

STAFF PAPER

March 2021

Accounting Standards Advisory Forum

Project	Accounting Standards Advisory Forum		
Paper topic	IASB[®] Project Update and Agenda Planning		
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum. The views expressed in this paper do not represent the views of the International Accounting Standards Board (Board) or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] *Update*.

Introduction

1. The aim of this paper is to:
 - (a) discuss the agenda topics for the June 2021 meeting of the Accounting Standards Advisory Forum (ASAF);
 - (b) provide ASAF members with a short update on the technical projects of the International Accounting Standards Board (Board); and
 - (c) provide ASAF members with feedback on how the staff or the Board have considered (or will consider) the advice given at the December 2020 ASAF meeting.

Project update and agenda planning

2. There are three appendices to this paper:
 - (a) Appendix A sets out the suggested agenda topics for the June 2021 ASAF meeting.
 - (b) Appendix B provides an update of the Board's work plan (as at 18 February 2021) and includes details of advice previously requested from ASAF. Further details of the projects are available on the IFRS Foundation website.

- (c) Appendix C sets out a table summarising the feedback from the December 2020 ASAF meeting and how the staff or the Board have considered (or will consider) this feedback.

Questions to ASAF members

1. Do ASAF members have any comments on the proposed agenda topics for the June 2021 ASAF meeting or wish to add items arising from their jurisdiction to the proposed agenda topics (Appendix A)?
2. Do ASAF members have any comments on the update of the Board's work plan (Appendix B)? Do ASAF members continue to find it helpful to receive an update about the Board's work plan in the form of Appendix B?
3. Do ASAF members have any comments on how the feedback from the December 2020 ASAF meeting has been (or will be) used by the staff or the Board (Appendix C)?

Appendix A—ASAF agenda topics

Agenda topic	Purpose of the discussion
December 2020 ASAF meeting (Actual)	
Rate-regulated Activities	Seek advice on outreach activities for the forthcoming Exposure Draft
Cryptoassets (EFRAG)	Seek preliminary views on EFRAG's discussion paper <i>Accounting for Crypto-assets (Liabilities)</i> published in July 2020
Financial Instruments with Characteristics of Equity	Seek feedback on potential refinements to the disclosure requirements discussed in the Discussion Paper <i>Financial Instruments with Characteristics of Equity</i> published in June 2018
Dynamic Risk Management	Provide an update about outreach on the core dynamic risk management model
Lack of Exchangeability (Amendments to IAS 21)	Inform ASAF members about project developments and introduce the forthcoming Exposure Draft
March 2021 ASAF meeting (Actual)	
Primary Financial Statements	Seek views on staff's proposed course of action to respond to feedback on the Exposure Draft <i>General Presentation and Disclosures</i>
Third Agenda Consultation	Seek advice on outreach activities for the forthcoming Request for Information
Management Commentary	Seek advice on outreach activities for the forthcoming Exposure Draft
Post-implementation Review of IFRS 9—Classification and measurement	Seek views on the overall experience applying IFRS 9 <i>Financial Instruments</i> and on matters to prioritise in the Post-implementation Review of classification and measurement requirements in IFRS 9
Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12	Discuss initial feedback on the Request for Information published in December 2020
Extractive Activities	Seek inputs about the scope and direction of the project
June 2021 ASAF meeting (Proposed)	
Business Combinations Under Common Control	Discuss feedback on the Discussion Paper <i>Business Combinations Under Common Control</i> published in November 2020
Goodwill and Impairment	Seek views on particular aspects of the project, in the light of the feedback on the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i>
Management Commentary	Seek views on particular aspects of the forthcoming Exposure Draft (expected April 2021)
Primary Financial Statements	Seek views on particular aspects of the project
Rate-regulated Activities	Discuss feedback on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> published in January 2021
Third Agenda Consultation	Discuss preliminary feedback on the forthcoming Request for Information (expected March 2021)

Appendix B—Project Update as at 18 February 2021

Table 1—Projects other than maintenance projects

Project	Objective and status	Past ASAF advice
Research Projects		
Business Combinations under Common Control (BCUCC)	<p>The objective of the project is to develop requirements that would improve the comparability and transparency of accounting for business combinations under common control to help users of financial statements compare and better understand information that entities provide in financial statements about such transactions.</p> <p>The Board plans to discuss feedback on the Discussion Paper <i>Business Combinations under Common Control</i>, which is open for comment until 1 September 2021, in H2 2021</p>	<p>March 2015 – October 2020</p> <p>ASAF members provided advice for development of the Discussion Paper published in November 2020.</p>
Dynamic Risk Management	<p>The Board is exploring whether it can develop an accounting model that will provide users of financial statements with better information about an entity's dynamic risk management activities and how the entity manages those activities.</p> <p>In October 2020, the Board started outreach on the core model to gather stakeholders' views. The Board plans to discuss the feedback on the core model in April 2021.</p>	<p>December 2020</p> <p>ASAF members received an update on the project.</p> <p>October 2019</p> <p>ASAF members provided feedback on the overview of the core model being developed by the Board.</p> <p>March 2017</p> <p>ASAF members discussed the research findings from the work undertaken by the European Financial Reporting Advisory Group (EFRAG).</p> <p>April 2016</p> <p>ASAF members received an update on the project and the plans for future deliberations.</p> <p>July 2015</p> <p>ASAF members provided advice on additional information needs relating to an entity's dynamic interest rate risk management activities not identified through comment letters on the Discussion Paper <i>Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging</i>, or through outreach.</p>

Project	Objective and status	Past ASAF advice
Equity Method	The Board is assessing whether application problems with the equity method as set out in IAS 28 <i>Investments in Associates and Joint Ventures</i> can be addressed in consolidated and individual financial statements by identifying and explaining the principles of IAS 28.	Not yet discussed with ASAF members.
Extractive Activities	The Board has started work on its research project on extractive activities. This research project aims to gather evidence to help the Board decide whether to start a project to develop proposals on accounting requirements that would amend or replace IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> . The Board plans to decide on the project direction in Q2 2021.	October 2018 ASAF members provided advice on: (a) significant changes in extractive activities in their jurisdiction since the Board issued the 2010 Discussion Paper <i>Extractive Activities</i> that they think the Board should be aware of as it starts its research; and (b) views on whether users of financial statements understand the diversity of accounting practice for extractive activities and how they address this diversity.
Goodwill and Impairment	The objective of this project is to improve the information entities provide about the acquisitions those entities make so that investors can hold management to account for acquisition decisions. The project focuses on improving information disclosed about those acquisitions and the accounting for goodwill. The Board plans to discuss feedback on the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i> in March 2021.	October 2020 ASAF members discussed: (a) their plans for outreach and fieldwork on the Discussion Paper; and (b) the initial feedback from their stakeholders. April 2020 ASAF members provided advice about the Board's outreach and fieldwork activities in relation to the Discussion Paper published in March 2020. December 2015 – December 2019 ASAF members provided advice for development of the Discussion Paper.

Project	Objective and status	Past ASAF advice
Pension Benefits that Depend on Asset Returns	<p>This is a narrow-scope research project designed to address only some types of pension benefits paid that depend, wholly or partly, on the return on a specified pool of assets. Applying IAS 19 <i>Employee Benefits</i>, an entity:</p> <ul style="list-style-type: none"> (a) uses assumptions about future returns on the specified assets in estimating the amount of the benefits to be paid to employees; and (b) applies a discount rate in determining the 'present value' of the estimated benefits—their value today. <p>The Board plans to review research in April 2021.</p>	December 2018 ASAF members provided views on the approach being taken to address the measurement inconsistency identified for these types of benefits.
Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12	<p>The objective of this project is to identify issues arising from the implementation of IFRS 10, IFRS 11 and IFRS 12.</p> <p>The Board plans to discuss feedback on the Request for Information, which is open for comment until 10 May 2021, in Q3 2021.</p>	December 2019 ASAF members provided feedback on potential matters to be discussed in the Post-implementation Review.
Post-implementation Review of IFRS 9—Classification and Measurement	<p>This project is an opportunity to assess the effects of the IFRS 9 classification and measurement requirements on investors, preparers and auditors.</p> <p>The Board expects to publish a Request for Information in H2 2021.</p>	Planned for discussion in March 2021.
Second Comprehensive Review of the IFRS for SMEs Standard	<p>The objective of this project is to consider whether and, if so, how to update the <i>IFRS for SMEs</i> Standard for IFRS Standards and amendments not currently incorporated into the <i>IFRS for SMEs</i> Standard.</p> <p>The Board plans to decide on the project direction in March 2021.</p>	Not yet discussed with ASAF members.

Project	Objective and status	Past ASAF advice
Standard-setting projects		
Disclosure Initiative—Subsidiaries that are SMEs	<p>The objective of this project is to develop an IFRS Standard that would apply on a voluntary basis to subsidiaries that do not have public accountability, permitting them to provide reduced disclosures.</p> <p>The Board plans to publish an Exposure Draft in H2 2021.</p>	<p>April 2019 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) jurisdictional practices relating to the project; (b) likelihood of jurisdictions adopting a Standard if the Board issued a Standard; and (c) potential challenges that may arise for this project.
Disclosure Initiative—Targeted Standards-level Review of Disclosures	<p>The objective of this project is to help stakeholders improve the usefulness of disclosures for the primary users of financial statements.</p> <p>To achieve this objective the Board is currently:</p> <ul style="list-style-type: none"> (a) developing guidance for the Board to use when developing and drafting disclosure requirements; and (b) testing that guidance by applying it to IAS 19 <i>Employee Benefits</i> and IFRS 13 <i>Fair Value Measurement</i>. <p>The Board plans to publish an Exposure Draft in March 2021.</p>	<p>April 2019 ASAF members provided advice on items of information that users of financial statements identified as effective in meeting the objectives for IAS 19 and IFRS 13 disclosure.</p> <p>July 2018 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) the Board’s process for developing and drafting disclosure requirements; and (b) which IFRS Standards could be the subject of the Board’s targeted Standards-level review of disclosures, including ASAF members’ reasons for selecting these IFRS Standards.
Financial Instruments with Characteristics of Equity	<p>The objective of this project is to improve the information that entities provide in their financial statements about financial instruments they have issued, by:</p> <ul style="list-style-type: none"> (a) investigating challenges with the classification of financial instruments applying IAS 32 <i>Financial Instruments: Presentation</i>; and (b) considering how to address those challenges through clearer principles for classification and enhanced requirements for presentation and disclosure. <p>After considering feedback on the Discussion Paper <i>Financial Instruments with Characteristics of Equity</i>, which was published in June 2018, the Board plans to publish an Exposure Draft.</p>	<p>December 2020 ASAF members provided feedback on potential refinements to the disclosure requirements discussed in the Discussion Paper.</p> <p>October 2019 ASAF members shared their views on the tentative direction of the project.</p> <p>December 2018 ASAF members shared feedback from outreach activities in their jurisdiction on the proposals in the Discussion Paper.</p> <p>October 2018 ASAF members shared initial views on the proposals in the Discussion Paper.</p> <p>September 2014 – July 2018 ASAF members provided advice for development of the Discussion Paper published in June 2018.</p>

Project	Objective and status	Past ASAF advice
Management Commentary	<p>The objective of this project is to revise IFRS Practice Statement 1 <i>Management Commentary</i> issued in 2010. The revised Practice Statement is intended to help entities prepare management commentaries that better meet the information needs of the primary users of financial reports.</p> <p>The Board plans to publish an Exposure Draft in April 2021.</p>	<p>July 2019 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) applying the notion of narrative coherence in determining what information should be included in the management commentary; and (b) identifying and reporting factors that affect an entity's long-term success. <p>April 2019 ASAF members provided advice in relation to:</p> <ul style="list-style-type: none"> (a) the interaction between management commentary and other reports; (b) providing information 'through the eyes of management and the interplay with users' information needs and with the concept of neutrality; (c) forward-looking information in management commentary; and (d) information about tax in management commentary. <p>December 2018 ASAF members provided advice on:</p> <ul style="list-style-type: none"> (a) applying materiality—helping preparers identify what to disclose in the management commentary to meet users' needs; and (b) principles for preparing management commentary—how to improve the coherence, balance and comparability of the management commentary. <p>December 2017 ASAF members received an update on the Board's deliberations.</p>
Primary Financial Statements	<p>The Board has proposed new requirements for presentation and disclosure in financial statements, with a focus on the statement of profit or loss.</p> <p>The Board plans to redeliberate the proposals and issue an IFRS Standard.</p>	<p>April 2020 ASAF members discussed their initial views on the proposals in the Exposure Draft <i>General Presentation and Disclosures</i> published in December 2019.</p> <p>July 2016 – July 2019 ASAF members provided advice for development of the Exposure Draft.</p>

Project	Objective and status	Past ASAF advice
Rate-regulated Activities	<p>The Board proposes a new accounting model to provide users of financial statements better information about an entity's incremental rights and obligations arising from its rate-regulated activities.</p> <p>The Board plans to discuss feedback on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i>, which is open for comment until 30 June 2021, in H2 2021.</p>	<p>December 2020 ASAF members provided advice on outreach activities for the Exposure Draft.</p> <p>December 2016 – October 2018 ASAF members provided advice for development of the Exposure Draft published in January 2021.</p>
Other projects		
Third Agenda Consultation	<p>The objective of this project is to seek formal public input on the strategic direction and balance of the Board's work programme for the period from 2022 to 2026, including the criteria for assessing projects that may be added to the Board's standards-level programme.</p> <p>The Board plans to publish a Request for Information in March 2021.</p>	<p>December 2019 ASAF members provided advice on potential financial reporting priorities for the Board to discuss in the Request for Information.</p> <p>October 2019 ASAF members provided views on the Board's intended approach to developing the Request for Information.</p>

Table 2—Maintenance projects

Project	Objective	Status/ASAF discussions	Next steps
Maintenance projects			
<i>Projects highlighted in blue have been discussed at ASAF meetings.</i>			
Availability of a Refund (Amendments to IFRIC 14)	The objective of this project is to clarify the accounting for an entity's defined benefit plan when other parties have rights to make particular decisions about that plan.	The Board decided not to finalise the proposed amendments. The Board will consider the project's direction at a future meeting, including whether to develop new proposals to address the matter.	Decide project direction.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The objective of this project is to narrow the scope of the recognition exemption in IAS 12 <i>Income Tax</i> so that it would not apply to transactions that give rise to equal amounts of taxable and deductible temporary differences.	The Board considered feedback on the Exposure Draft <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> and decided to modify some of its proposals to address that feedback.	Issue an IFRS Amendment in Q2 2021.

Project	Objective	Status/ASAF discussions	Next steps
Maintenance projects			
<i>Projects highlighted in blue have been discussed at ASAF meetings.</i>			
IFRS 16 and covid-19	The objective of this project is to continue providing lessees with practical relief during the height of the covid-19 pandemic while enabling them to continue providing useful information about their leases to users of financial statements.	The Board proposes to extend the availability of the practical expedient in IFRS 16 <i>Leases</i> so that it applies to rent concessions that reduce only lease payments originally due on or before 30 June 2022.	Exposure Draft feedback due by 25 February 2021. Complete any final amendment by the end of March 2021.
Lack of Exchangeability (Amendments to IAS 21)	The objective of this project is to address the spot exchange rate an entity uses when a currency lacks exchangeability.	The Board tentatively decided to propose amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> to: <ul style="list-style-type: none"> (a) define exchangeability and thus a lack of exchangeability; and (b) specify how an entity determines the spot exchange rate when a currency lacks exchangeability. <p>December 2020 ASAF members provided feedback on the forthcoming proposed amendments to IAS 21.</p>	Publish an Exposure Draft in April 2021.
Lease Liability in a Sale and Leaseback	The objective of this project is to specify how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 <i>Leases</i> to the lease liability that arises in a sale and leaseback transaction.	The Board proposes amendments to IFRS 16.	Exposure Draft feedback due by 29 March 2021. Discuss Exposure Draft feedback in Q2 2021.
Provisions—Targeted Improvements	The objective of this project is to develop proposals for three targeted improvements to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> .	At its January 2020 meeting the Board added the project to its standard-setting agenda. <p>April 2019 ASAF members advised on whether the Board should undertake a project of targeted improvements to IAS 37, including the scope of the possible project.</p>	Decide project direction.

Appendix C—Feedback from the December 2020 ASAF meeting

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Rate-regulated Activities</p> <p>The objective of this session was to seek ASAF members' advice on outreach activities for the forthcoming Exposure Draft.</p>		
	<p>Many members commented that they were planning to conduct various outreach activities in their jurisdictions about the forthcoming proposals. Some members said that further clarity on the scope of the proposals would be critical in enabling them identifying stakeholders affected by the proposals. Members provided the following suggestions on outreach plans:</p> <ul style="list-style-type: none"> (a) outreach should focus on understanding existing practices across different jurisdictions, as well as the potential problems and effects that the proposals might have; (b) outreach should seek views on the relationship between the proposals and both IFRS 15 <i>Revenue from Contracts with Customers</i> and IFRIC 12 <i>Service Concession Arrangements</i>; (c) small group discussions with affected stakeholders would be likely to be the most effective way to gather views on the proposals; and (d) webinars and interviews could help to educate stakeholders and raise their awareness about the proposals. <p>A small number of members said the comment period of 150 days may not be sufficient as it overlaps with the comment period of other documents and entities' year-end reporting.</p>	<p>The staff are considering ASAF members' feedback in conducting outreach on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> published in January 2021 and open for comments until 30 June 2021.</p>
<p>Financial Instruments with Characteristics of Equity</p> <p>The objective of this session was to seek ASAF members' advice on potential refinements to the disclosure requirements discussed in the Discussion Paper <i>Financial Instruments with Characteristics of Equity</i> published in June 2018.</p>		
<p>Priority of financial instruments on liquidation of an entity</p>	<p>ASAF members said their stakeholders generally agreed with some of the refinements to the disclosure of information about the priority of financial instruments on liquidation but expressed specific concerns about other refinements. These concerns included:</p> <ul style="list-style-type: none"> (a) the cost and complexity of providing disclosure for large and multinational groups because, for example: <ul style="list-style-type: none"> (i) the refined disclosures would not show assets used as guarantees or collaterals for liabilities, which can affect the priority of financial instruments within a group; and (ii) a single tabular disclosure may not capture the complexity of different points of entry for liquidation and multiple waterfalls within a group given that the overall effect on the group depends on where the subsidiary being liquidated is located within the group. (b) the balance between costs and benefits of providing the refined disclosures when the possibility of liquidation is remote; 	<p>The staff will consider ASAF members' feedback and comments when developing future proposals.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
	<p>(c) the possible inconsistency of disclosing a breakdown of financial instruments by legal entity with the <i>Conceptual Framework for Financial Reporting</i>, which states that consolidated financial statements are not designed to provide separate information about the assets and liabilities of any particular subsidiary; and</p> <p>(d) the potential for disclosure overload reducing the usefulness of information.</p> <p>Members suggested to consider:</p> <p>(a) requiring entities to:</p> <ul style="list-style-type: none"> (i) provide some of the regulatory disclosures currently required for financial institutions to meet users' needs; (ii) include non-financial liabilities in the disclosure for completeness; and (iii) reflect the legal effects in determining the priority on liquidation; <p>(b) how the potential refinements would fit in with the findings from the Principles of Disclosure project; and</p> <p>(c) field testing the refinements with large groups to assess the cost and benefit.</p> <p>Members expressed mixed views regarding the measurement basis of the quantitative information about the priority of financial instruments on liquidation (for example, carrying amounts or liquidation values) or whether quantitative disclosures should be required.</p>	
<p>Potential dilution of ordinary shares</p>	<p>Members generally agreed with the potential refinements, including disclosure of the maximum number of additional ordinary shares for both listed and unlisted entities. Some members suggested to:</p> <ul style="list-style-type: none"> (a) assess whether the incremental usefulness of disclosing significant changes in the maximum number of additional ordinary shares as a narrative would outweigh the concern for disclosure overload; (b) investigate the rationale why IAS 33 <i>Earnings per Share</i> limited its scope to listed entities and whether that rationale would apply to these disclosures; and (c) consider providing more explanations about the basis and assumptions that would apply in calculating the maximum number of additional ordinary shares. 	<p>The staff will consider ASAF members' feedback and comments when developing future proposals.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Terms and conditions of financial instruments</p>	<p>Some members agreed with limiting the disclosure only to financial instruments for which classification involves significant judgement.</p> <p>One member suggested:</p> <ul style="list-style-type: none"> (a) specifying the financial instruments that are subject to disclosure of terms and conditions to avoid diversity in practice; and (b) revisiting the rationale for removing similar disclosures from IAS 32 <i>Financial Instruments: Presentation</i> when IFRS 7 <i>Financial Instruments: Disclosures</i> was introduced. 	<p>The staff will consider ASAF members' feedback and comments when developing future proposals.</p>
<p>Lack of Exchangeability (Amendments to IAS 21)</p> <p>The objective of the session was to inform ASAF members about project developments and introduce the forthcoming Exposure Draft.</p>		
	<p>Members generally agreed with the forthcoming proposed narrow-scope amendments to IAS 21 <i>The Effect of Changes in Foreign Exchange Rates</i>. Some members also:</p> <ul style="list-style-type: none"> (a) said that the project is particularly relevant for entities in jurisdictions, like Zimbabwe, that face restrictions on the amount of currency that can be exchanged; (b) said that the proposed amendments should capture all situations when a currency lacks exchangeability; and (c) provided some specific comments on particular aspects of the forthcoming proposed application guidance and illustrative examples. 	<p>The staff will consider ASAF members' comments together with feedback in members' comment letters when summarising feedback on the Exposure Draft.</p>