

## STAFF PAPER

October 2020

IASB<sup>®</sup> Meeting

Project	2020 Agenda Consultation		
Paper topic	Criteria for assessing projects to be added to the work plan		
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**Purpose and structure of this paper**

1. As specified in the Due Process Handbook, one of the objectives of an agenda consultation is to seek input on the criteria for assessing the priority of financial reporting issues ('projects') that may be added to the work plan.
2. The purpose of this paper is to:
  - (a) present the staff's proposed criteria for assessing projects to be added to the work plan to seek feedback on in the Request for Information; and
  - (b) ask whether the Board has any comments or questions on those criteria.
3. This paper is structured as follows:
  - (a) Proposed criteria for assessing projects to be added (paragraphs 4-7).
  - (b) How the Board will use the criteria in assessing projects to be added (paragraphs 8-10).
  - (c) Feedback on the criteria for assessing projects to be added (paragraphs 11-13).
  - (d) Questions for the Board.

**Proposed criteria for assessing projects to be added**

4. Paragraph 5.4 of the Due Process Handbook specifies that the Board evaluates the merits of adding a potential project to the work plan primarily on the basis of the needs of users of financial statements ('users'), while also taking into account the

costs of preparing the information in financial statements. A few users that participated in the outreach undertaken to develop the list of potential projects to be included in the Request for Information (see Agenda Paper 24D) stressed the importance of the work plan reflecting users' needs.

5. In deciding whether a potential project will address users' needs, the Due Process Handbook states that the Board considers:
  - (a) the importance of the matter to users;
  - (b) whether there is a deficiency in the way particular types of transactions or activities are reported in financial statements;
  - (c) the types of entities likely to be affected by any proposals, including whether the matter is more prevalent in some jurisdictions than others; and
  - (d) how pervasive or acute a particular financial reporting issue is likely to be for entities.
  
6. In practice, the Board also considers the following additional criteria:
  - (a) the interaction with other projects already on the work plan;
  - (b) the complexity and feasibility of the project and its solutions; and
  - (c) the capacity of the Board and its stakeholders to progress the project on a timely basis.
  
7. We think the seven criteria in paragraphs 5 and 6 that the Board uses in evaluating the merits of adding a potential project to the work plan continue to be appropriate and have been working well. Consequently, we recommend the Request for Information should:
  - (a) identify the seven criteria as the criteria that the Board proposes to use to assess the priority of any new projects suggested by respondents to the Request for Information; and
  - (b) seek feedback on those criteria.

## How the Board will use the criteria in assessing projects to be added

8. Some stakeholders that participated in the outreach undertaken to develop the list of potential projects to be included in the Request for Information (see Agenda Paper 24D) suggested that the Request for Information should explain how the Board will use the criteria to determine which projects should be added to its work plan—for example, would the Board apply a weighting to each criterion?
9. The Feedback Statement to the 2015 Agenda Consultation stated that no single criterion discussed was ranked consistently over any other by the Board. We continue to agree with this observation. This is because we think the range and subjectivity of our proposed criteria means that prioritising new projects to be added to the work plan cannot be a precise exercise.
10. Therefore, we think the Request for Information should state that assessing the priority of projects to be added to the work plan is a matter of judgement and the relative importance of any particular criterion is likely to vary depending on the particular circumstances.

## Feedback on the criteria for assessing projects to be added

11. A few stakeholders that participated in the outreach undertaken to develop the list of potential projects to be included in the Request for Information (see Agenda Paper 24D) asked whether the Board will consider the work programme of the US Financial Accounting Standards Board (FASB) in selecting projects to add to the work plan. A few of them added that, in their view, harmonisation between the US GAAP and IFRS Standards would be desirable.
12. We note that the *IFRS Foundation Strategic Plan for 2016*<sup>1</sup>:
  - (a) identifies maintaining effective relationship with the FASB to protect convergence achievements as a strategic goal and notes that no new joint projects between the FASB and the Board are planned.

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<sup>1</sup> See Appendix E of the Feedback Statement here: <https://cdn.ifrs.org/-/media/project/2015-trustees-review/request-for-views/educational-materials/feedback-statement-request-for-views.pdf>

- (b) explains that while the agenda consultation remains the primary consideration for determining the Board’s work plan and priorities, the Board will also take into consideration the work streams of other major standard-setters, including the FASB.
13. In light of the above, we think the Request for Information should include the consideration noted in paragraph 12(b).

### **Questions for the Board**

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1. Do you have any comments or questions on the proposed criteria in paragraphs 5-6 to seek feedback on in the Request for Information?
2. Do you have any other comments about how the Request for Information should describe the proposed criteria?