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## Islamic Finance Consultative Group meeting

Date	<b>1–2 November 2022</b>
Project	<b>IASB’s Third Agenda Consultation</b>
Topic	<b>Overview</b>
Contacts	<b>Bruce Mackenzie (<a href="mailto:bmackenzie@ifrs.org">bmackenzie@ifrs.org</a>)</b> <b>Jawaid Dossani (<a href="mailto:jdossani@ifrs.org">jdossani@ifrs.org</a>)</b>

This paper has been prepared for discussion at a public meeting of the Islamic Finance Consultative Group (IFCG). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards. The IASB’s technical decisions are made in public and are reported in the IASB *Update*.

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# Overview of the Request for Information

## Objective and key dates



Objective

To seek views on:

- 1 the strategic direction and balance of the IASB's activities
- 2 the criteria for assessing the priority of financial reporting issues that could be added to the IASB's work plan
- 3 new financial reporting issues that could be given priority in the IASB's work plan



# IASB's activities and questions asked in the RFI

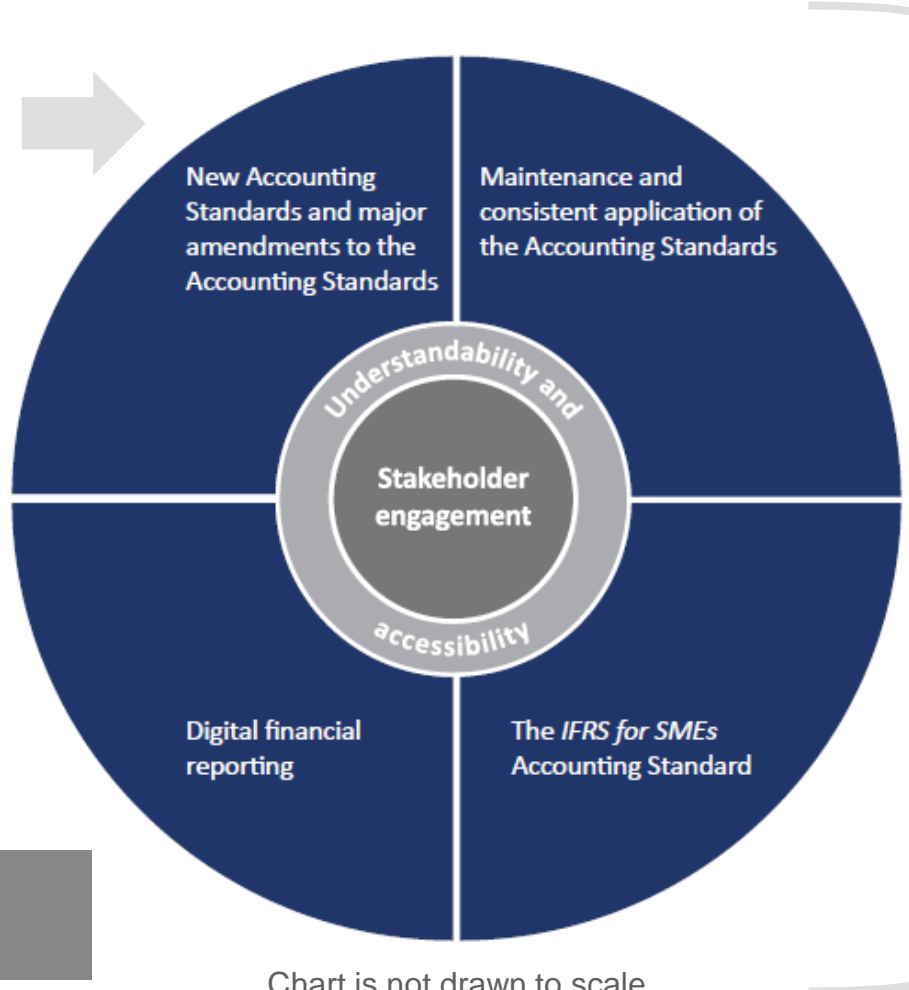
**2** Criteria for assessing the priority of financial reporting issues

- Has the IASB identified the right criteria?
- Should the IASB consider any other criteria?

**3** Priority of financial reporting issues that could be added to the work plan

- What priority would you give each of the potential projects described in the RFI?
- Should the IASB add any projects not described in the RFI?

**4** Do you have any other comments on the IASB's activities and work plan?



**1** Strategic direction and balance of the IASB's activities

- Should the IASB:
- increase, leave unchanged or decrease its current level of focus for each main activity?
  - undertake any other activities within the current scope of its work?

Chart is not drawn to scale

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## Key considerations

Stakeholder and IASB capacity expected to remain substantially unchanged

Most capacity will be filled by completing current projects and the required post-implementation reviews

Some capacity set aside for time-sensitive projects

Stakeholders and the IASB have limited capacity to take on new projects

Due to the timing, implications of the creation of the ISSB acknowledged, but not reflected further in the RFI.

Feedback helped shape the IASB's thinking when determining how to prioritise its activities and new projects on its work plan.

The IASB also considered its own experience and expertise in determining its priorities.

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# Feedback overview

# Feedback overview (1/2)

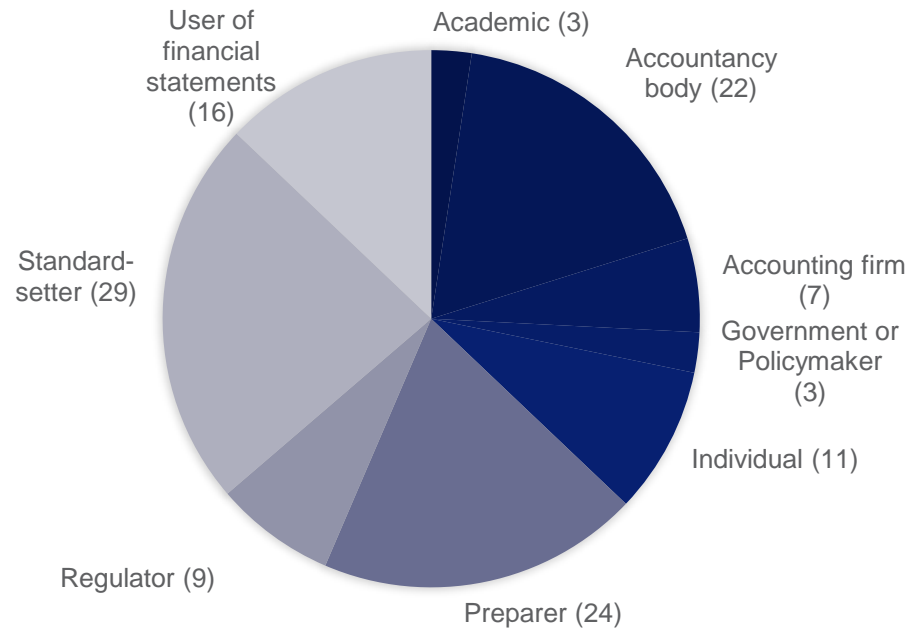


74 outreach events with stakeholders from around 90 jurisdictions

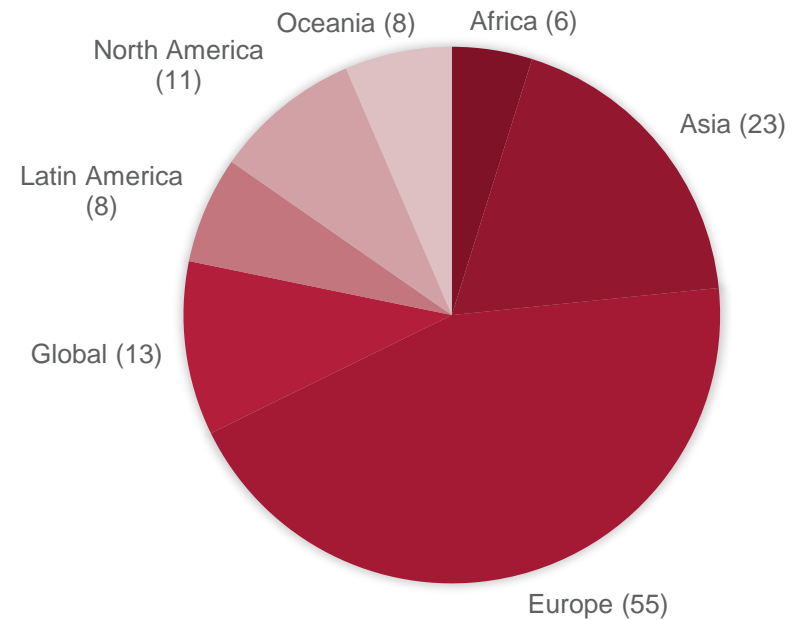


124 comment letters (all available [here](#))

Comment letters by stakeholder type ...



Comment letters by region ...

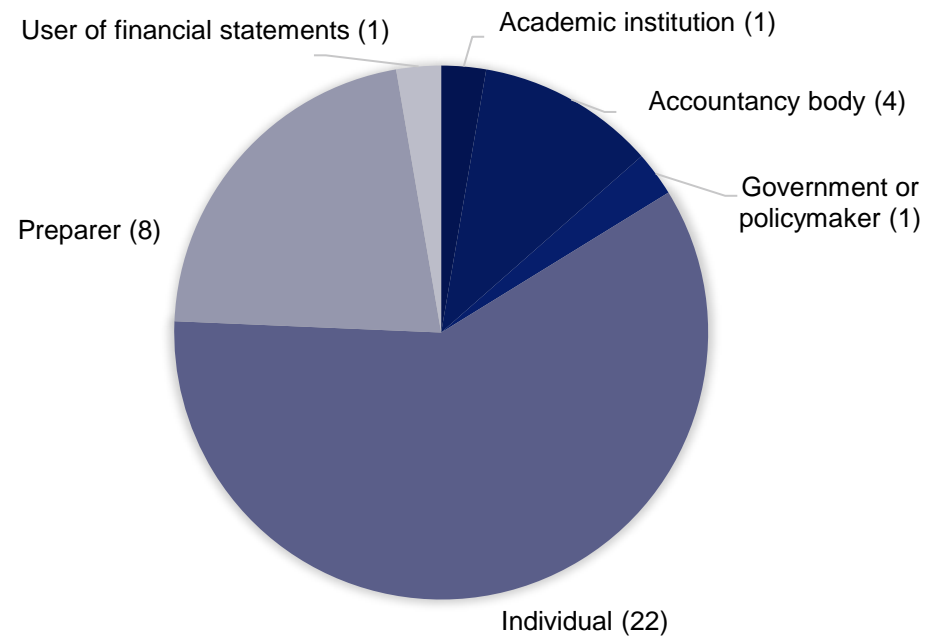


## Feedback overview (2/2)

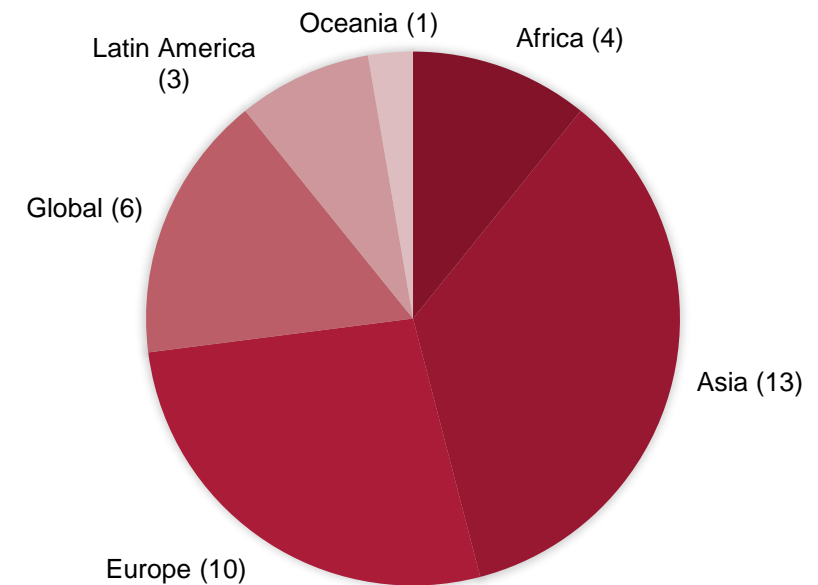


37 responses to the online survey

By stakeholder type ...



By region ...





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# Summary of feedback and the IASB's response

Q1

# Strategic direction and balance of the IASB’s activities— feedback and the IASB’s response (1/4)



After considering cross-cutting themes, such as implications of connectivity with the International Sustainability Standards Board (ISSB), and consistent with stakeholders’ feedback, the IASB decided:

- to begin no new activities within the current scope of its work; and
- to leave its current level of focus on its main activities largely unchanged.

Activity	Current level of focus	Current activities	Feedback	IASB’s response
New IFRS Accounting Standards and major amendments	40%–45%	<ul style="list-style-type: none"> <li>• research and standard-setting projects</li> <li>• required post-implementation reviews</li> </ul>	Decrease or leave unchanged	Slightly decrease

**Q1** Strategic direction and balance of the IASB’s activities—  
feedback and the IASB’s response (2/4)

Activity	Current level of focus	Current activities	Feedback	IASB’s response
Maintenance and consistent application	15%–20%	<ul style="list-style-type: none"> <li>• monitoring consistent application of Accounting Standards</li> <li>• narrow-scope amendments and interpretations</li> <li>• IFRS Interpretations Committee agenda decisions</li> <li>• educational materials</li> <li>• supporting regulators and national standard-setters in their role to support consistent application</li> </ul>	Increase or leave unchanged	Leave unchanged
The <i>IFRS for SMEs</i> Standard	5%	<ul style="list-style-type: none"> <li>• periodic reviews of the Accounting Standard, and if necessary, amendments to the Accounting Standard</li> <li>• educational materials</li> </ul>	Leave unchanged	Leave unchanged

# Q1 Strategic direction and balance of the IASB’s activities— feedback and the IASB’s response (3/4)

Activity	Current level of focus	Current activities	Feedback	IASB’s response
Digital financial reporting	5%	<ul style="list-style-type: none"> <li>• updates to the IFRS Accounting Taxonomy for new or amended Accounting Standards and common reporting practice</li> <li>• educational materials</li> <li>• presentation and disclosure requirements that are ‘digital neutral’</li> <li>• commentary in speeches and other discussions</li> <li>• meetings as requested by regulators</li> </ul>	Increase	Slightly increase
Understandability and accessibility	5%	<ul style="list-style-type: none"> <li>• reducing unnecessary complexity for companies, while improving information quality for investors</li> <li>• drafting clear Accounting Standards</li> <li>• publishing annotated Accounting Standards with cross-references and semi-annual compilations of agenda decisions</li> <li>• providing tools for easier navigation of the electronic version of the Accounting Standards</li> </ul>	Increase	Slightly increase (indirect support of maintenance and consistent application)

Q1

## Strategic direction and balance of the IASB’s activities—feedback and the IASB’s response (4/4)

Activity	Current level of focus	Current activities	Feedback	IASB’s response
Stakeholder engagement	20%–25%	<ul style="list-style-type: none"> <li>• general and project-specific meetings with stakeholders</li> <li>• developing tailored materials to support various meetings with stakeholders</li> <li>• engagement through comment letters received in response to formal consultation documents</li> </ul>	Leave unchanged	Leave unchanged

## Q2 Criteria for assessing the priority of financial reporting issues—feedback and the IASB’s response

Stakeholders generally agreed with the IASB’s proposed criteria. They said they would like to understand how the criteria have been applied.

The IASB decided not to make any changes to the list of criteria but to proceed with the list as proposed in the RFI.

The IASB used the criteria to assess the priority of potential projects suggested by respondents (see slides 15-18).

### Overarching consideration

whether a potential project will meet investors’ needs, while taking into account the costs of producing the information

- ① the importance of the matter to **investors**
- ② whether there is a **deficiency** in current reporting
- ③ the **type of companies** affected and jurisdictions where the matter is more prevalent
- ④ how **pervasive or acute** the matter is likely to be for companies
- ⑤ the potential project’s **interaction with other projects**
- ⑥ the **complexity and feasibility** of the potential project and its solutions
- ⑦ the **capacity** of the IASB and its stakeholders to progress the potential project

Q3


# Financial reporting issues that could be added to the IASB’s work plan—feedback



- Respondents commented on or suggested approximately 70 potential projects—more than possible to undertake, given stakeholders’ and the IASB’s capacity.
- The IASB should not add too many new projects to the work plan as it will need capacity to deal with emerging issues and interaction with the ISSB.
- Some projects are related and could be worked on at the same time.
- The IASB should work on climate-related risks in the financial statements and pollutant pricing mechanisms (PPM) together with the ISSB.

Some of the most commonly suggested projects (in alphabetical order)


Climate-related Risks in the Financial Statements (incl. PPM)



Cryptocurrencies and Related Transactions



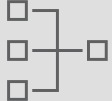
Going Concern Disclosures



Intangible Assets



Operating Segments (highly rated among users)



Statement of Cash Flows and Related Matters



## Q3 The IASB's response—new projects

Research project pipeline



Intangible Assets—this project will aim to review IAS 38 *Intangible Assets* comprehensively.



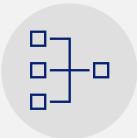
Statement of Cash Flows and Related Matters—as part of the research phase of such a project, the IASB will consider whether the project should aim to review IAS 7 *Statement of Cash Flows* comprehensively or make more targeted improvements.

Maintenance project pipeline



Climate-related Risks in the Financial Statements—this project will consider whether and, if so, what narrow-scope actions might be needed in relation to accounting for climate-related risks in the financial statements.

Reserve list



Operating Segments



Pollutant Pricing Mechanisms



## Q3 Research project pipeline—deep dive



### Intangible Assets

- Many investors rated this project as high priority.
- Stakeholders' concerns relate to all aspects of IAS 38 *Intangible Assets*:
  - scope;
  - recognition;
  - measurement;
  - disclosures; and
  - difference in accounting between acquired and internally generated intangible assets.
- The IASB will undertake a comprehensive review of IAS 38 which may be done in stages.
- The IASB will need to consider interactions between this project and the work of the ISSB.



### Statement of Cash Flows and Related Matters

- Most investors considered this project to be the highest priority of all potential projects.
- Stakeholders' concerns relate to both presentation issues and other issues (such as improved disclosures about non-cash financing).
- Views on the scope of the project were mixed. Some stakeholders suggested a comprehensive review of IAS 7 *Statement of Cash Flows*. Others suggested a more targeted approach. The IASB will decide on the scope during the research phase of the project
- This project will have interactions with some other projects (for example, the work on Supplier Finance Arrangements).

## Q3 Maintenance project pipeline—deep dive



### Climate-related Risks in the Financial Statements



Stakeholders raised concerns about:

- inconsistent application of IFRS Accounting Standards to climate-related risks; and
- insufficient information disclosed about climate-related risks in the financial statements.



This project will:

- research the causes of stakeholders' concerns;
- research whether the educational material on the Effects of climate-related matters on financial statements and application of the ISSB's future IFRS Sustainability Disclosure Standard on climate-related disclosures help to address these concerns; and
- consider if any narrow-scope actions might be needed.



The IASB will need to consider interactions between this project and the work of the ISSB.

Q4

## Other feedback—projects on the current work plan



Question 4 of the Request for Information asked respondents for any other comments on the IASB's activities and work plan.

Some respondents made general comments about the work plan.

Some said the IASB should advance the projects already under way before starting new projects.

Some said the IASB should reassess the priority and necessity of all of the projects on its current work plan.

Many respondents commented on individual projects on the current work plan.

Some emphasised the importance of these projects and encouraged the IASB to complete them on a timely basis.

Some suggested the IASB pause or discontinue particular projects.

Q4

## IASB's response—projects on the current work plan



The IASB decided not to reprioritise projects on its current work plan.

- Stakeholders have previously identified those projects as priorities.
- Re-prioritising projects could lead to inefficient stops and starts.
- Some projects, such as post-implementation reviews, are required by the *Due Process Handbook*.
- There are natural points within a project's lifecycle at which the IASB considers the project's future direction (reflection points). Many of the projects that respondents suggested should be paused or discontinued have reached or will soon reach a reflection point.



Feedback on specific projects has been shared with the relevant project teams.

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# Appendices

# Appendix A—Published materials

**IFRS Accounting**  
July 2022  
**Third Agenda Consultation**  
Feedback Statement  
International Accounting Standards Board

## Feedback Statement

**Foreword by Andreas Barckow, Chair of the IASB**

**Snapshot**

**Video and social media posts**

**Andreas Barckow**  
IASB Chair

Research project pipeline	Intangible Assets—this project will aim to review IAS 38 comprehensively.
	Statement of Cash Flows and Related Matters—as part of the research phase of such a project, the IASB will consider whether the project should aim to review IAS 7 comprehensively or make more targeted improvements.
Maintenance project pipeline	Climate-related Risks in the Financial Statements—this project will consider whether and, if so, what narrow-scope actions might be needed in relation to accounting for climate-related risks in the financial statements.
Reserve list	Operating Segments
	Pollutant Pricing Mechanisms

**IASB sets out its 2022–2026 priorities**

The IASB has today published its Third Agenda Consultation Feedback Statement and Snapshot outlining its priorities for the next five years

[Read more](#)

Previous: New appointments to the IASB | Next: Tae-Young Paik and Elizabeth Seeger appointed to ISSB

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