative the IASB proceeds with, the requirements should be applied prospectively.

Alternative 1

52. The AASB/XRB representative said that there are mixed views and some diversity in practice in their jurisdictions. The same representative supported Alternative 1 because it would be simpler to apply than Alternative 2 and would reduce diversity in practice and improve consistency.

Alternative 2

53. Representatives of ARD, ANC, ASBJ, FASB, GLASS, OIC, PAFA and SOCPA supported Alternative 2:

(a) the ARD representative favoured Alternative 2 because it would be consistent with paragraph 6.5 of the *Conceptual Framework for Financial Reporting* which states that historical cost includes acquisition-related costs.

(b) the ASBJ representative supported Alternative 2 because of the July 2009 Agenda Decision *Potential effect of IFRS 3 and IAS 27 on equity method accounting* (IAS 28).[1] The same representative also said the definition of the 'cost of the associate' in the Exposure Draft should be amended to include acquisition-related costs using the description in that Agenda Decision.

(c) the FASB representative preferred Alternative 2 because it is consistent with the US GAAP requirements. Moreover, no evidence was provided to change the guidance set out in the Agenda Decision.

54. The ASCG representative questioned whether Alternative 2 might cause tension when an entity assesses the impairment indicators, particularly in paragraph 41C of IAS 28, which states that a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment.

Either Alternative 1 or Alternative 2

55. The AcSB, AOSSG, EFRAG and UKEB representatives supported proceeding with either Alternative 1 or Alternative 2 and said that the IASB should explain the rationale for its choice. The AcSB and UKEB representatives said answering the application question was challenging because the IASB had not resolved the question of whether the equity method is a one-line consolidation or a measurement method.

[1] The title of this Agenda Decision has been shortened for simplicity. The full title, as published, is Agenda Decision *Potential effect of IFRS 3* Business Combinations *(as revised in 2008) and IAS 27* Consolidated and Separate Financial Statements *(as amended in 2008) on equity method accounting* (IAS 28 *Investments in Associates*). The title of IAS 28 was changed in May 2011 to *Investments in Associates and Joint Ventures.*

Other comments

56. The EFRAG representative suggested that if Alternative 1 is taken forward, the IASB ensure it is consistent with other proposals in the Exposure Draft. The representative also said that because acquiring an ownership interest that leads to significant influence can involve considerable acquisition-related costs, expensing them in profit or loss as incurred may not accurately reflect the performance of acquiring that ownership interest.

57. The OIC representative said there are mixed views in their jurisdiction on whether to recognise all acquisition-related costs as part of the cost of the associate or only incremental costs, similar to the requirements in IFRS 9 *Financial Instruments* for financial assets not measured at fair value through profit or loss.

58. The same representative also observed that the 'acquisition-related costs' topic would affect investments in subsidiaries in separate financial statements.

59. An IASB member said that acquisition-related costs have been treated based on the subsequent measurement of the asset. Therefore, if the subsequent measurement of the asset is at historical cost, these costs are capitalised, but if the subsequent measurement is at current value (specifically, fair value), these costs are expensed.

Other changes in an investor's ownership interest—dilution gains or losses

60. The IASB staff reminded ASAF members that the Exposure Draft proposes that an investor present dilution gains or losses in the investor's profit or loss.

61. All ASAF members except for the ARD representative confirmed their support for the proposal. They said that:

    (a) dilutions are economically similar to disposals; and

    (b) the alternative treatments would be problematic and complex to apply.

62. The ARD representative disagreed with the proposal and said they would support dilution gains or losses to be presented in the investor's equity. In their view, equity method is something like a 'mirror approach', as the associate reflects the changes in equity. It is better that the investor do so, otherwise, it would be inconsistent with

the basic accounting treatment for equity method, and dilutions are different from disposals in nature as at least the investor does not receive cash at the same time.

63. The OIC representative asked how the proposal would apply when an associate issues instruments other than ordinary shares.

64. ASAF members were asked for their views about the accounting for indirect dilutions (dilutions that occur when an associate's subsidiary issues shares to a third party). Some ASAF members said that it is common for an entity to have an interest in associate that is a group so indirect dilutions occur frequently and the IASB should provide requirements on how to account for them. Other ASAF members said they were less familiar with this type of transaction. The representative from FASB said that the US GAAP has no requirements on indirect dilutions.

65. ASAF members' views were mixed in relation to the accounting for an indirect dilution. Some ASAF members preferred to have a single answer. The UKEB representative recommended developing a principle-based answer and avoiding establishing separate rules for different fact patterns. However, the representative from EFRAG said that the IASB should consider that in indirect dilutions there are practical difficulties, such as the investor not having the ability to participate in the transaction and possibly not even being aware of it.

66. The representative from ASBJ asked about antidilutions (antidilutions occur when an associate buys back own shares from other shareholders) and said that some stakeholders in their jurisdiction were questioning whether the answer should be symmetrical to the one for dilutions.

Next steps

67. The IASB will continue redeliberating the proposals in the Exposure Draft, asking ASAF members for their views on specific proposals.

Agenda planning and feedback from previous ASAF meetings

68. In this session, ASAF members discussed topics for the next ASAF meeting, which is scheduled for 1–2 December 2025. Participants agreed the meeting should include discussion of the IASB's projects on:

    (a) Amortised Cost Measurement;

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

    (c) Equity Method;

    (d) Intangible Assets; and

    (e) Statement of Cash Flows and Related Matters.

69. Participants also agreed that the UKEB's project on statement of cash flows and related matters and OIC's project on business combinations under common control will be presented at the December ASAF meeting.

70. The UKEB representative suggested to discuss the IASB's prioritisation framework at the December ASAF meeting.