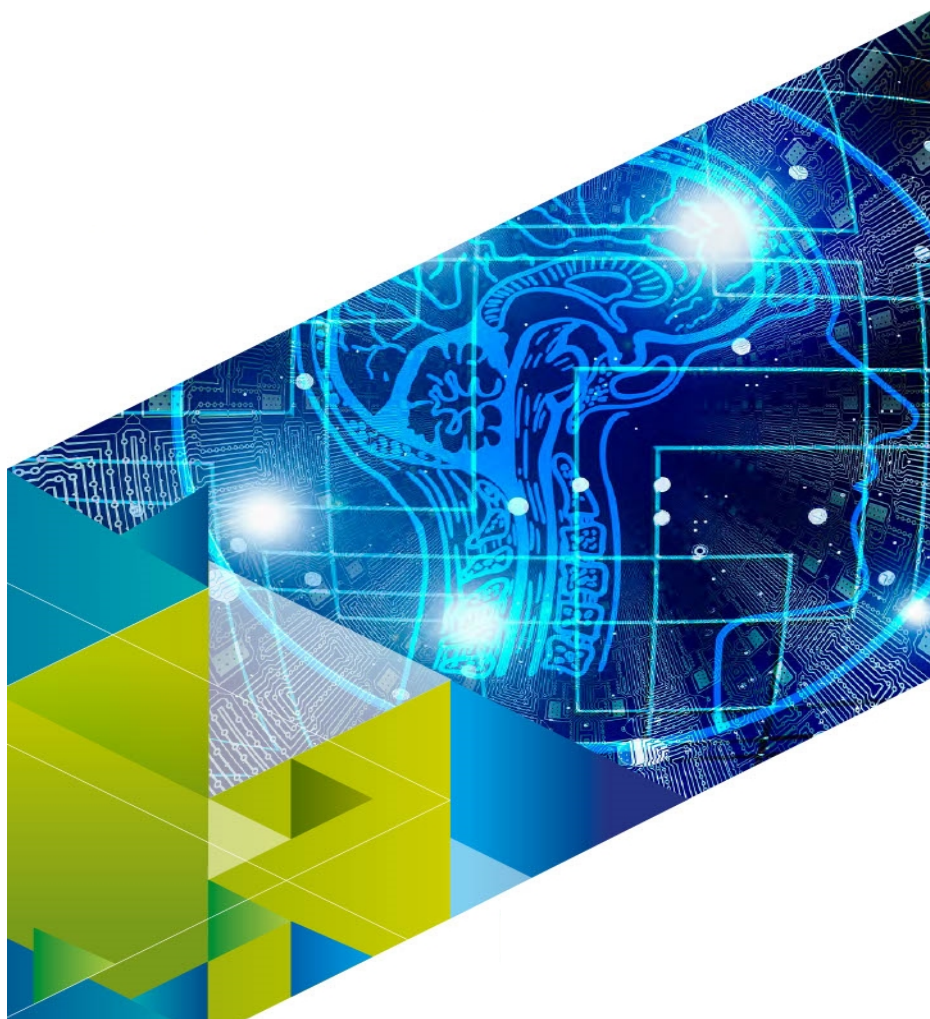


This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of EFRAG FR TEG. The paper forms part of an early stage of the development of a potential EFRAG position. Consequently, the paper does not represent the official views of EFRAG or any individual member of the EFRAG FR Board or EFRAG FR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG FR Board, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

SUMMARY OF THE FEEDBACK RECEIVED IN RESPONSE TO EFRAG'S DISCUSSION PAPER Better Information on Intangibles Which is the best way to go?



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Introduction

In August 2021, EFRAG issued the Discussion Paper [Better Information on Intangibles – Which is the best way to go?](#) ('DP'). EFRAG requested comments by 30 June 2022.

EFRAG is now issuing a feedback statement, which describes the main comments received.

Why was this Discussion Paper written?

In 2018, following the input received from the EFRAG research agenda consultation, EFRAG decided to add a research project on better information on intangibles to its agenda. The DP was prepared as part of this project. The DP analysed different approaches to obtain better information on intangibles, based on input from members of the EFRAG Advisory Panel on Intangibles, without providing recommendations on the selection of a particular approach. The approaches presented addressed 'intangibles' with reference to intangible sources of possible economic benefits. This included items that would not meet the definition of an asset in the IFRS literature. The Discussion Paper only considered information to be included in financial reports (financial statements (including the notes) and the management report). The approaches presented only deal with how to provide better information for intangibles used in the entity's operations. The scope was limited to cover information that is useful for the primary users of financial reports.

Responses from stakeholders

Stakeholders have provided responses to the DP at outreach events, by submitting a comment letter and/or by completing an online survey.

EFRAG has arranged, co-arranged or participated in 11 public outreach events and 19 closed outreach events.

EFRAG has received and considered 26 comment letters from a wide range of stakeholders and 4 completed surveys. These comment letters and completed surveys are available on the [EFRAG website](#).

The comment letters received came from standard setters, listed companies, user organisations, professional organisations, academics, individual users and other individuals.

When the terms: 'most', 'many', 'some' and 'a few' are used to describe the number of respondents to EFRAG's DP, the terms have the following meaning:

Most	80% - 100%
Many	50% - 80%
Some	25% - 50%
A few	More than one to 25% of respondents

Purpose and use of this summary of feedback received

This summary of feedback received has been prepared to inform EFRAG FR TEG about the input received in response to the DP. It summarises the messages received from constituents and notes any key themes identified.

A condensed version of this summary will be prepared and published on EFRAG's website as a feedback statement. The feedback statement will also include recommendations EFRAG will propose based on the comments received.

This summary should be read in conjunction with the [DP](#), which is available on the EFRAG website. This summary should also be read in conjunction with the feedback statements prepared for the EFRAG/EFFAS outreach event '[User's perspective](#)' on 29 March 2022 and the EFRAG outreach event '[What's next](#)' on 30 May 2020.

Analysis of responses

This section includes a more detailed analysis of feedback related to in each of the questions included in the DP.

Question 1 – Issues with the current information

Chapter 2 summarises issues put forward with the current information on intangibles. Do you think the issues listed are relevant and valid? Are there additional issues with the current information on intangibles that are not listed? If so, what are these issues?

Overview of feedback received

Many respondents providing written input considered the issues with the current information, that was listed in the DP to be relevant and valid. However, some disagreed on some aspects. Some also noted additional issues that were not covered by the DP. The following sections first presents the comments supporting the issues with the current information identified in the DP, then it summarises the comments presented by some of those who disagreed with some of the aspects noted in the DP. Finally, it presents some additional issues identified by respondents.

Issues with current information

That there are issues with the current information on intangibles, was confirmed by:

- 15 comment letters, 3 submitted surveys and at several outreach events where the **issues mentioned in the DP were considered both relevant and valid.**
- 93% of the users responding to a survey in an academic study supported by EFRAG, EFFAS and ICAS stated that there is **useful information on intangibles missing from today's financial reporting.** This view was also expressed in comment letters by a business reporting network and a business reporting organisation. The staff of a standard setter stated that accounting standards applicable to intangibles have not yet been updated to reflect the accelerated growth in intangibles, thus increasing the risk of financial statements becoming less relevant in the face of evolving stakeholder information needs. Three associations of accountants noted that IAS 38 *Intangible Assets* does not enable preparers to adequately reflect financial information about entities' intangible value drivers. An association of academics considered that the lack of information on intangibles in financial reports makes the assessment of the company directors' stewardship difficult; and a marketing standard setter thought the insufficient information created a lack of a level playing field between small and professional investors. A few respondents provided views on whether the issues resulted from recognition and measurement requirements or from the quality of disclosures.

- Two associations of accountants thought the problems resulted from the current accounting standards **not being designed to recognise and measure** intangibles (the association referred to these as something that generates future economic benefits). The missing recognition of these was thought to potentially undermine the relevance of financial statements.
- Members of a user group and an association of accountants noted that the **qualitative information currently disclosed needed to be improved**. The users thought that the description of intangible assets on the statement of financial position was very poor in general with several different types of intangible assets being grouped together (e.g., trademarks, patents and technologies) making the valuation assessment very challenging. Also, better information should be provided on the value and risk of intangible assets acquired in a business combination. A standard setter also reported that its stakeholders had noted that there is insufficient information on unrecognised intangibles/expenses on intangibles¹.
- An association of accountants noting that studies have shown **the increasing gap between the market value of companies and their net asset value**. While it should not be an objective of financial statements to support and justify market values, the scale of the gap does, in the view of the association, raise questions as to whether financial statements adequately recognise as assets the intangibles that are increasingly the drivers of value in businesses. An association of academics noted that while some research² pointed to a large gap between the market value of companies compared to their book/net asset value there had also been some dissenting voices on this among academics³.
- The fact that some intangibles are eligible for recognition when acquired separately or as part of a business combination, but not when they are internally generated. This creates a **financial reporting discrepancy between entity that choose to grow organically compared to those that grow through acquisitions**. This issue was mentioned in six comment letters (from standard setters, and an association of academics), in one completed survey (from a preparer), and by participants at outreach events.
- The comment by a valuator that **IFRS performance figures had to be corrected** to provide useful information on return on investments.

The issues with the reporting of intangibles have become more important according to some respondents. It was thus noted that:

- Approximately 70% of the value of the Toronto Stock Exchange consisted of intangible assets. It was noted that this percentage is even higher for markets outside of Canada, such as the U.S. where the same share for the S&P 500 is 91%⁴.

¹ One standard setter submitting a comment letter to EFRAG had not developed its own view but referred to input it had received from interviews with 33 of its stakeholders (including 13 users, six preparers, two auditors, two standard setters, 6 academics and 4 'other's).

² The respondent referred to the book: Lev, B., and Gu, F. (2016). *The End of Accounting and the Path Forward for Investors and Managers*. Wiley.

³ The respondent referred to the article: Barth, M.E., Li, K., McClure Ch. (2022). Evolution in Value Relevance of Accounting Information. *The Accounting Review*, doi.org/10.2308/TAR-2019-0521.

⁴ These figures are calculated by considering the market capitalisation.

- Intangibles represent an increasing amount of enterprise value, even in tangible-asset intensive industries.
- Intangibles have become important elements as technology, brand names and market position are increasingly playing a relevant role in companies' operating activities.

Not all the listed aspects mentioned in the DP are relevant and valid

Some of the issues listed above were, however, not acknowledged by all providing input to the consultation.

Sufficient information

While some members of a user network were missing information on intangibles, other members thought that there is already sufficient information in company reports and elsewhere, to carry out company valuations. It was acknowledged by these that return on assets ratios based on financial statements were currently not helpful (because the assets were not recognised), but intangible intensive companies tended to be valued via discounted cash flow models anyway. Other members tried to calculate invested capital by e.g., capitalise R&D using historic costs.

Two organisations of preparers similarly thought that IAS 38 overall reflected an acceptable balance between needs of users, the operational/cost implications for reporting entities, and the need to ensure robust accounting outcomes, but some target improvements could be made.

Not losing value relevance because of how intangibles are accounted for

On the view that financial statements were losing their value relevance, an academic disagreed. The academic thought that informativeness had gone up when studying earnings releases.

An academic noted that the reason why some academic studies showed a decline in the relevance was a result of different types of entities included in the samples. It was also noted by an association of academics that high uncertainty lowers the relevance of financial statements – and intangibles, whether recognised or not, often involve high uncertainty.

IFRS performance figures are not important

One standard setter was not concerned about the value relevance and performance measurement included of financial reports. It noted that most users have sufficient knowledge and use additional information about intangibles, rather than mechanically relying only on primary financial statement ratios. Also, an academic and a preparer noted that although it is important that entities inform users about their intangibles, it is less important how they inform the users. An association of academics was similarly not concerned about the performance measures resulting from not recognising internally generated intangibles. It noted that recent capital research shows no benefits of recognition of intangible assets for valuation purpose, in particular for the amortisation in subsequent periods. A standard setter similarly questioned, particularly the usefulness of amortisation expenses.

Acquired assets are different from internally generated

An association of accountants, a valuation company and some members of a user network did not consider it to be an issue that acquired intangibles would be accounted for differently than internally generated. The members of the user network noted that the “make” or “buy” decision is not a straightforward choice for intangible investments, because the choice is not necessarily simply “buy X” or “make X”, rather it is often “make X from scratch” or “buy X as a proven asset” – the risk and reward profiles of each are very different. The valuation company noted that acquired intangible assets have already been created (i.e., commercialised) and provide current economic benefits (except for PIR&D) whereas intangibles created in the ongoing business consists of intangible assets still being developed, as well as to the continuous maintenance and enhancement of already created and functional assets.⁵

An academic considered similarly that there was a difference between buying the Coca-Cola brand name or trying to make an own brand name. This was not the same investment, so it did not make sense to account for them in the same way.

A preparer noted that from a financial reporting perspective, there was also a difference between acquired assets and internally generated assets as the value of an acquired intangible asset was backed-up by a transaction with another party.

Gap between the market value of companies and their net asset value

The DP was, following the initial input received, based on the premise that the purpose of the financial statements is not to explain the market capitalisation of an entity. Some respondents considered this important to emphasis.

Additional issues

Problem with the application of current requirements

Some respondents noted that the current issues do not (only) result from the current requirements, but how these are applied.

A standard setter noted that some of its stakeholders considered that the criteria for when a project would be in the development phase (and hence when the costs of the project should be capitalised) were arbitrary and open to significant interpretations, resulting in significant different accounting outcomes between entities.

An association of accountants considered that the reason for the different accounting outcome was more related to failure to apply the existing requirements properly. The association noted that according to its studies:

⁵ This respondent agreed that recognition in this case could involve the capitalisation of costs with future benefits as a proxy for assets that analysts might view as an element of invested capital. This would also be a step towards narrowing the gap between a company’s book value and its market valuation. The capitalisation approach could be coupled with a fair value impairment model, to be applied when certain impairment indicators are present

- The great majority of listed companies neither report an asset of development expenditure nor an expense for R&D despite the definition of development expenditure being drawn very widely by IAS 38. According to the association, this implied either widespread low levels of investment in developing new products and processes or that financial reporting is seriously understating such corporate investment by treating them as other expenses.
- There were low levels of capitalisation of R&D which could reinforce the impression that capitalisation was a matter of accounting policy choice for management.
- In contrast to the low frequency of capitalisation of development costs, a much larger proportion of firms capitalised software development costs, even though the amounts involved were immaterial relative to companies' total assets and/or market values. According to the association, this suggested that it is unlikely that materiality was an issue for not capitalising or expensing separately R&D expenditure.
- There are strong national variations in the extent to which financial statements report software development costs.
- In the extractive industries the basic model of capitalisation and impairment of exploration and evaluation costs was applied by most companies in one form or another and seemed to be working. This contrasted with the relative lack of capitalisation of the development costs of new products and processes under IAS 38.

In this regard, an association of academics also pointed to research showing that less than 10% of R&D costs are capitalised.

A participant at an outreach event provided one possible reason why so few companies capitalise R&D. It was noted that for many users, capitalising intangibles is a red flag. This could be because not many internally generated intangibles are recognised, so when they are, it is considered as aggressive accounting.

Current requirements are considered complex

Some stakeholders considered that the current requirements were complex to apply.

A preparer mentioned that a lot of time was used on how to apply IAS 38 requirements. It was noted that development projects, perhaps unlike previously, now do not necessarily go through the different phases as envisaged in IAS 38. The competition sometimes requires very speedy processes to IT-related projects. It was also observed that apps are 'never' completed and that it can be difficult to distinguish between maintenance and development of new functionalities.

A participant at an outreach event thought that the concept of 'economic benefits' as a criterion for recognition in IAS 38 was vague – it was unclear whether it referred to gross or net benefits or even applied as a given return (e.g., a given return on assets).

IAS 38 does not reflect the current thinking in the Conceptual Framework

A standard setter noted that many of its stakeholders considered that the requirements in IAS 38 on the recognition of internally generated intangibles did not reflect the thinking included in the Conceptual Framework on what constitutes an asset and therefore were not adequately capturing key intangibles.

IT/software

Requirements related to IT/software were brought up in several comment letters by preparers (including organisation of preparers), standard setters and an association of accountants. It was also expressed at outreach events. At an outreach event a view was expressed that the IFRIC rejection notice on how to account for costs of configuring or customising a supplier's application software in a cloud computing or software as a service (SaaS) arrangement did not result in useful information. It was not considered to result in useful information that entities that had their own servers should generally capitalise the costs, while entities using cloud services could not.

According to a user, the capitalisation of such costs may, however, not have a big impact, as such capitalised costs are often stripped out by users.

Disclosure for intangibles that are not recognised

One standard setter thought that an additional issue to those mentioned in the DP was the asymmetry in disclosures about unrecognised internally generated intangible assets and unrecognised present obligations (contingent liabilities).

Similar requirements for similar items

One standard setter noted that some Standards require recognition of assets that are similar in nature to internally generated intangible assets (e.g., insurance acquisition cash flow paid before the related insurance contract is recognised). This appeared inconsistent.

Moribund Effect

A marketing standard setter considered it to be an issue that increases in the value of acquired intangibles (e.g., an acquired brand) could not be depicted in financial statements.

Users do not have all the information management has

A user organisation added that in addition to those issues mentioned in the DP, there was an issue with asymmetry existing between the information available by entities' management and the information available to users. However, by publishing more information on intangibles, entities can put their own value at risk if the competition may take advantage of that disclosed information.

Relationship with sustainability

As further considered in relation to the input received in response to Question 8 of the DP and suggestions for future steps, comments were also provided on the need to consider information on intangibles together with information on sustainability.

Consequences of issues

The DP noted that insufficient information on intangibles could affect the company's market value due to information asymmetry, result in an inefficient capital allocation in society and make assessment of

the management's stewardship difficult. An association of valuers noted the following additional consequences of the issues with current information on intangibles:

- Failure to recognise internally generated intangibles means that such investments are largely excluded from the governance, financial reporting and audit ecosystems.
- Failure to recognise internally generated intangibles permeates through impairment testing.
- Failure to recognise internally generated intangibles impacts broader investment strategies (value versus growth).
- A problem with ESG information is that the information is not standardised. There are different interpretations of what is relevant ESG information. This result in the information not being considered so useful.

Question 2 – Which way to go?

Chapters 3, 4 and 5 present possible different approaches to provide better information on intangibles (namely recognition and measurement; disclosure of information on specific intangibles; information on future-oriented expenses and risk/opportunity factors) and, within each approach, different alternatives to provide better information on intangibles.

These different approaches represent different trade-offs between benefits and costs when considering the different needs of users of financial reports for better information on intangibles.

Do you think there is room for improvement regarding information on intangibles in financial reporting? If so:

- Do you think the different approaches described could be combined in a manner that could meet (most of) the needs of users and for which the benefits would exceed the costs? If so, please describe such a combination.*
- If you do not think the different approaches described in the Discussion Paper could be combined in a manner that would meet (most of) the needs of users, which (if any) of the described approaches do you think could be worth investigating further with the objective of getting better information on intangibles:*
 - Amending existing recognition and measurement requirements for intangibles (see Chapter 3);*
 - Providing disclosures on specific intangibles (see Chapter 4);*
 - Providing disclosures on future-oriented expenses and risk/opportunity factors that may affect future performance (see Chapter 5); or*
 - An approach other than those described in the Discussion Paper (please explain this approach)?*

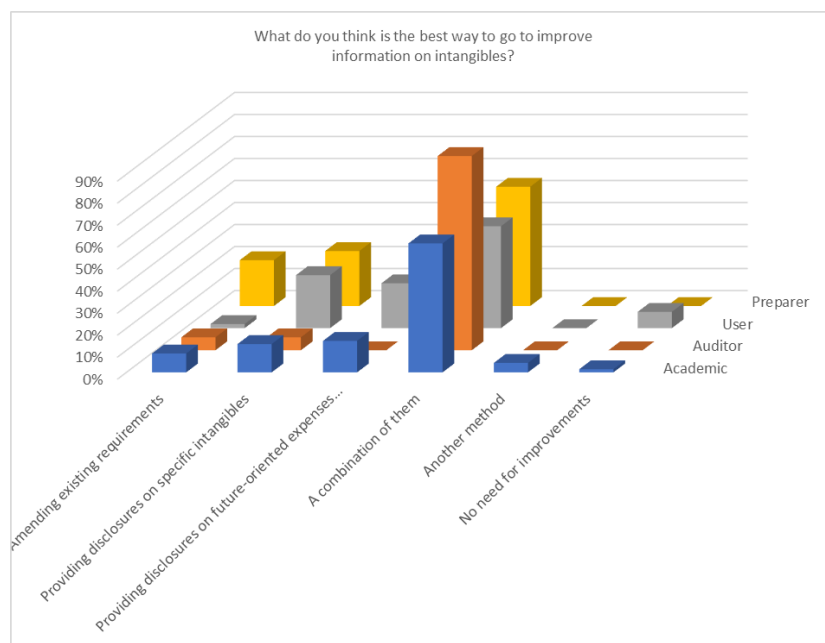
Overview of feedback received

Most respondents preferred a combination of the approaches included in the DP. These respondents often noted that intangibles are different and reporting on them should accordingly also be different. Although most respondents thought that all of the approaches should be considered, it was also suggested that some of the approaches could/should be considered before other approaches. The following sections first describes arguments for considering all of the approaches or only one or two of the approaches (the section 'Which approach?'). Then feedback on the characteristics that should be considered when reporting on different types of intangibles is summarised (the section 'Intangibles are different'). Finally, feedback on the order of considering the different approaches is listed (the section 'Phased approach').

Which approach?

At a number of outreach events, participants were asked which of the listed approaches, a combination of the approaches, or another approach not mentioned in the DP should be considered for providing better information on intangibles (to the extent it was considered that better information on intangibles was needed).

Amending existing recognition and measurement requirements for intangibles	8 %
Providing disclosures on specific intangibles	16 %
Providing disclosures on future-oriented expenses and risk/opportunity factors that may affect future performance	13 %
A combination of the approaches	59 %
Another method	1 %
No need for improvements	3 %



A combination of the approaches

At these outreach events, most participants favoured a combination of the approaches. It also appears that the approaches considered in the DP were the approaches considered most relevant to discuss further (as not many respondents favoured another approach not listed in the DP)

A combination of the approaches was also favoured by participants in an academic study supported by EFRAG, ICAS and EFFAS, by comments received at an outreach event where polling questions were not used, in eight comment letters and in one completed survey response. Some of the arguments provided were:

- The three approaches are scalable, mutually compatible, and interdependent. A combination of the approaches may provide users better information on intangibles. For example, certain assets may be more suitable for recognition but would still require complementing non-financial quantitative and qualitative disclosures.

- Narratives can support the understand of recognised figures.
- Intangibles cover a great range and not all approaches will be appropriate/possible in each case.
- It would be most cost/benefit efficient. One standard setter thus noted that recognising and measuring the intangibles in the primary financial statements would provide the most relevant, useful and quantitative information, but the preparation cost and uncertainty would be relatively high. Only making disclosure in the notes to the financial statements or management report would be less costly, but the relevance and usefulness of the information would be reduced and estimates and judgments would also be involved in deciding what information to disclose or how to disclose this information.
- Although providing more relevant information on future-oriented expenses would seem to be the most relevant manner for entities in the insurance industry to provide better information on intangibles, highly innovative industries might need to recognise more intangibles and/or provide more information on specific intangibles.

None – or only one or two of the approaches

Not all respondents, however, supported considering all the approaches listed in the DP – or thought that one or two of the approaches were significantly more important than other approaches.

Recognition and measurement

Several stakeholders thus thought that better information on intangibles should mainly take place by revising recognition and measurement requirements. Reasons for this position included:

- A regional standard setter organisation did not think that disclosures could be a solution. The standard setter noted that IFRS Standards were demanding more and more disclosures which could be a distraction. The information suggested in the DP was considered relevant, but it was not the real solution to the problem – that the intangibles were not recognised in the financial statements.
- There is a need to improve existing recognition and measurement requirements in some targeted areas and the approaches for disclosures presented in the DP would not provide a basis for meaningful comparisons between different entities. These comments are further considered in relation to the feedback to Question 3 below.

Recognition and measurement and information about future-oriented expenses

An organisation of preparers thought that deficiencies in recognition and measurement should not be addressed via extensive disclosure requirements for the notes and/or the management report, as this increases the risk of information overload (disclosures in the notes to the financial statements should be limited to those related to intangibles recognised as assets in the balance sheet). Relevant information on future-oriented expenses (without disclosing sensitive information) might be useful, according to the organisation, if robustly defined, but they should be placed in the management report.

Recognition and measurement and information on specific intangibles

One standard setter and a preparer favoured an approach under which additional intangibles would be recognised and information on specific intangibles would be enhanced. The standard setter considered that recognition and measurement requirements for internally generated intangibles should be aligned more closely to the requirements for those that are acquired in a business combination as it was considered that the different recognition requirements hinder the comparability of financial statements. The standard setter considered that internally generated technology-based intangibles should be recognised. There should be an increase in accompanying disclosure on recognised intangibles in the notes and on unrecognised intangibles in the management report. Information on future-oriented expenses should not be provided according to the standard setter.

According to the preparer certain cost could be capitalised and information on specific intangibles could be improved. The approach should weigh costs and benefits, considering sensitive commercial information, and focus on:

- Disclosure on intangibles that are key to an entity's business model since this information allows users of financial reports to understand the intangibles in relation to the entity's value creation process and so to help them in making decisions.
- Disclosure on intangibles that are controlled by an entity; for which ownership rights are relatively clear and for which markets exist (generally they can be bought and sold) or resulting of potential business combinations between group entities for which a fair value has been estimated.
- Qualitative information rather than quantitative information.

Information on specific intangibles

Two standard setters, a user, a user organisation and an auditor thought that disclosures on specific intangibles would be the best solution.

One of the standard setters thought the recognition and measurement approach as well as providing information about future-oriented expenses were both related to past costs. According to the standard setter, the information investors need from financial statements was not about the past cost as there was not a strong relationship between those costs and the real value of the intangible. Even with little costs, companies could create intangibles with a huge value. The standard setter suggested disclosures around the fair values of intangibles.

Another standard setter noted that although supporting all the approaches, it considered that only intangible assets that meet certain criteria should be included in the statement of financial position because of the level of uncertainty inherent in intangibles. The standard setter particularly considered disclosures on specific intangibles to be suitable and noted that this would be in line with the CSRD proposal and future new European reporting requirements for intangibles.

Similarly, an organisation of users thought that a combination of the approaches suggested in the DP should be used, but the improvements should mainly come from disclosures on specific intangibles.

A preparer who did not support providing information on specific intangibles, did however, acknowledge that the information could be useful for the capability of assessing stewardship.

Information about future-oriented expenses

Two preparers considered that providing disclosures on future-oriented expenses was the best way to go. One of these preparers noted that it should be in a manner that would not be limited to expenses on intangibles. The approach chosen should connect financial and non-financial information and would make it unnecessary to communicate separate additional information about future-oriented expenses, because users would be able to better evaluate the company's future performance and value generating resources via an integrated and interconnected financial and nonfinancial reporting.

A standard setter considered that all the approaches were useful, but particularly found the DP's table on how expenses could be categorised both according to nature and function useful.

Information relating to specific intangibles and information on future-oriented expenses and risks and opportunity factors

An academic supported information on future-oriented expenses in a manner where the incurred cost would be linked with the entity's KPI and business model.

TA user member of a standard setter considered that it was not possible to only consider one approach as intangibles represented a heterogenous group of resources and one size would not fit all. However, similar to another standard setter, this standard setter did not have much appetite for further recognition.

Arguments against recognising additional internally generated intangibles were also provided by a user in a completed survey some participants (preparers) in the academic study sponsored by EFRAG, EFFAS and ICAS and by preparers at outreach events. The arguments included:

- Recognition of additional intangibles would not result in useful information (too uncertain measurement when there is no transaction, no measurement would result in useful information), the value of internally generated intangibles would appear from the statement of financial performance (as the value of an entity's intangibles would be reflected in its financial performance), the value of the business is determined by forecasting future cash flows – which will embed the value of the aggregate of intangibles) (see also answers to Question 3).
- Qualitative information would not be constrained by the requirements for recognition (i.e., that there should be a past transaction and control) and measurement issues. From the qualitative information users could then make their own judgements about how they consider the prospects of future cash flows.
- Disclosures would be less complex than recognition and measurement (but could also result in the management getting new useful information as a result of the process of identifying and measuring intangibles).

None of the approaches

One standard setter and a preparer expressed concern that changing recognition requirements and/or the information about intangibles could risk destabilising the current, well understood, platform for financial reporting.

Mixed input

Two associations of accountants had received mixed input on which may be the best approach – or combination of approaches – to provide better information on intangibles. A standard setter noted that while most of its stakeholders suggested approaches consistent with those included in the DP, a minority suggested either getting rid of specific requirements for intangibles altogether and include the requirements in other standards, such as the current IAS 16 *Property, Plant and Equipment* or developing specific standards for specific intangibles.

Intangibles are different

Six comment letters and comments made at several outreach events reflected that intangibles are different and different solutions could therefore apply to different types of intangibles.

The type of approach that will be useful for a particular intangible, may follow various approaches considered in the DP. For example, an association of accountants noted that marketing may not be key for the business model and so only consideration of recognition or disclosure as forward oriented information may be appropriate for this. Workforce development may not be eligible for recognition as an asset and so only the other two approaches may be possible. Similarly, a standard setter noted that intangibles which meet the definition, and the recognition criteria of an intangible asset should be recognised. The different types of disclosures suggested in the DP could be applied for intangibles that are not recognised.

Apart from cases that would follow from the various approaches considered in the DP, respondents suggested the following characteristics could be considered when assessing how information about a group of intangibles could be best provided:

Is an internally generated intangible created by means of an investment (tangible intangible)?	If an intangible is like an investment (tangible intangible) (like a brand (marketing) and R&D) then information about its cost – to be included in the invested capital calculation (and considered as a ‘future-oriented’ expense) - would be useful. If the intangible is not like an investment (an ‘intangible intangible’) (e.g., reputation, management trust, corporate culture, customer perception and supply chain concentration) it would be difficult to link cost information to the intangible.
Can cost be linked to a specific asset?	If costs can be linked to a specific asset, these costs could be capitalised. If they cannot be linked to a specific asset, they can be disclosed or included in specific lines in the statement of financial performance (e.g., research cost).
How complex is measurement?	If an intangible is relatively simply to measure this would be a factor in favour of recognising the intangible in the statement of financial position.
How distinctly observable is	If an intangible is distinctly observable this would be a factor in favour of recognising the intangible in the statement of financial position. An example of

the intangible?	an intangible that would be challenging to isolate is reputation.
Can expected future performance of the intangible asset be disclosed?	An internally generated intangible should only be recognised if the entity can provide a clear disclosure on the future performance of the intangible asset. The performance can be defined in terms of economic amounts and related quantitative drivers (for example, the number of new customers or number of savings in employees) connected to the expected future cash flows and the increase or decrease of revenues and costs connected to the investment.
To what extent is the intangible controlled?	Stronger control of an intangible would be a factor in favour of recognising the intangible in the statement of financial position. A standard setter noted that one of the sources for the control issue to arise was that some intangibles could be used at multiple places at the same time.
Is the intangible a right?	If the intangible is associated with rights (in particular IP rights) it could be a factor in favour of recognising the intangible (at cost).
Is the intangible the result of the value creation process at the company or one that create such value?	Intangibles that create value are often not controlled and therefore cannot be recognised. For these other types of information is therefore needed. Intangibles that are the result of the value creation process include assets such as technology, patents and brand names. Intangibles that create value include assets such as human capital, processes and institutional knowledge (which can also be characterised as institutional understanding (such as human capital, informational capital, and organisation capital)). The second category is also the one more closely aligned with the types of intangibles for which the company has few, if any, control rights. Accordingly, this category is for the most part – except for customer-related assets, and at times, certain supplier, and other relationships – subsumed in goodwill. Yet, these are the types of intangibles that have an intrinsic capability for continuous value creation, especially in a knowledge-based economy. These intangibles also have the most direct linkage to ESG factors. Therefore, more, rather than less information is needed about such intangibles, notwithstanding the issue of ‘control rights.’ Customer-related intangible assets are often not controlled. They are key assets in many industries, including but not limited to, defence contractors, cable, and technology companies. In these industries, existing customer contracts are critical intangible assets and the fair value of the backlog of contracts in place (and expected renewals) provide a meaningful indication of contracts in hand as opposed to those that have yet to be won. In many instances, the existing customer contracts and relationships are the key reason for the decision to acquire the target and therefore represent a meaningful purchased asset.
Uncertainty regarding product development	Whether or not to recognise a (potential) asset could depend on the uncertainty related to the potential of future net cash flows. An association of academics noted that there are currently different practices among preparers in the pharmaceutical industry on the likelihood of capitalising

	R&D (which is not often done) and IT-related development cost (which is done more frequently). It is noted that there can be more uncertainty related to the development of a drug (including approval and market uncertainty) compared to an IT system for internal use.
Function in the entity's business model	Internally generated assets that are used in a less transformational way by the entity, for example internally used software, could be useful to recognise (and recognise as cost) as they could be considered similar to PPE.
How relevant is the intangible in explaining the gap between book and market value?	The more relevant an intangible is for explaining the gap between book and market value, the more relevant it would be to recognise.

A user noted that not only were intangibles different, different types of users had also different information needs. Another user however noted that it would be difficult to develop different accounting frameworks for different types of users. A third user thought that basing the financial information on the information needs of those users who needed most information would normally result in information that would satisfy all types of users.

Phased approach

Eight standard setters, two associations of accountants, a user organisation, a consultant, an association of academics, a business reporting network, and a business reporting organisation and some participants at outreach events supported a phased approach to better information on intangibles.

Some standard setters and participants at outreach events thus supported first to focus on improving disclosures. Some of these standard setters thought the first disclosures to be considered should be those related to unrecognised internally generated intangible assets as defined in, and within the scope of, IAS 38. Then the next phase of the project could identify the useful disclosures about resources (other than intangible assets) or consider the redefinition of the intangible asset. A participant at an outreach event thought that in addition to starting with disclosures and then consider recognition, it could also be considered to first only consider disclosures on intangibles resulting from an investment (tangible intangibles) – and after this consider disclosures on other intangibles (intangible, intangibles). An organisation of users, a consultant, two associations of accountants, an association of academics and a participant at an outreach event thought that improved disclosures could be the first step, but in the longer run, recognition and measurement of additional internally generated intangibles should be considered. A participant at an outreach event, thought that first providing the disclosures could help to establish knowledge about what information users want. While the user organisation considered that in the longer run, more internally generated intangibles should be recognised, the association of academics was less certain. It noted on the one hand the argument that the reported earnings are currently irrelevant due to the indiscriminate expensing of practically all internally generated intangibles. On the other hand, it noted that conservative treatment of investments in intangibles is relevant for assessing risk – that is deferring revenue and earnings recognition until the uncertainty has been resolved and expensing the investment to win those earnings when it is particularly risky. This view was also presented by a business reporting network and a business reporting organisation. They noted that more detailed disclosures (on both recognised and unrecognised intangibles) and additional information in the statement of financial performance could have a positive impact on the quality of assessments of

company-related risks and cash flows and would be the most effective means of reducing the intangibles information gap and asymmetries.

A standard setter, who favoured the information on specific intangibles approach, thought that in a first phase, the nature of the entity's (key) intangibles should be provided and additional information should be provided on how they are created. For example, for an IT company operating various platforms the different types of platforms could be described. For a biotech the different major biotech products could be shown. Information on how the intangible is created should describe whether the intangible is acquired, been created from R&D or the development could have been outsourced. In the second phase, information about the cash flows resulting from each of the identified intangibles for the past, for example, three to five years, should be provided. In the third phase information about the expected future cash flows should be provided.

Question 3 – Recognition

Chapter 3 considers whether and how internally generated intangibles could be recognised and measured in the financial statements and the benefits and limitations of the proposed approaches. In doing so, consideration is being given to the asset recognition in the statement of financial position but also to the effects in the statement of financial performance.

Do you consider that IAS 38 Intangible Assets should be amended to permit the recognition of certain internally generated intangible assets (in addition to development costs)? (Please explain your answer). If your answer to this question is 'yes', please also answer sub-questions 1 to 3 below.

- 1 Paragraph 3.26 of the Discussion Paper explains that IAS 38 currently includes an explicit prohibition to recognise some types of internally generated intangible assets such as internally developed brands, mastheads, publishing titles, customer lists and similar items, staff training and marketing. Do you consider that the explicit prohibition to recognise some types of intangible assets that exists in IAS 38 should be removed? (Please explain your answer).*
- 2 Paragraphs 3.10 to 3.71 of the Discussion Paper explore four possible approaches regarding the recognition of internally generated intangibles. Which of the following approaches would you support?*
 - a) Recognise (as an asset) all defined intangibles; with no specified conditions or thresholds (see paragraphs 3.15 - 3.35 of the Discussion Paper);*
 - b) Threshold for recognition of an asset (see paragraphs 3.36 - 3.48 of the Discussion Paper);*
 - c) Conditional recognition of an asset (see paragraphs 3.49 - 3.59 of the Discussion Paper); if you prefer this approach, would you prefer an approach under which:*
 - (i) Costs are expensed in profit and loss until the condition is met;*
 - (ii) Costs are capitalised and fully impaired until the condition is met, at which point in time the impairment losses are reversed;*
 - (iii) Costs are expensed in other comprehensive income until the condition is met, at which point in time the expenses are 'recycled' and capitalised.*
 - d) No recognition (that is, expensing all internally generated intangibles) (see paragraphs 3.60 - 3.67 of the Discussion Paper); and*
 - e) None of the above or other suggestions (please explain).*

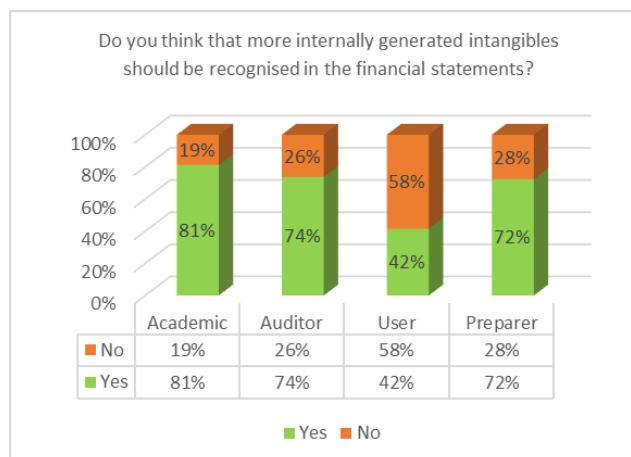
Please explain the reasons for your preferences.

- 3 If you support 'Conditional recognition of an asset' or 'Threshold for recognition of an asset' in the previous sub-question, which criteria would you consider for recognition:
- Criteria based on the level of (un)certainty about the outcome of the intangibles (that is, the probability of expected benefit and the pattern of consumption of these future benefits);
 - Criteria based on the identifiability of the expenditure related to the intangibles;
 - Criteria based on the technical or commercial feasibility of the intangibles considered at inception of the development;
 - Criteria based on separability of the assets, that is, the existence of a legal right and/or the ability to sell, transfer, licence or pledge the asset;
 - All or a combination of the above depending on the nature of the intangibles (please explain);
 - Other suggestions (please specify).

Removal of explicit prohibitions to recognise some internally generated intangibles

A large majority of respondents who addressed the questions were in favour of removing the explicit prohibitions to recognise some internally generated intangibles; and recognising more internally generated intangibles than currently allowed. Respondents noted that the prohibition was rule-based and add to the lack of comparability between companies that grow organically and those that acquire intangibles individually or through a business combination. It also resulted in excluding items that otherwise could meet the Conceptual Framework definition of an asset. Instead, the recognition should be based on general principles criteria applicable to internally generated intangibles.

A survey conducted among participants during EFRAG's outreach events on the DP, resulted in the following views expressed :



Several respondents and participants considered that if recognition were to be extended, it would still need to be consistent with the definition of assets in the conceptual framework; referring in particular the existence of a resource/ right controlled by the entity with the ability to generate future economic benefits.

One of these respondents noted the inconsistency between the definition of an asset referred to in IAS 38 (which is based on the former Conceptual Framework) and the new definition introduced in the revision of the Conceptual Framework in 2018.

Only a few respondents disagreed with removing the prohibition. One of these respondents assessed that the prohibition should not be removed because the separation of these kind of intangibles from internally generated goodwill is highly judgmental and often not possible. One respondent conditioned its support to remove the prohibition to the provision of information about the reason to recognise significant intangible assets, the model to measure them and the ongoing value of them. Another respondent, while not opposed to the removal, considered that the explicit recognition prohibitions in IAS 38 were clarifications rather than exceptions to the general recognition principle in IAS 38.

One standard setter considered that one of the recognition concepts should be the prohibition to recognise internally generated intangibles. In the view of the standard setter, the scope of items being recognised should not be expanded.

A standard setter considered that it should be further explored whether the current capitalisation criteria for internally generated intangible assets should be amended.

In favour of keeping the current recognition requirements, the following views were expressed

- One auditor considered unrecognised internally generated intangibles not to be an issue as the option in local German GAAP to recognise these intangible assets was not widely used (at least in the insurance sector).
- One user did not support recognition of additional internally generated intangibles. The user acknowledged that there were problems with current requirements, but recognition of additional intangibles would result in more subjectivity – also in relation to amortisation.
- Another user noted that changing recognising and/or measurement would be a big change that would result in changes in reporting metrics.
- One academic did not think that any intangibles should be recognised. He noted that pre-IFRS in Australia there had been capitalisation of high earnings (e.g., TV stations' licences). However, if users could see the value through the earnings, capitalising would not add much. There was a problem in relation to growing firms. For these, it would not be possible to see the earnings in the future. However, recognising additional intangibles would not help on this. He had made a study which showed that for low-earnings firms information on intangibles – users did not trust the information provided.
- Another academic was also reluctant to recognise intangibles. He thought that investors were better at valuating these than preparers. For example, the market could make a judgement on the value of an entity's reputation. He did not think it would be useful to have brand names and reputation recognised, but for some types of intangibles it could be that the preparer had information that could help users assess values.

- Another user thought that brands and customer relationships should be expensed. Perhaps research and development could be capitalised.
- Another academic agreed that it would not be useful to recognise brand assets. For these users could even identify the asset and the excess profit that would accrue to the brand.
- A preparer did not think ‘reputation’ was something you could put a value on. Reputation could be assessed from many different angles, and the value would thus depend on the lens of the person considering it. The preparer therefore thought it should be left to the user to put a value on some types of intangibles that did not result from a transaction. In a transaction, on the other hand, you had demonstrated the value. If there was no transaction, you had not.
- In relation to placing a value on intellectual property and know-how, it was noted by a preparer in an outreach event that it would be difficult to determine the unit to consider, in other words, it would be difficult to determine what a piece of know-how would be on which the information should be provided. Also, recognising each unit would not provide much useful information as it is the manner in which everything works together that is creating the output. At the same time, it was how elements were working together on a group level that was interesting – so identifying assets on entity level would be both complex and would not provide useful information (except for the case of liquidation). It was also noted that it would be difficult to find the value of know-how, i.e. to provide a reliable estimate of its value.

One participant noted that IAS 38 provides a robust definition of intangibles, based on well-defined financial criteria, which avoid an overly extensive capitalisation of intangibles. Changing the requirements would result in many questions on when to capitalise and when not to capitalise. Even with the current requirements, in an entity held under private equity ownership, there would be a push to capitalise as many costs as possible, whereas for other types of companies there would often be a push against capitalising much, as the capitalisation would create volatility in P&L. The view was expressed that it should be possible to capitalise costs related to IT-systems as they were supposed to create value beyond the reporting period.

A preparer supported keeping the current requirements in IAS 38 in particular regarding R&D expenditures as they provide relevant information in relation to companies that integrate developing new technologies into their business model from which they earn future profits. The preparer did not see merits in recognising other internally generated intangibles such as brand names or internal domains as there was no added value for users of financial statements given the subjectivity involved. In the view of this preparer, the criteria to capitalise R&D expenditure in IAS 38 are adequate to identify whether there is an asset developed that will generate future revenue, though IAS 38 could be updated further. If entities should recognise more intangibles, there would be costs related to the accounting and auditing. If measured at fair value instead of at cost, most entities would be required to hire an external valuator (as this kind of expertise is not usually available within the company) to help them place a value on the intangibles. This would come with a cost increase as entities would need to pay for the additional valuation as well as for having the valuation audited.

In favour of reviewing the current recognition requirements the following views were expressed:

- Two standard setters supported a review of the current recognition criteria while another considered that the current recognition criteria for internally generated intangibles were too strict, so that the economic resources that contribute most to the value of an entity could not be recognised in the financial statements.
- A Standard Setter reporting on the input it received from interviewed stakeholders, indicated that most of them considered that IAS 38 should be revised to allow capitalisation of a greater range of expenditures, potentially including research, training, and certain marketing expenditure in some circumstances. It was noted that the existing provisions resulted in preventing the capitalisation of expenditure that would meet the definition of an asset in the Conceptual Framework as such, failed to capture useful information about many intangible items.
- One user did not consider that something revolutionary was needed on intangibles though there may be necessary with some fine-tuning for those intangibles that can be sold separately and where a value can be clearly attributed (for example patents). In this regard, a fair value measurement basis would be preferable.
- A user expressed qualified support for recognising additional intangibles. The user thought that the issue is what expenses would be worthy of recognising as an intangible. For example, if you spend money on advertising, you know that half of the amount would not contribute to anything, but you do not know which half. It would accordingly be difficult to make requirements in standards on the issue. Also, it would be a narrative exercise for management to explain which cost should be capitalised and which should not.
- The current requirements could result in companies either electing to acquire something or generate it internally because of how it would be presented in the financial statements.
- One participant considered that it should be possible to capitalise costs related to IT-systems as they were supposed to create value beyond the reporting period.

In the academic study supported by EFRAG, EFFAS and ICAS, respondents were asked which internally generated intangibles should be recognised on the balance sheet. More than 50% of the users replying to the questionnaire thought that internally generated brands should be recognised on the balance sheet. Among the intangibles listed, there was also some support (between 30% and 40%) for recognising: intellectual property and know-how, intangibles related risks (e.g., reputational risks), human capital and R&D. There was less support (less than 30%) of the users for recognising: customer lists, organisational capital, training, corporate reputation and image and software and information systems.

Approaches for recognition

Of the 28 respondents to EFRAG's public consultation, 24 have directly responded to the questions on recognition and measurement.

Keep current requirements in IAS 38 with some targeted improvements

Some respondents considered that no fundamental changes were required to the current requirements in IAS 38 and only targeted changes should be considered. These respondents generally noted that the current model had its drawbacks but remains the most reasonable approach in terms of applicability and comparability. Conditional recognition was an interesting alternative but may be administratively burdensome and costly to apply in practice and could increase volatility in earnings. The current pre-conditions stemming from the definition of an intangible asset (including the recognition conditions applied to R&D) should be maintained with targeted improvement.

Proponents of targeted changes only identified the following potential for improvements:

- Unrecognised **internally generated software**. One of the respondents highlighting this issue noted concerns that substantial investments in software fails to meet the current recognition criteria. Recent agenda decision of the IFRS Interpretation Committee, concerning cloud computing arrangements had according to some respondents highlighted the shortcomings of current accounting.
- Differentiating between **research and development costs**. It was noted that the existing requirements in IAS 38 were more suited to ‘traditional linear process’ with definable milestones and less suited to modern research and development processes, such as agile software development. A revision of these criteria could lead to an increased recognition of research respectively development costs. It is also conceivable that the terminology would have to be revised. One Standard Setter, reporting on input received from interviewed stakeholders indicated that the stakeholders considered that the limitation of the recognition to the ‘development phase’ and the criteria currently stipulated in IAS 38 could be considered somewhat arbitrary and open to significant interpretation leading to substantially different accounting outcomes for different entities, even in the same industry

Some of these respondents considered that the issue of the different accounting between internally generated and acquired intangibles would be better addressed by reviewing the accounting for business combination and in particular: (a) review requirements to reduce separately recognised intangibles from goodwill in business combinations (not resulting in useful info) and re-introduce goodwill amortisation. One of these respondents noted that, from an operational/cost perspective it might be more cost-effective to allow not to recognise separately all the assets purchased in a business combination (IFRS 3) if the goodwill would be amortised over the useful life of those assets.

Regarding software, one participant in an outreach event noted that it is not necessarily related to intangibles as you sometimes pay big amounts of money upfront to have access to the service and thus, it is sometimes appropriate to account for it as a prepayment. The participant also noted that the fact that you cannot sell the software does not mean that you cannot capitalise it, as it is more whether you control the codes.

A few proponents of targeted changes considered indispensable that any changes are first assessed from the cost-benefit perspective, explicitly considering the operational perspective of reporting entities in different sectors, including the insurance industry. Such consideration needs to also address the question of the subsequent measurement.

An association of academics, while not in favour of more recognition on the balance sheet, however, considered that if there is a consensus to proceed on reviewing and relaxing the recognition criteria in IAS 38, one possibility would be to start by reconsidering the six criteria set by IAS 38 (IAS 38.57) for recognising development costs aiming to simplify these criteria vis-à-vis this type of costs incurred for internal and corporate infrastructural purposes.

Conversely a valuation company considered that any changes in accounting to recognise internally generated intangibles should not come at the expense of the types of intangibles currently being recognised in a business combination. Purchase accounting is a unique circumstance in which greater visibility is afforded into intangible assets that are often critical to the success of a business. Subsuming intangibles, or a subset of currently recognised intangibles, into goodwill will eliminate significant value-relevant information. This respondent noted a distinction to be made between intangibles that are the result of the value creation process in the company and intangibles that create such value (see the feedback provided to Question 2 on the characteristics of intangibles).

One standard setter supported a revision of IAS 38 in order to define a less restrictive version of the current identifiability criterion combined with other clear and explicit recognition conditions as those presented in paragraph 3.45 of the EFRAG DP. However, in the view of this respondent, only intangibles that can be monitored for impairment could (or should) be capitalised and an impairment test should be done annually until a useful life for the intangible is determinable.

A preparer considered that the general recognition requirements in IAS 38 (reliable measurement and probable economic benefits) should not be weakened as this would decrease both fundamental qualitative characteristics – faithful representation and relevance – in the reporting of information on intangibles. It could, however, be appropriate to update the additional cumulative recognition criteria in IAS 38. High emphasis for recognition should be put on the probability criterion, as this criterion is highly judgmental, but also of high importance for communicating useful information.

EFRAG received similar input at a number of meetings and outreach events where the DP was presented.

A user at an EFRAG outreach event considered recognition not to be the best solution to improve information on intangibles. In particular recognising other type of intangibles like brands or customer lists would be very subjective and would not improve the comparability between entities as the value of those intangibles would heavily rely on underlying internal assumptions. As there would not be an impact on current or future cash flows, it was questionable whether additional recognition would create value for stakeholders. However, this user acknowledged that there were a wide range of users who had different needs depending on the methodology they used to value a company. While an equity analyst focused on the cash flow generation, users that looked at the credit risk analysis were more focused on scorings and analyses where ratios were more relevant.

Conditional recognition

Six respondents supported a conditional recognition approach: a majority of these respondents) supported capitalising and fully impairing costs until the condition is met, at which point in time the impairment losses are reversed. In the view of these respondents, the approach better align internally

generated intangible assets with tangible. Conversely, two respondents supported capitalising expenses from the date the conditions are met. One of these respondents noted the need to bring the recognition requirements in IAS 38 more closely to the requirements in IFRS 3 and considered that the IAS 38 provisions were too narrow, while the requirements of IFRS 3 were too broad. These respondents noted that a threshold recognition leads to the recognition of only a small proportion of the total development costs, which is not very informative.

One of these respondents noted that, if the provisions in IAS 38 were to be reviewed, the requirements in IFRS 6 *Exploration for and Evaluation of Mineral Resources* and SIC 32 *Intangible Assets – Web Site Costs* would also need to be reviewed.

One organisation of users noted that several of its members expressed a preference for the conditional recognition approach but there was no consensus among the members. This organisation noted that the nature of intangibles varied hugely from sector to sector and the conditional recognition approach could become too complex and costly to implement. The problem, particularly acute for early-stage companies with certain types of intangible assets (like brands), is that this approach could lead to no recognition for some years.

Regarding the conditional approach with reversal of impairment when the condition is met:

- Three standard setters supported the conditional recognition approach. One considered that this approach was similar to the current accounting for internally generated intangibles.
- An auditor supported the approach as it would result in recognising the entire cost of an asset—including what had been expensed before the condition was met.
- One standard setter thought that if any currently unrecognised intangible assets are to be recognised, conditional recognition of an asset that is fully impaired until the condition is met could present useful information to users of financial statements. However, the standard setter noted that in practice, the threshold method could be considered more feasible to apply and benefits from achieving symmetry in accounting (i.e., similar accounting treatment for acquired and internally generated intangible assets or for tangible and intangible assets).

One auditor was sceptical with the threshold recognition approach. The auditor thought that we should rely more on the materiality practice statement.

Participants at an outreach event noted a number of difficulties to implement either a threshold or a conditional recognition approach:

- Assessing when a condition is met as a threshold or condition for recognition may be hard to agree on since companies and industries are very different.
- The alternative “Costs are capitalised and fully impaired until the condition is met, at which point in time the impairment losses are reversed” was considered to be inconsistent with the Conceptual Framework and other IFRS standards.

- It is often hard to distinguish development phase and maintenance phase, especially when comparing different industries and different business models. It might be hard to measure the cost of internally generated intangibles, including allocating costs to specific intangibles.
- It is common, and even planned, to have unsuccessful projects as part of the bigger process of developing a successful intangible. How should one deal with expenses related to unsuccessful projects? The distinction between normal and abnormal cost may pose difficulties.

Recognise all intangibles meeting the definition without thresholds or conditions

Four respondents considered that no recognition threshold or condition should be applied and all intangibles meeting the definition of an asset and that can be measured reliably should be recognised. One of these respondents (an association of users) considered it inappropriate to recognise intangibles that an entity does not 'own'. Furthermore, it was noted that recognising more intangibles individually might not be a practical solution as entities frequently do not separate all the intangibles from goodwill acquired through an acquisition. Intangibles might be significantly different between companies and comparability will be very difficult between companies growing organically and growing through an acquisition and recognising a goodwill. For an intangible to be recognised it should be an element that provides information. The information should reflect the elements' capacity to generate future economic benefits.

Another respondent favouring recognition without threshold or conditions considered that the level of uncertainty should not hamper recognition because some activities are intrinsically uncertain and nevertheless could be of interest to investors, including in a diversification perspective. Possibly, even tangible assets will become highly volatile in a more and more uncertain world and in a short deadline. Instead, the identifiability of the expenditure and its "attributability" to define assets seem more relevant than the feasibility of a project. The criteria of separability seemed the most relevant for the recognition of the asset. This respondent would not object to capitalise marketing costs associated with the maintenance of the brand value as those are investments which cycle could be easily defined, accordingly with the activity of the company.

One comment letter submitted jointly by two accounting organisations indicated that those respondents had not received convincing evidence to allow them to conclude on a preferred approach amongst its members but considered that further research was needed to better understand the types of intangibles that should be eligible for recognition and those that may be better suited for disclosures only. In the view of these respondents internally generated intangibles that are more distinctly observable, subject to greater control and easier to measure such as software, patents and databases were deemed to be more be eligible for recognition. Conversely there was less support expressed for the recognition of intangibles that are more challenging to demonstrate an entity's control over, subject to significant measurement uncertainty, and that may have less distinct boundaries. (For example, an entity's reputation may be so integrated into its existing of operations that it would be challenging to isolate the value of an entity's reputation as a separate intangible asset.)

Three respondents providing a comment letter and several participants to outreach events expressly commented on the proposed alternative to recognise cost in OCI as not conceptually justified. They opposed the use of OCI. One of these respondents considered that an approach that expenses costs in OCI instead of P&L would not completely resolve the problem of volatility in earnings. In particular:

- Concerns were expressed by several that the approach mentioned in the Discussion Paper under which costs are expensed in other comprehensive income until conditions for recognition are met (at which point in time the expenses are ‘recycled’ and capitalised), would not be acceptable under current IFRS and would potentially require a revision to the Conceptual Framework and further discussions about the OCI concept itself. The approach could thus open a box of issues related to the content of OCI and it would result in it becoming more difficult to explain what financial statements show.
- One standard setter noted that using OCI might destabilise the current perception of financial reporting and financial statements.

Another participant suggested an approach for conditional recognition under which costs would initially be capitalised, but the reversal of the impairment would happen through OCI. It was identified as an advantage that this approach would reduce the volatility in P&L when the reversal of the impairment would occur. A concern expressed against this approach was that it could disturb performance figures as costs would be double counted in P&L – the first time when the impairment loss would be recognised, the second time when the amortisation of the reversed impairment loss would be recognised.

Recognition criteria (for either threshold or conditional recognition approach)

Respondents generally agreed that only intangibles meeting the definition of an asset should be recognised. In particular the identifiability and the ability to generate cash flow (or create value) and a level of control (or ownership) were pinpointed as important factors by many of these respondents;. Many intangibles would not meet this definition as they would not be controlled. Also, it should be considered if measurement uncertainty would be too high for recognition. Therefore, entities should probably not recognise reputation.,

Some respondents considered that all or a combination of the factors proposed in the DP for either the conditional recognition or the threshold approach were relevant depending on the nature of the intangibles.

Two respondents considered that the identifiability of the asset and its capacity to generate cash flows were important criteria for recognition.

Two respondents referred to current criteria for development cost as appropriate: identifiable expenses, and the project being technically, commercially, and economically successful and profitable.

One Standard Setter, reporting on the input it has received from interviews with a number of stakeholders, indicated that

- Many stakeholders were generally comfortable with capitalisation of many types of costs associated with intangibles, particularly where there were clearly identifiable rights attached to the associated intangible item.
- Some of these stakeholders had identified the following recognition thresholds beyond those already in the Conceptual Framework.
 - The probability of economic inflow greater than 50%; and
 - The existence of a legal or equivalent rights over benefits.

One respondent considered that only intangibles that are controlled by an entity; for which ownership rights are relatively clear and for which markets exist (generally they can be bought and sold) (Category A in paragraph 3.1 of the Discussion Paper) should qualify for capitalisation. And of these only the subsets that are separately identifiable and that fulfil the recognition criteria in IAS 38.

One respondent assessed that only intangibles associated with rights (in particular IP rights) should be recognised at cost in the balance sheet. To assess their importance, more information should be provided in the management report or in a dedicated “intangibles section.”

One respondent noted that any new model will also need to address the issue that intangible assets need to be identifiable. Internal projects in many cases, may not at the beginning aim to create an intangible – for example they may be more focused on brand awareness etc. – but in the end create one. Defining exactly what is an identifiable intangible may well be a challenge. Defining the unit of account will be necessary for the conditional recognition approach

One respondent expressed a preference for internally generated intangibles that are more distinctly observable, subject to greater control and easier to measure such as software, patents and databases to be eligible for recognition. Conversely there were less support for the recognition of intangibles that are more challenging to demonstrate an entity’s control over, subject to significant measurement uncertainty and that may have less distinct boundaries.

Question 4 – Possible measurement bases

Paragraphs 3.72 to 3.100 of the Discussion Paper consider possible measurement bases for internally generated intangibles without suggesting a preferred approach. If you think that IAS 38 should be amended to permit the recognition of certain internally generated intangible assets (in addition to development costs), which of the following suggested measurement approaches would you support:

- Initial and subsequent measurement at amortised cost with impairment (‘Cost model’);*
- Initial measurement at cost and subsequent measurement at fair value (‘Revaluation model’);*
- Initial and subsequent measurement at fair value (‘Fair value model’);*
- Initial measurement at fair value (as deemed cost) and subsequent measurement at amortised cost with impairment (‘IFRS 3 model’)?*

A cost model

A majority of respondents who addressed the question supported a cost model for both initial and subsequent measurement.

Proponents of a cost model generally referred to the following arguments:

- Initial and subsequent measurement at amortised cost with impairment would be consistent with the measurement of internally generated tangible assets and with current requirements in IAS 38 for purchased intangibles. Cost measurement for internally generated intangibles makes it possible to compare the costs entities use on acquiring assets externally with the costs of generating its own intellectual capital.
- The use of the cost basis also provides greater insights into the capital invested in internally generated intangibles, resulting in better information for assessing an entity's return on investment made and management stewardship.
- A cost basis would provide more relevant and useful information because of the estimation uncertainty associated with the fair value measurement. Attaching a value to internally generated intangibles would often be subjective and costly for preparers. Measurement at cost was considered less costly than measurement at fair value. Measurement at cost would involve debiting an asset instead of P&L whereas measurement at fair value would require people with other skills, and would not be part of the routine operation.
- Furthermore, it would be challenging to isolate the fair value of the internally generated intangibles from complementary assets and the rest of the business as intangibles often do not create value in isolation.
- One standard setter supported a cost model because the market is usually inactive in relation to internally generated intangibles so that considerable estimates and judgement are involved in the valuation. In addition, the implementation cost is also very high. Similarly, a standard setter noted that measurement at fair value was interesting, but extremely complex.
- Another standard setter thought there should be an option between the cost model and the revaluation model, whereby the latter is restricted to intangibles for which an active market exists (IAS 38.75). However, it was believed that the revaluation model in practice is rarely used for the measurement of intangibles.

- One respondent assessed that only initial and subsequent measurement at cost is justifiable under a cost/benefit analysis. Fair value measurement, on the contrary, might often lead to a spurious accuracy, because measurement of intangibles generally underlies a relative high level of uncertainty and subjectivity (management judgement) which ultimately reduce comparability between companies. To depict the substantial value drivers of an entity, a fair value accounting of the intangibles would suit best, however, fair value of intangibles is very often highly problematic and could, in the end, result in worse comparability of financial statements between different entities. Furthermore, items shown on the balance sheet should not lose even further their connection to direct cashflows.
- One proponent of the cost model assessed that a measurement at acquisition cost is more in line with a "correct" performance determination (dynamic accounting theory) and is perceived as being more reliable. This respondent noted that current IAS 38 allowed a revaluation model that could result in the capitalisation of previous research expenses in subsequent periods. However, it was noted that the revaluation model is hardly used in practice due to the lack of active markets. Conversely any fair value measurement (except if the recoverable amount of an impaired intangible equal fair value less costs of disposal) is inappropriate for intangibles without an active market, especially for internally generated intangibles, due to the typically high uncertainty of the future expected cash flows, which leads to a substantial measurement uncertainty.
- Two users preferred historical cost as this would be the measurement basis that would require least judgements and assessments and would be most useful.

A user concurred that intangibles should be measured at historic cost. The user considered that it would best reflect the information needed by users for building their valuation models as the cost represent the invested capital while the market value was the value of all future cash flows. According to this user, users would rather know how much an entity had spent in the capital base rather than how much it's intangibles was worth. If intangibles were measured at fair value, it would be difficult for entities to separate the value and the cash flows of an intangible from other parts of the business and it could be very time consuming and expensive for preparers to go through this exercise.

Identified problems with measurement at cost included:

- The measurement of the asset at cost would not have any predictive value for how much cash flow the asset could generate (as long as the cash flows that it could generate would be higher than the cost). Cost does not reflect the value of the asset, e.g., training costs are not reflecting the value of staff.
- Cost identification and allocation can be a challenge.
 - There is a difference between cost in an acquisition and internally incurred cost. It is difficult to determine what cost is for intangibles such as brands, customer lists and market possession.

- To the extent a significant part of cost is related to internal time spent on a project, it requires comprehensive registration and an assessment of whether the hours spent have generated value.
- Some intangibles have no identifiable cost: it would not be possible to capitalise humans in the statement of financial position – although they would be the heart of the business.
- Cost cannot illustrate that value is moved from one intangible to another. A preparer thus noted that a successful acquisition for the particular company would be one in which the customer would change the product acquired. In those cases, you would then have an impairment of one of your brands (e.g. the one acquired), which is recognised in P&L, but not an increase in the reported value of one of your other brands.
- One standard setter had received mix views on the measurement method. It noted that if currently unrecognised internally generated assets were to be recognised, its stakeholders expressed slightly more support for initial measurement at cost with an accounting choice to subsequently measure the asset at fair value.

Measurement at fair value

Only two respondents suggested a fair value approach for both initial and subsequent measurements. One of the respondents (thinking essentially about the capitalising of marketing expensed) pushed back on the idea that cost-based measurement is necessarily cheaper and less subjective. One of the challenges with cost-based approaches are allocations between short-term and long-term aims. For marketing expensed such allocations could be challenging and subjective. Determining whether advertising activity was run to create a long-term brand asset or to drive immediate sales can have significant subjectivity. Lastly it believed that well-managed firms should be creating valuations for their intangibles in order to run their firms effectively. For instance, ISO (the International Organization for Standardization) advice on brand monitoring (ISO 20671) recommends brands be regularly valued for management purposes.

To the extent intangibles should be measured at fair value, one participant to an outreach event considered sensitivity analyses of the assumptions should also be provided. Sensitivity analysis would indicate to users how sensitive the values would be to small changes in the assumptions.

In favour of measuring at fair value, the following arguments were provided:

- The assumptions used could provide a basis for discussions with management.
- Subjectivity of cost allocation for some intangibles: One respondent considered that one of the challenges with cost-based approaches are allocations between short-term and long-term aims. For marketing cost for example, such allocations can be challenging and subjective. Determining whether advertising activity was run to create a long-term brand asset or to drive immediate sales can have significant subjectivity.

Identified problems with measurement at fair value included:

- Scepticism on fair value was also expressed by a number of standard setters. One of these standard setters was concerned about the reliability of the numbers. Another standard setter noted that fair value measurement would provide useful information for investors. But estimating it for internally generated intangible assets would be too judgmental. This is because in some circumstances it could involve estimating the fair value of the entire company. This would not be the role of the preparers of financial statements.
- There would be a lot of subjectivity/judgement involved and the approach would often be forward-looking as the fair values would have to be estimated.
- An auditor thought that measurement at fair value of a single asset was not worth the effort as analysts wanted the value of the entire company and not of single intangible assets.
- Impairment testing assets showed that even small changes in assumptions could significantly change the value. Because of the uncertainty, measurement at fair value would also result in issues with auditing. Auditors would have to spend many hours on it, and it was hard to assess whether small changes, which could have a significant impact, could be supported or not.
- Often auditors would work with acceptable ranges of the assumptions, but it would not be possible to question why the assumptions used by the management in some years would be in the upper part of the range and in some years in the lower part. If something would go wrong, it would, however, be easy for outsiders to claim that the assumptions used for the estimations were wrong.
- To the extent that the values would be calculated based on management's plans, as would often be the case for the impairment test, there would be a risk that the assumptions could be biased. For many of the assumptions it would be difficult to get supporting documentation.
- There is not a market for most of the intangibles, each is unique, so determining the fair value would be a guess and when estimated by the company, it would be similar to value in use.
- Fair value information would be ignored by users and is very costly for preparers to calculate.
- Accounting systems are built around transactions, doing it differently would be costly.
- If you assess entities based on their return on invested capital, and the fair value of intangibles are higher than the cost, the management would have to perform against a higher invested capital although that capital is not economically invested.

An auditor questioned what the unit of account (IFRS 13) would be if intangibles assets were measured at fair value. He also noted that measuring internally generated intangibles at FV would be challenging as it will not be easy to identify what the value of the intangible is for a third party.

A valuator noted that reputation is very difficult to quantify. The valuations would be contingent on what the entities could/would have done.

In the academic study supported by EFRAG, EFFAS and ICAS, most users preferred changes in fair value to be included in OCI, should intangible assets be measured at fair value. It was noted that a value change has little to do with the performance of the entity and its management.

A combination of cost and fair value

A few participants supporting a cost model noted that there were intangibles where approach d) in the Discussion paper (i.e., initial recognition at fair value and subsequent at cost the IFRS 3 model) may be more appropriate – for example where the costs are difficult to identify, acquired in a business combination, acquired for no consideration (as at present) or perhaps on the initial application of any new standard. Updated market values in these cases may be difficult to find. It may be that another current value measure such as value in use may be a more relevant and feasible measure. However, these respondents would generally not support the fair value model, except if there were intangible assets held as investments or for trading and there were active markets for them.

One organisation of users noted that several of its members expressed a preference for the cost model as this would provide the most reliable measure. However, where there is an active market, other members considered that fair value would also provide useful information.

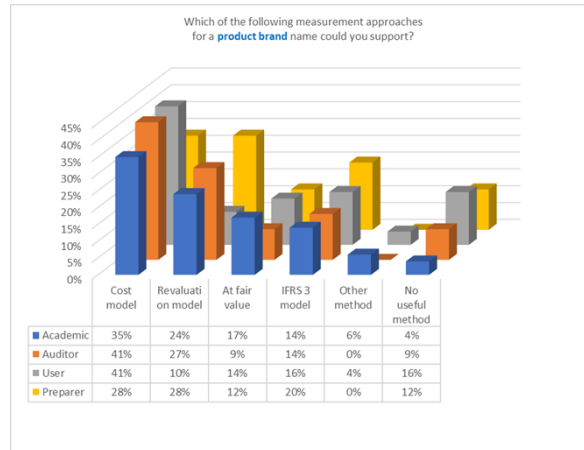
One standard setter noted that for some intangibles a cost measure could provide useful information. However, this would not apply to all intangibles. At the same time, as noted in the Discussion Paper, fair value was currently infeasible to use for many assets in many peoples' view.

In the academic study supported by EFRAG, EFFAS and ICAS, most users supported the following measurements for the stated type of intangibles (to the extent that these intangibles should be recognised – as noted above it was only brands that more than half of the users thought should be recognised):

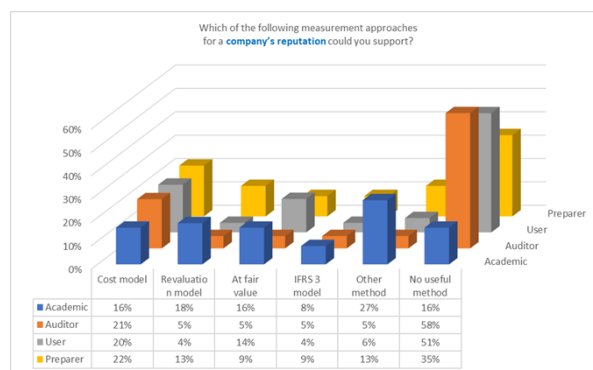
- Value in use: Intangibles related risks, human capital and corporate reputation and image.
- Fair value: customer lists, organisational capital, intellectual property and know-how, brands.
- Cost: training, software and information systems R&D.

A survey of the views of the participants to some of EFRAG's outreach events on the DP, asked specifically how 'brands' and 'reputation' should be measured if they were allowed to be recognised. The following views were noted:

For product brands



For Reputation:



Question 5 – Information relating to specific intangibles

Chapter 4 discusses an approach under which information on specific intangibles, that are key to an entity's business model, is provided to help users assess the contribution of the intangible to the value of the entity.

- 1 To the extent that information relating to specific intangibles should be provided, do you agree that the information should be limited to the intangibles that are key to an entity's business model? If not, why?
- 2 Preliminary feedback received from some users of financial reports indicates that an entity's fair value estimate of a specific intangible would generally not be particularly relevant information. Do you agree that disclosing the fair value of an intangible is less helpful for users than disclosure of quantitative and qualitative information that could assist them in forming their own views on the value for an entity of the specific intangible?
- 3 Do you agree with the advantages and disadvantages of information relating to specific intangibles as identified in Chapter 4 compared to recognition and measurement (see Chapter 3) and information on future-oriented expenses (see Chapter 5)? If not, which aspects do you disagree with and/or which additional advantages and disadvantages have you identified?

Overview of feedback received

More respondents agreed than disagreed with the DP that information on specific intangibles should be limited to intangibles that are key to an entity's business model. Also, more respondents agreed than disagreed that disclosing the fair value of an intangible is less helpful for users than disclosure of quantitative and qualitative information that could assist them in forming their own views on the value for an entity of the specific intangible. Respondents commenting on the question also mainly agreed with the identified advantages and disadvantages in the DP of information relating to specific intangibles. Finally, feedback was received on the type of information that would be useful – in general and for specific intangibles.

In the following sections, views on limiting information on specific intangibles to those that are key to the entity's business model are first presented. This is followed by views on the usefulness of fair value information. The comments received on the identified advantages and disadvantages in the DP are then presented. Finally, the feedback received on the type of information that would be useful is summarised.

Limiting information on specific intangibles to those that are key to the entity's business model

Information should be limited to those intangibles that are key to the entity's business model

Five standard setters, two organisations of users, three preparers, and an association of accountants supported limiting disclosures to the intangibles that are key to an entity's business model. The arguments provided included:

- It would balance costs and benefits.
- It would be consistent with the general principle of IFRS which requires entities to only disclose material information.
- Users will not receive an overload of unimportant and/or excessive information.
- It would allow users to understand the intangibles in relation to the entity's value creation process.

An association of accountants noted that the selection of intangibles would be a matter of judgement and not easily prescribed. A standard setter thought that in addition to being limited to intangibles that are key to the entity's business model, the information should be based on a common categorisation for better comparability. The standard setter mentioned that the Schmalenbach Society had developed a classification and the proposal of an Intellectual Capital Statement. However, the standard setter also considered that the items to be included, and the composition of the relevant indicators, should be made by the management, so that information is provided on the items that are considered relevant for internal control.

Although supporting considering the business model when providing information on intangibles, an association of academics, a business reporting network, a preparer, and a business reporting organisation considered that what is “key to an entity’s business model” appeared insufficiently defined. A lack of clear definition of the scope could lead to a great diversity of interpretations, that would not help harmonising current practices. The respondents considered it necessary to clarify whether the scope of “intangibles that are key to an entity’s business model” should be assessed based on the book value of these items, on their earnings power, or on other expectations regarding their role in future developments. These respondents suggested that some quantitative thresholds could be introduced for the selection as for the segment information standard (similar to in IFRS 8 *Operating Segments*). An alternative approach would be to rely exclusively on preparers’ judgement, as in the EU NFI Reporting Directive (no. 95/2014), even though there might be risks of poor disclosure. The respondents noted that there will be occasions where corporate intangibles that do not have a significant value or cannot be measured reliably, may still provide some competitive advantage (e.g., expired patents and many internally generated items). Whether or not such items should be included in the scope of intangibles reporting could be an issue.

A standard setter suggested that a definition of ‘key specific intangible’ could be based on the definition in the Corporate Sustainability Reporting Directive (“resources without physical substance on which the business model of the undertaking fundamentally depends and that are a source of creation of the value of the undertaking”).

A preparer thought that for most entities, it would be clear what the ‘key intangibles’ would be. However, for some entities, it could be very judgemental and less clear how to provide information on specific key intangibles as intangibles sometimes work on an interrelated basis.

In response to the argument in the DP that it could be difficult to identify the intangibles that are key to an entity’s business model, a standard setter hoped that most businesses would have a very good understanding of the key drivers to their business model, so basing information on this should not be discharged for that reason.

Information should not be limited to those intangibles that are key to the entity’s business model

Two standard setters, a think tank, a student and a participant at an outreach event did not think the information should be limited to intangibles key to the business model. An argument provided by one standard setter for not limiting the information to intangibles that are key to an entity’s business model was that this would introduce a new terminology because it requires to define the business model and what is ‘key’ to the business model. The standard setter instead thought the materiality concept used in other IFRS Standards should be applied. It noted that materiality for disclosures about intangibles could be applied for each intangible and for all intangibles together.

Contrary to the view expressed that materiality should be used when deciding on which intangibles should be reported, a business reporting network and a business reporting organisation suggested to stay away from the confused debate about materiality and to focus on those resources and relationships on which the business model depends. Focusing on intangibles that are material in nature was also supported by a marketing standard setter.

Instead of referring to intangibles that are key to an entity's business model, a standard setter and a participant at an outreach event suggested that the scope of the disclosures should be determined by concepts already used in IFRS: the 'management approach' in IFRS 7 and IFRS 8 (the intangibles that are internally reported to the chief operating decision maker) and thus the information used internally. The proponents of this view thought that this would reflect the view through the eyes of the management and no additional costs are incurred for generating the information that should be disclosed. Also, the materiality concept (e.g., in IAS 1) could be applied for each intangible and for all intangibles together. Without providing a preference for limiting the information to intangibles that are key to an entity's business model, an insurance consultant noted that insurance coverage could be an indication that you have an intangible and therefore could be an alternative to identify intangibles.

Instead of requiring entities to provide information about key intangibles, a participant at an outreach event thought it could be a requirement for companies to explain abnormal profit, whether it related to market conditions, intangibles or other, and if it is intangibles, provide disclosures on these intangibles. The participant noted that abnormal profit could be caused by intangibles that are not recognised as assets or not amortised.

An organisation of preparers thought that information on specific intangibles should be limited to intangibles that are recognised.

A participant at an outreach event thought that when requiring disclosures, it would probably be manageable to provide useful information on 80% of the value without undue cost and effort, while it is cumbersome to provide information on the last 20%.

Fair value information

Fair value information should not be required

Four standard setters, three preparers, an association of users, a user a business reporting organisation, a business reporting network, and an auditor agreed with the DP that disclosure of the fair value of specific intangibles was generally less useful to users than information that can assist users in making their own assessments. Arguments provided were:

- Other qualitative and quantitative disclosures are more useful as it can be used to normalise cash flow statements and help users form their own views on the value of specific intangibles of an entity.
- The cost would not outweigh the benefits as the user wants the value of the entire company and not of single intangible assets and it is costly for preparers to provide the information and have it audited.
- Would not be useful to understand how an entity is making profit.
- In general, ongoing assessments of the fair value of individual intangibles is highly judgmental, difficult to separate from other 'interlinking' intangibles, and therefore less reliable and relevant.
- No analyst would use management's estimate of fair value.

- Fair values are generally not verifiable due to the high uncertainty inherent in most intangibles.
- Would be contrary to the current account measurement model (at cost).
- The values could be biased.

Fair value information should be provided

On the other hand, three standard setters (one of which was a marketing accountability standard setter), some members of a user network⁶ and a student considered that fair value information of some specific intangibles would be useful for users. Two of the standard setters and the members of the user network suggested that the information should be accompanied by information on the valuation techniques or key inputs used in the valuation. The members of the user network also noted that the estimation should be based on a prescribed approach within certain guardrails or parameters. The members of the user network noted that the information would be useful as a starting point for discussions with management rather than presenting some values users would necessarily agree with. Also, the information could be useful for assessing future cash flows and the amount needed to be spent on maintain the intellectual property according to one user.

One standard setter noted that it had received the feedback that some users could accept the fair value of these assets to be disclosed rather than recognised. Others preferred non-financial quantitative disclosures.

Although supporting the disclosure of fair value, one standard setter noted that there could be a problem in relation to double counting. The standard setter thus noted that valuing customer relationships and brands are often two sides of the same coin and influence each other. It thought that while brand and customer relationship intangibles in theory exist for all firms, firms should make the choice of which of these to disclose, if the information would be material to the entity's value creation.

Fair value information could/should be provided sometimes

An association of accountants, an association of academics, a think tank and a standard setter and stakeholders of a standard setter, thought that it could sometimes be useful to disclose fair values of intangibles. The association of accountant noted that this would be the case when it is possible to have reliable fair values of individual intangibles. Then users could use these values as a comparison with their own estimations.

Situations where it would be possible to produce a faithful representation of fair values, were also the cases under which the association of academics thought they should be disclosed. The association noted that the substantial fluctuation in value over time could be an argument for disclosing some form of current values. The association thought it would be possible to provide the information for assets with accepted valuation models, such as some brand names, customer relations and patents. The association noted that in the last two decades the possibility to determine a fair value had improved considerably. It noted that there are many more options for transactions buying and selling IP rights at arms' length through intermediaries such as elite IP brokers, IP auction houses, university technology

⁶ A user network did not provide one view to the questions included in the DP but summarised the various views of its members.

transfer offices and even insolvency practitioner firms. The brokered patent transactions market involving intermediaries as opposed to direct sales between buyers and sellers is now being tracked and providing fair value data. That it was now possible to provide better valuations was also mentioned by an association of accountants.

The standard setter in favour of sometimes providing information on fair values noted that it would only be useful in limited cases. It noted that it might not be useful to disclose all the very granular input parameters. These disclosures were also considered problematic by the standard setter against the background of commercial sensitivity (for example, the disclosure of planned sales series at product level in order to evaluate a product brand; or the disclosure of planned margins). Therefore, the standard setter recommended, besides a limitation to the key value drivers, also a limitation on the key input factors including quantitative as well as qualitative disclosures in order to facilitate understanding of management's assessment.

Advantages and disadvantages

The identified advantages and disadvantages identified in the Discussion Paper on information on specific intangibles were considered relevant and valid by four standard setters, an organisation of users, a user, an association of academics, a business reporting organisation, a business reporting network a student and a preparer.

Different disclosures for recognised and unrecognised intangibles

One standard setter broadly agreed with the identified advantages and disadvantages. However, it thought that it was important to distinguish between information on recognised and unrecognised intangibles and supported additional disclosures in the notes for intangibles that would be recognised (and the standard setter thought that additional intangibles should be recognised). For intangibles that do not meet the criteria of an asset and cannot be recognised, the standard setter supported additional disclosures if those are important for understanding the business of the entity. It thought that it would likely include, among others, human capital, skills, brands, relationship and reputation capitals and also risks and opportunities. The focus should be on the 'outside-in' as sustainability reports would cover the 'inside-out' perspective. As these disclosures could be overlapping it would be important to coordinate the disclosures with those required for sustainability reporting.

Consider interlinkage with sustainability reporting

Another standard setter generally agreed with the identified advantages and disadvantages. However, it noted that an additional advantage of the approach would be that it would be in line with the development emerging in the CSRD. Therefore, this approach should be further developed and this standard setter also highlighted that overlaps with the sustainability reporting and in the ESRS should be clearly identified.

Costs

One standard setter noted that how costly the approach would be compared to the alternative approaches would depend on the specific circumstances.

On the cost, an association of academics, a business reporting network and a business reporting organisation noted that during the IPO phase companies tended to disclose much more information on their intangibles. This evidence the possibility and capacity of companies to produce information on intangibles when they have an incentive to do so. The association of academics also noted that non-financial information is of greater importance in the valuation of younger companies because forecast earnings work better for assessing younger companies than historical earnings do.

Distorted IFRS performance figures

In relation to the disadvantage identified in the DP, that providing disclosures would not solve the issue of distorted IFRS performance figures, an association of academics noted that some research indicated that disclosed items were not processed differently from recognised items when the disclosures were salient, not based on management estimates and would enable users to apply simple techniques for imputing as-if recognised. This, however, also required that there are few or no difficulties in identifying and processing the information and that the information itself is reliable. An individual academic noted that whether or not intangibles were better suited for disclosures depended on the type of the intangible and the type of entity.

Challenges around verifiability and auditability

A standard setter and a preparer thought that a disadvantage, that was not mentioned in the DP was that there would be challenges around verifiability and auditability of certain information, for example, customer satisfaction, employee satisfaction, quality of oversight functions, etc. This meant that it should be considered whether comparability of the information would be achievable, or the information should be considered more like narrative descriptions.

Information to be provided

Input was also received on what type of information on specific intangibles would be useful. An association of accountants thought that the sort of information proposed in the DP may help users in assessing the value of the entity as a whole rather than individual assets. Additional suggestions on the type of information that should be provided are included in the table below.

General	A description of intangibles
	<p>A description of the type of intangibles recognised and the related amount. In the study supported by EFRAG, EFFAS and ICAS, this was the information considered by most respondents to a survey to be useful for assessing whether an asset would be replaced automatically (and thus result in a double charge to profit or loss). (Information useful for assessing whether an asset would be automatically replaced was considered important by 81% of the users responding to the survey). The view was also presented that a description of (unrecognised) intangibles should be included and commented on for users to be able to understand the business and the activities conducted.</p>
	<p>Internally generated or acquired</p>
	<p>For those intangibles that are recognised, some members of a user network and two preparers suggested to provide information on those that were internally generate and those that were acquired. The information could also be provided on the face of the</p>

statement of financial position by splitting internally generated intangibles and acquired intangibles. One of the preparers assessed that the information would help users to better understand and compare entities that grow organically with those growing by acquisitions.

A standard setter thought that in addition to acquired intangibles and internally generated intangibles, it could also be relevant to specify intangibles for which an entity has outsourced the development.

Invested amount

A network of users noted that users need to know how much has been invested, which requires a clear view of historic cost.

Value potential

A think tank thought that disclosures should be provided on the value potential of intangibles (fair values, expected strategy and preservation management).

Linkage to financial performance

Two standard setters, the stakeholders of a standard setter, a user organisation and a preparer thought that it was important to explain how an intangible is related to the entity's value creation and link the information with financial performance. One standard setter considered that information about the cash flows resulting from each of the identified intangibles for a given past period should be provided. A user organisation thought that also the expected cash flows should be presented if an internally generated intangible would also be recognised. For these, the entity should each year explain the change in expectations at a defined time on the investments and the effects in terms of change in risk/opportunities. Stakeholders of a standard setter considered a linkage between useful life and impairment to the drivers that the intangibles are expected to provide could be useful.

Human capital

For human capital the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: Employee competence level, employee turnover per function and geography and employee satisfaction and engagement.

A credit provider found that information from employee surveys was useful for assessing the business risk – but not so useful for assessing the financial risk. A user found information on whether particular activities were done by the entity's employees or e.g., consultants, in which country it was done and how much was paid to employees and attrition at different levels of the organisation useful.

Training

For human capital the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: training costs on annual revenues, level of employee participation in training courses and number of training courses completed by employees.

The views were also expressed by users that KPIs expressing impact of training-related activities (including impact of training on the development of employees' career and impact evidence of a positive return on investment of the training) were useful.

	<p>A preparer thought that the number of training hours should be complemented by information on employee turnover. The employee turnover said something about how much value the entity would receive from its training.</p>
Customer database/customer relationships (broader than customer database)	<p>A consultant considered that it could be useful to report information on how the customer database was maintained.</p> <p>A standard setter (marketing accountability) thought the value of customer relationships should be disclosed. The value could be estimated using the customer lifetime value. The standard setter also thought that information provided on customers should distinguish between metrics that allow for valuation of the customer relationship (such as 'customer attrition') and metrics that inform about the customer base but are not part of the valuation (such as 'customer concentration').</p> <p>A standard setter (marketing accountability) disagreed with the DP that market share was related to customer relationships – it was considered related more generally to the market.</p>
Customer satisfaction and loyalty	<p>For customer satisfaction and loyalty the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: customer attrition rate, average customer retention period and revenues from new customers.</p> <p>A valuation company also noted that for customer-related intangible assets, retention metrics are key operating indicators in industries where the existing customer contracts and relationships are the key reason for the decision to acquire the target. The data underlying these metrics is also very robust. Many deal models include explicit assumptions about retention/renewal rates of customers – for example, in Software as a Service (SaaS) acquisitions. Additionally, expected retention/renewal rates are real value-driving considerations as they affect the risk of the target and the discount rates used in the deal models. Thus, existing customer contracts and contract renewal expectations provide relevant and decision useful information about expected cash flows and their risk.</p>
Corporate reputation and image	<p>For corporate reputation and image, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: customer attrition rate, average customer retention period and revenues from new customers.</p>
Relationships with suppliers	<p>For relationships with suppliers, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: degree of value chain integration, types of suppliers' product quality certifications and types of suppliers' environmental certifications.</p> <p>Information on the degree of dependency on individual suppliers, by regions, volume and by recital components was also suggested. The same was information on: timely payment of suppliers (by size) and the net promoter score from suppliers.</p> <p>According to a valuation company, relationships with supplies is a key intangible for example in the chemicals distribution industry where the distributors are working on an exclusive basis with the major producers of chemicals (the valuation company, however,</p>

	considers that this asset should be recognised).
Brands	<p>For brands, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: brand strength, brand contribution to EBITDA and marketing expenses per brand.</p> <p>A standard setter though that brand values should be disclosed. Disclosing the value provides a clear link to financial value. The information should be accompanied by the metrics underlying the values and a clear explanation of the valuation methodology used. The standard setter noted that brand preference had been shown predictive of future financial outcomes.</p>
Research and development	<p>For research and development, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: revenues from products generated by internal R&D, R&D expenses per segment of business and detailed amounts of R&D expenditure. The study also showed that users generally lacked confidence in possible valuation performed by the entity on R&D.</p> <p>An association of accountants noted that for new products (e.g., drugs) being developed, a description of the product, which development stage it was at, and the market size was useful information.</p>
Intellectual property and know-how	<p>For intellectual property and know-how, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: revenues from the last five years' patents and number of active patents.</p> <p>An organisation of academics noted that the European Commission's IP Valuation Report suggested as examples of useful information: the number of patents, the description and the number of patents actively employed in firm activities, the time to expiration for the major IPRs, the description and number of patent submissions and the associated degree of success and the like.</p>
Strategy and planning	For strategy and planning, market share was considered useful by users in the study supported by EFRAG, EFFAS and ICAS.
Business model	<p>For business model, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: illustration of value proposition, description of business activities/lines and description of input/output/outcome.</p> <p>The quality of relationships with stakeholders was also proposed.</p>
Organisational culture/climate	<p>For organisational culture/climate, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: employee turnover/absences and salary and promotion packages.</p> <p>Information on expenses for types of employees on corporate welfare and the efficiency of the organisational structure was also proposed.</p>
Intangibles-related risks and opportunities	For intangibles-related risks and opportunities, the following information/KPIs were considered useful by users in the study supported by EFRAG, EFFAS and ICAS: product quality and customer relationships and loyalty.

Quality management	of	An association of academics noted that previous academic studies have found that users consider disclosure regarding quality of management to be insufficient.
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An association of academics noted that the International Standards Organization's work on e.g., brand evaluation could be used a reference for disclosure on specific intangibles.

Indications of what information is generally most useful

During focus group discussions carried out as part of the academic study supported by EFRAG, EFFAS and ICAS, it was noted that the information that was missing on intangibles would depend on the industry in which the entity is operating. In the survey, that was part of the study, the following intangibles were those for which most respondents with a user background thought important information was missing from the financial statements (more than 40% of the responses):

- Human capital (competences, skills, seniority)
- Intangibles-related risks and opportunities
- Intellectual property and know-how
- Brand(s)

Preparers (almost 70%) thought that information was missing on R&D.

Indications of what information is generally less useful

From the study supported by EFRAG, EFFAS and ICAS it appeared that information on customer lists and stakeholder was generally considered less useful than information on many other types of intangibles by users. However, the view was presented that it could be useful to have information on dependence on individual customer, regions and industries.

Definition of KPIs

For the use of KPIs it was noted that it would be important to include the definition of these figures. An example provided was the net promoter score, which were used differently between companies – and even within companies. It was also noted that for one entity, there would only be relatively few KPIs that would be important, so the entity should focus on these.

Disaggregated information

A plea for disaggregation of the information was also presented. It was noted that sometimes it would be important to disaggregate by function. For example, for a chain of coffee shops a high level of turnover amongst the low-level employees could be expected and was not as critically as a high level of turnover amongst the senior management. A user thought that providing the disclosure at segment level would add significant value.

For the disclosure of customer values, a standard setter (marketing accountability) suggested to disclose the information by groups of customers, and as a total, to reflect the substantial variability with the customer base. Similarly, the standard setter thought that entities with many brands should show the value of each brand, rather than an aggregate value. This would help users of financial statements understand the individual performance of the firm's portfolio of brands.

An association of academics, a business reporting network and a business reporting organisation noted that disclosures could be provided by groups of intangibles if deemed resulting in a true and fair view, to reflect that revenue and risks are usually attached to an activity rather than a separate intangible. Presenting intangibles that are interrelated as a group of assets could reflect that they jointly contribute to the earnings power of the business, and that they bear the same risks. It could also be preferred by companies that do not wish to disclose commercially sensitive information. However, the grouping should be sufficiently precise for readers to understand the function, sub-entity and other specific characteristics of the group. The group, could, e.g., be a cash-generating unit. A similar comment was made by a preparer at an outreach event and a standard setter. The preparer noted that for IT systems, information could be provided for each system as each system could be identified. For employees, know-how and processes, it would make more sense to explain it in a more general way and with the risks and opportunities. The standard setter noted that when determining the level of the disclosure, it should be considered whether the intangible was a stand-alone intangible or combined or assembled pieces of intangibles (such as a platform of the business or intellectual properties combined intangibles such as pharmaceutical products, pieces of music and movies). For combined or assembled pieces, when providing information on these specific intangibles, the intangibles should be combined. By doing that, it would be possible to show to the investors that this combined intangible was a business driver.

Verifiable information

Two associations of accountants notes that it is essential that any proposed disclosures should meet the qualitative characteristic of “verifiability” and be capable of being independently assured by an external auditor.

Compulsory disclosures and fixed terminology

Some respondents to the DP provided views on the guidelines and harmonisation of information on specific intangibles.

On the one hand, an association of academics considered that information using a common format (like the WICI format) could improve the understandability and comparability of information disclosed. Similarly, a preparer considered it to be critical to clarify definitions and concepts describing and explaining intangibles to guarantee the comparability between companies operating with similar business models. The preparer also expressed that the information should be provided for both intangible assets that meet the definition of an asset and other intangibles, such as intellectual capital, human resource, culture and reputation.

On the other hand, an academic and two standard setters were not in favour of too specific requirements. One of these standard setters thought that there should be no such guidance as a fixed terminology for specific intangibles could be contradictory to the reporting of entities' own narrative. The other standard setter suggested to limit information on intangibles that are not recognised to information about the reasons why these intangibles are not being recognised and information about the relevance of each intangible that contributes to the business model in order to assure relevance and reduce subjectivity.

An academic thought that before providing requirements for additional disclosures, it should be examined why entities are not providing this information already. The academic thought that the management and the boards had strong incentives to disclose information as this would enhance the value for the entity. In this regard, however, two associations of accountants notes that academic research performed in Australia suggests that voluntary disclosure of unrecognised intangible assets is not an effective approach and that a mandated approach needs to be considered. Similarly, a business reporting network and a business reporting organisation noted that various studies of investors' and analysts' demands for information indicate a substantial difference between the amount of information on intangibles found in companies' annual reports and the type of information demanded by the market.

Question 6 – Information on future-oriented expenses

Chapter 5 proposes various elements of information on expenses recognised in a period that could be considered to relate to benefits that will be recorded in future periods ('future-oriented expenses').

- 1 *Do you consider that requiring such information could be useful? If so:*
 - a) *Should the information mainly complement information on specific intangibles (see Chapter 4) or should requirements on future-oriented expenses be introduced instead of requirements on information on specific intangibles?*
 - b) *Should the information mainly:*
 - (i) *Reflect the views of the entity's management by disclosing the recognised expenses the management considers relate to the benefits of future periods)? Or*
 - (ii) *Help users perform their own assessments on the recognised expenses that relate to benefits of future periods, by providing further specifications and breakdown of the expenses of a period?*
- 2 *Do you agree with the advantages and disadvantages of information on future-oriented expenses identified in Chapter 5? If not, which aspects do you disagree with and/or which additional advantages and disadvantages have you identified?*

Overview of feedback received

Many respondents considered that information about future-oriented expenses would be useful. Not many respondents provided explicit feedback on whether the information should supplement or replace information related to specific intangibles. However, the responses received suggested that it would be more relevant to consider whether the information could be a substitute for recognising and measuring (additional) intangible assets rather than substituting information on specific intangibles. Differing views were expressed on whether the information should be based on management's assessments of what would be future oriented or should provide more detailed information on recognised expenses to enable users make their own assessment – or both – or a choice between these alternatives. Respondents commenting on the identified advantages and disadvantages identified in the DP generally agreed with the assessments included in the DP.

The following sections first summarise views on whether the information would be useful or should not be required. This summary includes suggestions on the information to be provided. Then the feedback on the question on whether the information on future-oriented expenses should supplement or replace information on specific intangibles is presented. Arguments for and against providing management's assessment of future-oriented expenses versus providing more detailed information on expenses to enable users make their own assessments are then presented before feedback on the identified advantages and disadvantages.

Would the information be useful?

Six standard setters, three users, three preparers, two organisations of users, an association of preparers, stakeholders of a standard setter, some members of a user network, the staff of a standard setter, a think tank, a valuator, an association of accountants, a student, an auditor, and an association of academics considered that the information could be useful. Some of the arguments provided included:

- Explaining, for example the relative size of future-oriented expenses could help explain why e.g., the value of the assets of an entity would be decreasing and why the expenses are increasing (e.g. when acquired intangibles are replaced by internally generated), as this could be hard for users to understand.
- The information could potentially provide users with an enhanced ground for assessments of future performance and endurance, the business model, management approach and strategy.
- Specification of expenses had been a request from users. According to stakeholders of a standard setter, the information should include, but not be limited to specific information on marketing, technologies, training and research.
- When trying to value companies based on free cash flows, analysts remove what they assess to be investments in intangibles from operating cash flows to investments. The information could be useful for this purpose.

- The information could be useful to keep the financial statements conservative (i.e., not recognise internally generated intangibles, but to provide information on future-oriented expenses to come up with estimates of 'as recognised' intangible assets). The information could partly be provided by more detailed information in the statement of financial performance – to make it more prominent.
- The approach could provide information on intangibles without resulting in conflicts with the existing definition of an asset.
- The approach could provide information on marketing expenditures, which could reflect how an entity is maintaining its ability to generate revenues. Similarly, expenses related to patents could provide information on the entity's ability to manage its assets and the riskiness of its segments and the aggressivity of competitors.

Although considering the information useful, some members of a user network thought the information might be difficult to compare unless robust definitions would be introduced.

The association of academics considering the information to be useful, noted that it would only be useful to the extent that:

- There will be a user-relevant classification of future-oriented expenses. The association noted that the relevance could only be tested after it is applied. It suggested that standard setter should give a general classification and specific subgroups can be made by entities to reflect their business model.
- It should be possible to separate future-oriented expenses (for example, it should be clear whether engineering staff time spent to listen to the client requests to customise a standard product would be related to R&D or customer relationships). Information for each type of expense should be provided (e.g. human capital training) with the entity assessment of the amount relating to the current periods and the future (this information was considered particularly relevant for a new or very specific business model, for which users have less reference benchmarks). The management's assessments should be accompanied by an adequate management's narrative, giving relevant details on the main projects of internal development to allow the understanding of the reason for considering these as future-oriented.
- It should be linked with performance results.
- The information should be linked with the line items in which they are included in the statement of financial performance. The association provide the following example of how the information could be shown:

	2021			2020			2019		
	CURRENT EX	FOEX	TOTAL	CURRENT EX	FOEX	TOTAL	CURRENT EX	FOEX	TOTAL
Intangible expenditures and financial items included									
R&D product/process									
financial items									
.....									
commercial - customer									
financial items									
.....									
human resource									
financial items									
.....									
social/institutional									
financial items									
.....									
REVENUES									
MARGINS									

Three standard setters, two associations of accountants, two users, two auditors, an academic, and an organisation of preparers did not think the information should be provided and/or that the information was not useful. Some of the arguments included (some may relate only/mostly to either disclosing management's assessments of what is future-oriented expenses or disclosing more detail information on recognised expenses):

- The amount of expenditure says nothing about the effectiveness of the activities/asset associated with it.
- The information does not have predictive value.
- The information may be hard to compare across entities as the assessments of what expenses that are future oriented may be highly subjective. Subjectivity would be avoided if users would be able to make their own assessments. However, it would likely require an extensive amount of information for users to do so.
- The identified disadvantages in the DP seem to outnumber the identified advantages.
- The expected implementation costs of disclosing future-oriented expenses are anticipated to be (too) high.
- Separability of future-oriented expenditure from expenditure that relates to the maintenance of the business can be a challenge and auditing the information could accordingly also be challenging.
- Management may be reluctant to disclose commercially sensitive information relating to future-oriented expenditure.
- If internally generated intangibles are recognised there would be little benefits and high costs of the disclosures.
- Directors may be concerned about the liability risks associated with the disclosure of forward-looking information.
- The nature/function disclosure is not trivial to generate and has already been criticised in the Financial Statement Presentation project.

- Separating ‘maintenance’ capex from ‘growth capex’ sounded nice in principle, but was difficult in practice and may invite management manipulation and spin.
- The entity may not control the positive outcome of the expenses, e.g., better trained staff may leave.

One of the standard setters not supporting the approach thought that recognition and measurement would be a better approach. However, it acknowledged that for intangibles that fail to meet the criteria for recognition, a disclosure of recognised future-oriented expenses and risk/opportunity factors may be helpful to users to assess the entity’s prospects if these disclosures relate to important value drivers of the entity.

Although two associations of accountants considered it problematic to provide the information in the financial statements they noted that the disclosures may already be presented in other parts of the annual report outside the financial statements, or made available to investors and other through other communication.

Although supporting the information, an association of academics noted that the disclosures might give rise to classification issues that may or may not be associated with management’s incentives. For example, prior research on classification shifting in the income statement has already shown that managers misclassify the cost of goods sold to beat the benchmark of gross profit margin.

A standard setter considered that the information should only be provided on a voluntary basis.

Supplement or replace information on specific intangibles?

Only a few respondents replied directly – many replied indirectly in the answer to Question 2 (see above) – to the question included in the DP on whether the information should supplement or replace information on specific intangibles. An organisation of users and a student considered that the information should be supplementary to information on specific intangibles.

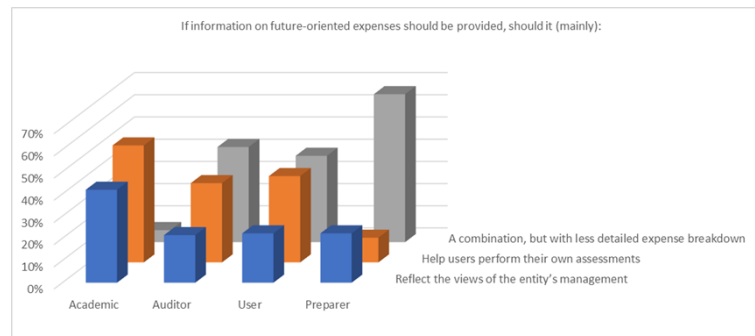
Two standard setters and a participant at an outreach event noted that the information would not be useful or result in cost savings if internally generated intangibles would be recognised.

Management’s assessment or enabling users to make their own assessments?

At some outreach events, participants were asked whether the information on future-oriented expenses should:

- Reflect the views of the entity’s management by disclosing the recognised expenses the management considers relate to the benefits of future periods)? Or
- Help users perform their own assessments on the recognised expenses that relate to benefits of future periods, by providing further specifications and breakdown of the expenses of a period?

When presented with these two choices, most respondents thought that the information should help users making their own assessments. However, when a combined option was introduced, for some of the outreach events, most respondents thought that the information should both present the management’s assessment as well as providing information for users to make their own assessments.



A preference for a combination was also expressed in one of the comment letters received. A standard setter thus considered that it could be useful to have marketing expenses provided by market, brand and customer group. This could be combined with specification on what the management think is future oriented.

In the comment letters received, one organisation of preparers, one association of accountants, and one standard setter provided arguments for why it would be most useful to disclose the recognised expenses the management considers relate to the benefits of future periods:

- Providing information to enable users making their own assessments would require an extensive amount of information.
- It is difficult to see how users can identify future-oriented expenses even from a further analysis of costs. For example, marketing expenses may relate to the current year or to future ones.
- It is in line with the value in use for an impairment test.
- An objective distinction is not possible. How will future-oriented expenses be defined?

A standard setter supporting that the information should reflect, the management’s assessment, however, noted that the management should justify/explain its assessment so that users can understand the underlying assumptions and – if necessary – make their own adjustments. In the end this allows both alternatives to be implemented to some extent.

Five preparers and two standard setters argued against basing the information on what management considers relate to the future periods. Arguments included:

- It is complex and bears the risk that current period earnings of the entity might be presented in a too favourable way.

- Management's estimate of future-oriented expenses can be complex, highly judgmental and costly. It would, for example, be costly to assess which legal cost or employee cost that would relate to the future, and it would require a new layer when registering cost..
- The management could not always know whether, for example, a research project would result in something that could generate revenue in the future.

An auditor noted that the information to be provided should not be based on hindsight – so if the management's assessment should be used, the categorisation should be made when the cost was recognised – not subsequently so that the entity could make the classification based on what would fit the entity best.

A standard setter noted that if information on future-oriented expenses should be provided, additional guidance for separating operational costs from future-oriented expenses should be provided. An association of academics thought the explanation in the Discussion Paper (focusing on what cost would have been necessary in a no-growth scenario) could form the basis for such guidance.

Arguments provided at outreach events and comment letters in favour of enabling users to make their own assessments were provided by two standard setters, two preparers, an association of preparers, some members of a user network and the staff of a standard setter:

- Subjectivity when preparing the information would be avoided.
- Users have stated that they want more disaggregation of expenses.
- It would be relatively uncostly to present e.g., information on marketing costs, if it would be agreed that these costs could generally be seen as future-oriented cost.
- It would decrease subjectivity of the information reported and, therefore, increase comparability of information between different entities.

Arguments provided at outreach events and comment letters against enabling users to make their own assessments were provided by an association of preparers and a preparer:

- It will most likely lead to an information overload.
- The information can be misinterpreted by stakeholders who will make subjective conclusions which cannot be controlled by the entity.

One preparer thought that the entity should be able to decide whether the information presented would reflect the management's assessments or enable users making their own assessments.

An association of academics considered that both types of information should be provided.

Identified advantages and disadvantages of the information

Among the comment letters and completed surveys received and comments made at outreach events, five standard setters, two associations of preparers, and a preparer generally agreed with the advantages and disadvantages of the information identified in the DP. A standard setter, however, disagreed with the assessment of costs if management has to disclose its estimate of future-oriented expenses. In these circumstances it expected the approach to be more costly than providing information on specific intangibles. Management's estimate of future-oriented expenses could be complex and highly judgmental which could outweigh the benefit and relevance of the additional information on future-oriented expenses. A preparer noted that collecting additional information that would be needed to provide more detailed information on cost could be costly as it would involve developing new process. However, taking into consideration technology developments, it might be less of a problem in the future.

An association of academics thought that many of the identified disadvantages could be overcome by adopting an approach including basic mandatory disclosures and basic guidance (mainly in separating future-oriented expenses from current expenses) and then leave flexibility to entities in choosing more detailed information.

Question 7 – Information on risk/opportunity factors affecting intangibles

Chapter 5 proposes that information included in the financial reports on factors affecting intangibles should be limited to disclosing risk/opportunity factors linked to the key intangibles (whether or not specified) according to the entity's business model. The disclosure should include a description of the risk/opportunity, relevant measures reflecting the risk/opportunity, if relevant (for example, KPI's used to measure it), and how the risk is managed and mitigated. It should include an assessment of the materiality of the risk/opportunity factors based on the probability of their occurrence and the expected magnitude of their impact.

Do you agree with this proposal? If not, what information on risk/opportunity factors affecting intangibles should be provided?

Overview of feedback received

Many respondents addressing Question 7, agreed with the proposals of the DP.

The following section summarises the arguments provided for why the information would be useful, suggestions on what should be presented, and the arguments presented against some of the proposals in the DP.

Feedback on proposals in DP

Five standard setters, an association of accountants, an association of academics, an business reporting organisation, a business reporting network, a think tank, a business reporting network, members of a user network an organisation of users, an auditor, a preparer and a student supported disclosures about risk and opportunity factors affecting intangibles.

An auditor noted that the information provided a useful picture of how an entity was run [Joachim Kolschbach – IAWG]. An association of academics noted that academic studies had found that users consider disclosure regarding risk factors be insufficient. In that regard, an academic study supported by EFRAG and ICAS showed many high-tech companies do currently not disclose business model value drivers or risks in the financial report. Also, those companies that do provide the disclosures, only address the risks for less than half of the elements considered as value drivers when discussing the business model.

Some of the respondents supporting the disclosures, provided the following suggestions regarding the disclosure:

- Detailed guidance and illustrative examples should be provided on how this information should be disclosed.
- The information should only be provided to the extent the risks and opportunities could have a material impact on the intangibles recognised.
- The information should be restricted to material impacts, risks and opportunities.
- Identifying risk and opportunity factors on the basis of industry-specific standards could be useful. However, there should be room for entity-specific assessments of material risks and opportunities.
- The information should be provided on three distinct levels: sector-agnostic, sector-specific and entity specific as in EFRAG's ESRS 1.
- The information should reflect a definition of risk that would include uncertainty generated by the entity and risks and dangers to which the entity is exposed through the holding of an intangible.
- Managers should disclose the method of selecting the risks/opportunities they have and the mitigation actions in progress.

Three standard setters, two associations of preparers, a preparer and a student did not agree with the proposals in the DP, but for different reasons:

- One standard setter did not support that it would be required to provide information on opportunities. According to the standard setter, entities could be encouraged to disclose information about opportunities, but as IFRS 7 only considers risks, it should not be required to also consider opportunities.
- One standard setter thought that the disclosures should not be linked to 'key intangibles' but should follow the management approach in IFRS 7 and IFRS 8 as the term 'key intangibles' was difficult to interpret.

- A standard setter thought that, in addition to key marketing metrics, valuations of marketing-related intangibles should be provided to reveal risks to the firm regarding marketing activities.
- A standard setter, an association of preparers, a preparer and an association of preparers did not think it made sense to separate information on risk/opportunities in connection to intangibles as this could distract the overall description of the business model.
- A student did not think the disclosures should be limited to only key intangibles.

Question 8 – Issues to be considered

Chapter 6 discusses challenges and issues to be considered when finding a manner to provide better information on intangibles. It mentions that it could be beneficial to introduce a common terminology on intangibles and that preparers of financial statements should not be required to disclose information on intangibles that would be (very) commercially sensitive.

- 1 *Do you consider that it would be useful to introduce a common terminology on intangibles?*
- 2 *Do you agree that preparers of financial statements should not be required to disclose information on intangibles that would be (very) commercially sensitive?*
- 3 *Are there additional issues than those listed in Chapter 6 you think should be taken into account when considering how to provide better information on intangibles?*

Common terminology

In their comment letters or in the submitted surveys, the vast majority of respondents, that is eight standard setters, three user organization, three professional organization, one student, one user, and one preparer agreed that it would be useful to introduce a common terminology. These respondents provided the following comments:

- It is useful to consider providing a non-binding guidance for categories of intangibles – an example for such guidance is the list in IFRS 3.IE16-44.
- From a users' perspective, using different terminology to disclose similar assets may not be helpful.
- Common terminology should be used as long it assists with understanding and comparability. If it proves to be inflexible, then it should also be adaptable, i.e., there should be a facility to add further terms and definitions over time.

One preparer organisation and one preparer did not see the need for common terminology. They provided the following comments:

- Requiring common terminology, may lead to forced distinctions that an entity would not have been done otherwise, and it's important that entities use their own narration.
- It is not necessary under the approach to disclose future-oriented expenses.

Furthermore, eight respondents provided no response to that question in their comment letters.

It should also be noted that one user expressed the view that there was inflation in the terms used.

A very similar and consistent input has been provided during meetings and outreach events as follows.

Two standard setters agreed that a common terminology on intangible assets would be desirable. However, they noted:

- That it could be challenging considering the specificity of intangible assets.
- That it should be generalisable terminology and take into consideration potential intangibles of the future. It noted that without clear definitions, the application of the disclosure requirements will cause diversity in practice which would affect the comparability of information.

Moreover, a few members of EFRAG IAWG considered that it is essential to find a common terminology for intangibles.

Number of frameworks

In the study supported by EFRAG, EFFAS and ICAS, the view was expressed that for users it would be preferable just to have one universal global language on the issue, as there were limits on how many different frameworks users could grasp. Moreover, standardisation would enhance comparability.

Commercial sensitivity

In their comment letters and responses in a form of survey, the vast majority of respondents that is two preparer organizations, six standard setters, three professional organizations, two preparers, one user, and two user organisations, agreed that the preparers should not be required to disclose commercially sensitive information. They also explained that:

- It is also necessary to have sufficient guidance on determining what is a (very) commercially sensitive information. Moreover, guidance is needed whether the disclosure exception relates to all information related to an intangible or only to an element of information about the intangible.
- The exclusion for very commercially sensitive information should be restricted to the information about specific intangibles (including the risks and opportunities they present) and would not be needed in relation to recognition and measurement disclosures or to future-oriented expenses.
- The NFRD, has a corresponding clause: “the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking, provided that such omission does not prevent a fair and balanced understanding of the undertaking's development, performance, position and impact of its activity.” (Art. 19a par. 1) However, it should be also clarified that this should be a well-motivated exception rather than an easy exit.

- The right to ultimately decide what is commercially sensitive and what is not should be with the auditor and not management and the fact and reason for the omission should be recorded in the accounts.

On the other hand, one student, and two standard setters disagreed. They explained that:

- Not disclosing information may lead to running away from being transparency which leads to lack of professionalism.
- We are hesitant to exempt disclosures of intangibles which would be (very) commercially sensitive but does not want to exclude the opportunity completely to eliminate commercially sensitive disclosures at this stage of the project.
- Such objections can undermine the role of any form of reporting.

Furthermore, nine respondents provided no response to that question in their comment letters.

During the meetings and outreach events, EFRAG received the following further comments:

- One standard setter considered that consistent with the sentiment in paragraph 92 of IAS 37, it should be possible not to disclose due to commercial sensitivity. However, it should be allowed only in extremely rare cases and more research should be undertaken in this area.
- One standard setter thought that if intangibles were considered under a phased approach under which disclosures were considered before recognition and measurement, it could get preparers over the notion of commercial sensitivity. They may be able to explain about intangibles without it resulting in commercially sensitive information being considered provided.
- One user noted that commercial sensitivity should not be a constraint as by definition intangibles are commercially sensitive.
- An auditor noted that according to the <IR> framework, if something was material to value, then it needed some level of disclosure for the information provided to be complete.

From the study supported by EFRAG, EFFAS and ICAS it appeared that different views are expressed on the issue of commercial sensitivity:

- To the extent that the information provided would be considered important by management, commercial sensitivity was considered to be the main cost for preparers (and not the cost of preparing the information)
- It was noted that information under IFRS 3 was required without considering commercial sensitivity, and it would be inconsistent to consider commercial sensitivity for internally generated intangibles

- There would be a lot of information that could be provided that would not be commercially sensitive.
- Whether information could be commercially sensitive would depend on the level of detail required. Providing information on individual R&D projects could be commercially sensitive information.

Other comments and issues to consider

Providing better information on intangibles in the context of developed sustainability reporting

In their comment letters, some respondents considered the existing process of drafting new European Sustainability Reporting Standards, the work of ISSB and IFRS Sustainability Disclosure Standards, and sustainability reporting in general. They provided the following comments:

- Connectivity between financial reporting and sustainability reporting will have to be considered when proposing changes to financial reporting requirements under IFRS.
- There is a need to consider further disclosure requirements in the light of those that (will) arise from sustainability reporting requirements.
- Connectivity is an essential element of the future considerations.
- The future reporting on intangibles and value creation is a key area for connecting financial and sustainability reporting.
- The link to sustainability reporting should be provided, because future reporting on intangibles and value creation is a key area for connecting financial and sustainability reporting.
- When considering where information should be placed, it is important to have some anchor points on which information that should be presented as sustainability information and which information should be presented as financial information to avoid overlap or that some information would not be provided.

A similar input has been received during the meetings and outreach events, as follows:

- Two standard setters and a consultant noted that intangibles should be considered under a joint umbrella with sustainability reporting. Moreover, there are some pre-financial indicators that relate to valuable assets, and you cannot see anywhere (for example development of new drugs).
- However, one auditor warned about overloading. As there are also the issues on interconnectivity between ESG and financial reporting., he considered that the interconnectivity should be sorted out first and then it could be assessed whether there was a fundamental issue on intangibles.

Similarly, the academic study supported by EFRAG, EFFAS and ICAS concluded, based on the evidence collected, that it seems crucial to clarify the role of intangibles information in relation to ESG information. Despite no general consensus among participants in the study, many users considered the two sets of disclosures to be overlapping. This could reduce and confuse the autonomous role and relevance of intangibles in the company value creation process. A better understanding of the respective roles and the connectivity between intangibles and ESG could thus be beneficial. In this respect the view was expressed that it should be important to distinguish between the impact to the business and the impact of the business and that it should be clearer what is meant by ESG. Another view was, however, that trying to differentiate between ESG and intangibles was unnecessary as all information on the business, how assets are safeguarded, how staff is looked and so on, should be included in the management report.

Cost/benefits

In the academic study supported by EFRAG, EFFAS and ICAS, around 67% of the users thought the benefits of additional information on intangibles would outweigh the cost. Around 49% of the preparers thought that the benefits would not necessarily outweigh the cost.

The argument was made that if the information required would be information that would be considered important by management, there would not be significant cost of providing the information. On the other hand, recognising and measuring internally generated intangibles on the balance sheet was an effort for which the benefits might not exceed the cost.

An organisation of preparers notes that although the objective to remove any differences between entities growing organically and those growing via acquisitions should not lead to favouring accounting approaches and outcomes which might be conceptual very appealing but difficult to be operationalised and audited in day-to-day practice.

Cost/benefit in financial sector

One auditor noted that the importance of cost-benefit considerations should be kept in mind as most intangibles are not an asset under regulatory considerations.

An association of preparers thought that the asymmetric treatment of intangible assets between IFRS framework and the prudential framework (e.g., Solvency II) should be part of a more comprehensive consideration. The organisation noted that the current misalignment of the approaches might be seen as being justified in terms of the different objectives of IFRS framework and prudential frameworks. Nevertheless, in the current situation, the capitalisation of self-generated intangible assets leads to additional operational costs while providing no relief regarding capital requirements for insurers. Additionally, in Germany there are also no direct implications of IFRS financial statements regarding distributable profits. Moreover, some experience that rating agencies treat intangibles very conservative/reluctant. In this regard there is a view emerging that no real benefits can be achieved by the costly reporting of self-generated intangibles in IFRS financial statements. Consequently, a robust holistic approach needs to be followed when any significant changes to IAS 38 should be approached. The aim should be to increase the robustness of the information provided in the primary financial statements, hence, to create a valid basis on which the prudential regulators accept the intangibles recognised in IFRS balance sheet to the extent possible.

Removal/amendments of some of the current requirements

The view was expressed by an association of preparers and a standard setter that the obligation to separately recognise intangible assets in purchase price allocations should be relieved, the aim should be to develop a model resulting in fewer intangible assets being recognised when accounting for a business combination and that amortisation of goodwill should be reintroduced as a requirement. The view was expressed that in combination, these amendments of the current standards would, at least partly, counteract some of the issues highlighted in the DP.

Other areas of consideration

One standard setter suggested that the following areas might be considered as part of the project:

- Transitional issues;
- Comparative information (including trend analyses and outcomes against expectation);
- Auditing standards; and
- Implications for disclosures currently required about recognised items (for example, is the volume and quality of information for unrecognised assets greater than for recognised assets).

Need for a comprehensive review of IAS 38

Several standard setters thought that the IASB should perform a comprehensive review of IAS 38.

Two standard setters mentioned the current accounting standard IAS 38 has not kept pace with the consequential changing business models of many entities or with intangibles that did not exist when the standard was developed, such as digital technologies, emissions trading rights, cryptocurrencies and cloud storage

One standard setter mentioned that in this regard, the consistency with the revised Conceptual Framework should be considered since the Conceptual Framework has been substantially revised since IAS 38 was issued. The revisions have included the objective of financial reporting, identification of primary users of financial statements, the definition of an asset and the asset recognition criteria.

One standard setter mentioned that in this regard, the IASB needs to determine the extent to which emerging financial reporting issues (e.g., emission trading rights, cloud-based computing arrangements and cryptocurrencies) should be addressed by an IFRS Standard on intangible assets.

Other comments

A regulator thought that the circular dependency that would arise if internal intangibles were to be capitalised and impaired based on their 'value in use' should be considered. The regulator thought that this could result in an entity's own profitability would impact the book value, which again would impact the entity's profitability.

A valuator thought that having some discussion on when human capital could be an asset could be useful.

During an outreach, a participant suggested that the purpose of the financial statements should be discussed to determine e.g., whether measurement should be at cost or fair value

During another outreach event, a participant believed that in specific cases, it could be difficult to distinguish between tangible and intangible assets. For instance, a plot of land with a waterfall – should it be considered as a plot of the land that is more worth because of the waterfall, or rather a separate (intangible) right to use the waterfall should be recognised.

Question 9 – Placement of the information

Chapter 6 presents an approach under which information discussed in Chapter 4 and Chapter 5 would be placed in the notes to the financial statements if the information is related to an item that meets the definition of an asset or to an item recognised in the statement of financial performance. In other cases, the information would be placed in the management report. However, it is noted that such an approach would result in information about intangibles to be spread between the notes to the financial statements and the management report.

Where do you think the different types of information that would follow from the approaches discussed in Chapter 4 and Chapter 5 should be placed? Should they be placed all in the same section or in different sections of the financial report and why?

Placement of the information

In their comment letters, two preparer organisations, three standard setters, two user organisations, and one preparer, agreed that information on recognised intangibles should be placed in the notes, whereas information on unrecognised intangibles should be part of the management report. They also explained that:

- The location of such information is important because different auditing requirements apply.

- The disclosures on unrecognised intangibles should be placed close to the sustainability report.
- One standard setter explained that the placement should depend on the nature of the information and function of the notes resp. management report.
- More important than accumulating the information in one place is linking the information on intangible assets in the balance sheet, P&L / statement of financial performance, notes, and management report from a holistic perspective; new challenges arise in this respect in the context of emerging sustainability reporting.

On the other hand, an association of accountants commented that dividing the disclosures between recognised assets and other intangibles did not seem the right approach. Furthermore, their suggestions were as follows:

- The accounting policy, judgements and analysis of intangible assets, their amortisation etc. should be in the notes to the financial statements.
- The further largely non-financial information about all or specific intangibles should be in the management report together with the risks and opportunities related to them. This seems more likely to lead to a more coherent discussion of intangibles in the context of other requirements for the management report such as the business model, the overall discussion of risks, strategy, and performance measures.
- Disclosure of future-oriented expenses would seem to naturally fit in the financial statements, the degree of management judgement applying to them would mean their being better disclosed in the management report.

Other separate views were presented by:

- One preparer thought that Information on specific intangibles (according to the proposal set out in Chapter 4) should be provided in conjunction with the explanation of the entity's business model in the management report (as the description of the business model is not related to a specific asset). Information about future-oriented expenses should be placed in the management report because it is information about the future.
- One standard setter recommended disclosing on a specific section with cross reference to other sections of the financial report because it is easy to access.
- Another standard setter thought that although some intangible resources are intrinsic to sustainability matters and will be part of sustainability reporting (for example employees' loyalty and motivation or the quality of the relationship with the customers), it would be more useful for the users of the financial statements to find the complete information of intangibles inside the notes.

- One association of academics, one business reporting network, and an organization of preparers explained that ideally, all information regarding intangibles should be usefully positioned in one place or at least in well determined places of the corporate annual report.
- A user organisation explained that different types of information that would follow from the approaches discussed in Chapter 4 and Chapter 5 should be placed mainly in the notes to the financial statements. Nevertheless, some pieces of information related to the business model and the liaison with the intangibles could be placed into the management report as part of a further explanation by managers.
- Respondents commented that in the European Union, sustainability standards and legislation may settle some of the placement issues.
- One standard setter preferred, for financial valuations and the supporting metrics to create the valuations to have the information in a specific intangibles section of the management report.
- One user believed that placement is less important than disclosure itself.
- A student was indifferent regarding placing this information provided that the information is accurate and transparent.
- One standard setter, noted that its stakeholders commented that having the information in the financial statements (including the notes) as opposed to in management report gives the information greater prominence, and because it will then have to be audited it will give users greater confidence in the information reported.

Other proposed models include:

- Depending on the nature of the intangible we think that the new disclosures should be placed in the notes of the financial statement if it is related to:
 - Intangible assets recognised in the balance sheet
 - Intangibles not recognised but that are controlled by an entity; for which ownership rights are relatively clear and for which markets exist (generally they can be bought and sold) or resulting of potential business combinations between group entities for which there is a reliable fair value
 - for the rest of intangibles, the information would be placed in the management report.
- Splitting disclosures should be based on the following existing approach:
 - Historical financial information in principle in the financial statements.
 - Future-oriented information and value creation in principle in the management report.

- One standard setter thought that the placement of the information should depend on the characteristics and nature of the information. If the information would be related to the financial information, it should be disclosed in the notes to the financial statements. If it would relate to the business plan or future development, it should be disclosed in the management report or sustainability reporting.
- Some members of the EFRAG IAWG considered that additional disclosures should be in the notes (rather than the management report) as it obliges management to tie this information with the financial statement figures and provides more robustness.

It also needs to be noted that an association of academics believed that a possible overall solution will likely be provided by the digitisation of IFRS (and sustainability) annual reports, which will allow users to assemble intangibles-related data in the way they consider most useful for their analyses and decision-making processes. In this respect, the placement of this category of information can be seen as a second-order issue owing to the widespread use of XHTML digital format together with the XBRL as mark-up language.

Furthermore, seven respondents provided no specific response to the question.

The academic study supported by EFRAG, EFFAS and ICAS concluded that there is a preference for including information in only one document. Most users also preferred the information to be placed in supplementary notes to the financial statements, followed by integrated reports and non-financial reporting statements.

The view was expressed that the scope of the information provided should be considered when determining where the information should be placed. A bit more information on intangibles could be included in the notes to the financial statements (and required by a revised IAS 38) whereas some narrative information could be provided in the management report (and regulated by guidance on this).

A concern expressed on including all information on intangibles and sustainability in the management report was that it would make the management report very long. Similarly, the view was expressed that if everything would be included into any report to satisfy all external requirements, it would overwhelm but users and preparers.

Like the preliminary view expressed in the DP it was also argued that the financial report should only include information on assets and liabilities that would meet the definitions in the Conceptual Framework and the various risks and opportunities that could have a direct impact on these assets and liabilities. Other types of intangibles should be presented elsewhere

Furthermore, the following feedback has been received during outreach events and meetings.

One standard setter did not think the financial statements would be a place to describe the entity's business model. However, by linking what might be in the management report around the business model and what is happening to intangibles and future-oriented expenses illustrated the importance of connectivity.

Suggestions for future steps

The following suggestions were made by respondent to EFRAG's DP consultation and participants in outreach events regarding possible further research activities:

- Further assess the cost-benefit balance of the different approaches proposed in the DP.
- Differentiating research and development costs: : traditional R&D linear process with definable milestones and less suited to modern research and development processes, such as agile software development. A revision of these criteria could lead to an increased recognition of research respectively development costs. It is also conceivable that the terminology would have to be revised.
- Recognition of internally generated software.
- The application of the different approaches suggested in the DP to different categories of intangibles should be explored.
- Role of prudence / conservatism in accounting in general and in particular for intangibles.
- Review the concept of control within the conceptual framework in particular when applied to Intangibles.
- Further research to explore whether the prohibition of recognition of certain intangibles could be removed from IAS 38, while keeping the definition and recognition criteria in general unchanged.
- Field testing the proposals with a pilot before implementation.
- Further research the application of cost model to IGA; challenges regarding the determination of the amortisation period, the accounting treatment of subsequent expenditures and the assessment for impairment losses).
- Definition of the notion of economic benefit as a condition for recognition is a vague concept. Will any future cash inflow (or reduced outflow) be an economic benefit? Or must cash inflow be larger than cash outflow? Or must the cash inflow be large enough to generate a satisfactory return? Is this criterion the same or different from the Framework or other standards such as IAS 16?
- Auditability of the proposed approaches not discussed in the DP.
- Different characteristics of intangibles based on characteristics such as function in the entity's business model, nature of the intangible asset or resource and likely several other relevant characteristics.
- Research possible needs for revision to IFRS 6 Exploration for and Evaluation of Mineral Resources and SIC 32 Intangible Assets.

- Intangibles acquired for variable consideration (e.g., drugs).
- Connectivity with Sustainability Reporting: further activities of this project and research should be aligned with the final CSRD provisions and the respective disclosures required under ESRS (e.g. on own workers) as well as with the future activities of the IASB and ISSB. EFRAG should support an approach that allows companies to report on intangibles in a coherent, consistent and integrated way. It is important to avoid duplication of reporting obligations and redundancies.
- Need for cooperation: One standard setter thought that a project on intangibles needed a lot of good cooperation. It is not just a standard setting project. Auditors have to be involved because it would be new territory, regulators would have to be involved, because in some jurisdictions they govern what would go into the management report and then the sustainability board also need to be involved.
- Users needs: A standard setter noted that users of financial statements obtain additional information on intangible assets from other sources, such as press releases or analysts' reports. The standard setter therefore recommended further extensive research into users' needs to identify intangible assets that should be considered for disclosure in the financial statements and other reports, such as sustainability reports. Further, consideration should be given to whether information from other sources is available in all jurisdictions and their comparability.

APPENDIX – List of respondents and outreach activities

List of Respondents (comment letters)

<i>Respondent</i>	<i>Country</i>	<i>Type</i>
SEAG	Sweden	Preparer organisation
AcSB staff	Canada	Standard setter
SFRB	Sweden	Standard setter
AFRAC	Austria	Standard setter
EFFAS	European	Association of users
GDV	Germany	Preparer organisation
ACCA	International	Association of accountants
CA ANZ CPA	Australia and New Zealand	Associations of accountants
Vural, Nimet	Türkiye	Individual
BMW Group	Germany	Preparer
ASCG	Germany	Standard setter
Insurance Europe	European	Preparer organisation
Caixabank	Spain	Preparer
Kroll	International	Valuation/consulting
CRUF	United Kingdom	Network of users
CNC	Portugal	Standard setter
ICAC	Spain	Standard setter
IEAF	Spain	Association of users
DASB	The Netherlands	Standard setter
NASB	Norway	Standard setter
EAA	International	Association of academics
WICI	International	Business reporting network

OIBR	Italy	Business reporting organisation
OIC	Italy	Standard setter
Observatoire de l'Immatériel	France	Think tank
UKEB	United Kingdom	Standard setter

List of Respondents (completed surveys)

Marketing Accountability Standards Board (MASB)	United States	Marketing accountability standard setter
Assuralia	Belgium	Preparer organisation
Wrigley, Jed	Italy	User
IEAF	Spain	Association of users

Public outreach events

Organiser(s)	Date	Place
EFRAG and EFFAS	29 March 2022	Online
EFRAG and ASCG	4 May 2022	Online
EFRAG and the NASB (around 40 participants)	24 May 2022	Oslo
EFRAG	30 May 2022	Brussels/online
EFRAG, Organismo Italiano di Business Reporting (the O.I.B.R.) and the OIC	15 June 2022	Online
EFRAG, DI, FSR – Danske Revisorer	22 August 2022	Copenhagen/online

Closed outreach events

Organiser(s)	Date	Place
Finnish Association of Accountants	1 October	Online
CRUF	1 December 2021	London/Online
EFRAG FIWG/IAWG joint meeting	4 February 2022	Online

EFRAG and the DASB	16 February 2022	Online
EFRAG and the EAA	25 February 2022	Online
EFRAG and Accountancy Europe	28 February 2022	Online
EFRAG and the AASB (User Advisory Committee)	10 March 2022	Online
EFRAG and the AASB (Academic Advisory Panel)	5 April 2022	Online
EFRAG and the AASB (Disclosure Initiative)	11 April 2022	Online
EFRAG and Accountancy Europe	9 May 2022	Online
EFRAG and the Licensing Executives Society France	16 May 2022	Online
EFRAG and the ICAEW	30 June 2022	Online

Participation in events

Organiser(s)	Date	Place
IFASS	30 September 2021	Online
IVSC	26 October 2021	Online
ENG	24 November 2021	London/Online
ACCA	25 November 2021	Online
ICAS	30 November 2021	Online
CFA Institute	9 December 2021	Online
ASAF	9 December 2021	Online
World Bank (STAREP/REPARIS)	31 March 2022	Online
The ANC (11èmes États Généraux de la recherche comptable de l'Autorité des Normes Comptables)	14 April 2022	Online
Association Francophone de Comptabilité	25 May 2022	Bordeaux

Danish Accounting Council	14 June 2022	Copenhagen/online
The Association Francophone de Comptabilité	21 June 2022	Nice/online

Other input

Crovini, Chiara; Giunta, F.; Nielsen, C. and Simoni, L. Forthcoming. *Do companies disclose relevant information about intangibles? Insights from business model reporting and risk reporting*. EFRAG and ICAS.

Zambon, Stefano; Marzo, G.; Bonnini, S. and Girella, L. Forthcoming. *The production and consumption of information on intangibles – an empirical investigation of preparers and users*. ICAS, EFRAG and EFFAS