

## STAFF PAPER

June 2021

## Accounting Standards Advisory Forum

<b>Project</b>	<b>Accounting Standards Advisory Forum</b>		
<b>Paper topic</b>	<b>Agenda Planning</b>		
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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<sup>®</sup> Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB<sup>®</sup> *Update*.

## Introduction

1. The aim of this paper is to:
  - (a) discuss the agenda topics for the October 2021 meeting of the Accounting Standards Advisory Forum (ASAF); and
  - (b) provide ASAF members with feedback on how the staff or the International Accounting Standards Board (Board) have considered (or will consider) the advice given at the March 2021 ASAF meeting.
2. Information about the IFRS Foundation's work plan and the status of projects is available on the IFRS Foundation website.

## Structure of the paper and questions for ASAF members

3. There are two appendices to this paper:
  - (a) Appendix A sets out the suggested agenda topics for the October 2021 ASAF meeting; and
  - (b) Appendix B sets out a table summarising the feedback from the March 2021 ASAF meeting and how the staff or the Board have considered (or will consider) this feedback.

**Questions for ASAF members**

1. Do ASAF members have any comments on the proposed agenda topics for the October 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 how the feedback from the March 2021 ASAF meeting has been (or will be) used by the staff or the Board (Appendix B)?

## Appendix A—ASAF agenda topics

Agenda topic	Purpose of the discussion
<b>March 2021 ASAF meeting (Actual)</b>	
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
<b>June 2021 ASAF meeting (Actual)</b>	
Business Combinations Under Common Control	Discuss feedback on the Discussion Paper <i>Business Combinations Under Common Control</i> published in November 2020
Third Agenda Consultation	Discuss preliminary feedback on the Request for Information published in March 2021
Sustainability reporting	Provide an update about the sustainability reporting project of the IFRS Foundation
Rate-regulated Activities	Discuss feedback on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> published in January 2021
Goodwill and Impairment	Seek views on particular aspects of the project, including convergence with US GAAP, in the light of the feedback on the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i>
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Discuss outreach activities on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> published in March 2021
<b>October 2021 ASAF meeting (Proposed)</b>	
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Discuss feedback on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> published in March 2021
Equity Method	Provide an update on the project and seek views on the principles in IAS 28 <i>Investments in Associates and Joint Ventures</i> that might be helpful to address application questions with the equity method
Management Commentary	Discuss preliminary feedback on the Exposure Draft <i>Management Commentary</i> published in May 2021
Primary Financial Statements	Seek views on particular aspects of the project (to be identified in the coming months based on the progress with Board's redeliberations)

## Appendix B—Feedback from the March 2021 ASAF meeting

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Primary Financial Statements</b></p> <p><b>The objective of this session was to discuss with ASAF members the Board’s redeliberation plan for the project proposals.</b></p>		
<p>Subtotal and categories</p>	<p>ASAF members overall said the proposals for subtotals and categories, in particular for the operating profit or loss subtotal, are the most important for the success of the project. Suggestions from ASAF members on the proposals for the operating profit or loss subtotal included:</p> <ul style="list-style-type: none"> <li>(a) considering the definition of operating profit or loss for financial and non-financial entities at the same time; and</li> <li>(b) providing more guidance on the terms ‘main business activities’ and ‘generating returns largely independently from other resources’.</li> </ul> <p>Suggestions from ASAF members on the Board’s proposals relating to integral and non-integral associates and joint ventures included:</p> <ul style="list-style-type: none"> <li>(a) prioritising discussions of these proposals to hold discussions in a timely manner;</li> <li>(b) simplifying the definition for integral and non-integral associates and joint ventures; and</li> <li>(c) considering classification of integral and non-integral associates and joint ventures at the same time as the definition of operating profit.</li> </ul>	<p>The Board has started redeliberations of proposals relating to subtotals and has so far:</p> <ul style="list-style-type: none"> <li>(a) confirmed that entities would be required to present an operating profit, and profit before financing subtotals in the statement of profit or loss;</li> <li>(b) tentatively decided not to develop a direct definition of operating profit; and</li> <li>(c) confirmed that the operating category comprises all income and expenses arising from an entity’s operations, including volatile and unusual income and expenses arising from an entity’s operations; and includes, but is not limited to income and expenses from main business activities.</li> </ul>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Management performance measures</p>	<p>ASAF members overall said the management performance measures proposals are important and will improve reporting. Suggestions from ASAF members on the scope of the management performance measures proposals included:</p> <ul style="list-style-type: none"> <li>(a) specifying the definition of 'public communications';</li> <li>(b) focusing on the statement of financial performance to complete the project in a timely manner;</li> <li>(c) amending the scope of these proposals (for example, narrowing it or expanding it beyond income and expense subtotals);</li> <li>(d) simplifying the disclosure requirements relating to management performance measures;</li> <li>(e) providing more application guidance, including how these measures are determined; and</li> <li>(f) encouraging disclosure of management performance measures in the annual report but outside the financial statements.</li> </ul>	<p>The Board has started redeliberations of proposals for management performance measures and has so far:</p> <ul style="list-style-type: none"> <li>(a) confirmed the proposal to require an entity to include information about management performance measures in the financial statements; and</li> <li>(b) tentatively decided to explore possible approaches to expanding the scope of the requirements relating to management performance measures to include measures other than subtotals of income and expenses.</li> </ul>
<p>Disaggregation</p>	<p>Suggestions from ASAF members on the proposals relating to unusual items included:</p> <ul style="list-style-type: none"> <li>(a) expanding the definition of unusual items to require entities disclosure information about both unusual expenses and unusual income;</li> <li>(b) clarifying the definition of unusual items, particularly the term 'several future annual reporting periods';</li> <li>(c) prioritising refining proposals relating to unusual items and performing field tests to avoid possible delay to the project; and</li> <li>(d) providing general principles on unusual items, rather than relying on detailed requirements.</li> </ul>	<p>The Board is yet to discuss these topics in detail, its initial redeliberations focused on clarifying the general principles for disaggregation.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<b>Third Agenda Consultation</b>		
<b>The objective of this session was to provide ASAF members with an overview of the forthcoming Request for Information and ask ASAF members to advise on outreach.</b>		
<b>Comments on outreach</b>	Suggestions from ASAF members on the scope and format of outreach included: <ul style="list-style-type: none"> <li>(a) using webcasts, webinars, video conferences, survey and virtual meetings to educate and consult stakeholders;</li> <li>(b) consulting a range of different stakeholders; and</li> <li>(c) conducting outreach using local languages, when possible.</li> </ul>	The staff are considering ASAF members' feedback in conducting outreach on the Request for Information published in March 2021 and open for comment until 27 September 2021.
<b>Other comments</b>	Other comments from ASAF members on the Third Agenda Consultation included: <ul style="list-style-type: none"> <li>(a) considering extending or confirming the comment period of the request for information, in the light of the comment period of other documents;</li> <li>(b) ensuring the Board has sufficient resources to deal with issues that interlinks between financial reporting and sustainability reporting, as well as with unexpected urgent issues that may arise;</li> <li>(c) focusing on financial reporting, rather than sustainability reporting, during the outreach;</li> <li>(d) leveraging on existing work by ASAF members to inform the Board's deliberations;</li> <li>(e) adding to the Board's work plan the proposed criteria for assessing the priority of issues to help stakeholders understand how the Board makes decisions; and</li> <li>(f) focusing on maintenance, consistent application of IFRS Standards, and digital financial reporting.</li> </ul>	At its <a href="#">March 2021 meeting</a> the Board decided to extend the comment period for the request for information from 120 days to 180 days.
<b>Management commentary</b>		
<b>The objective of this session was to obtain ASAF members' views on tentative outreach plans for the forthcoming exposure draft.</b>		
	Comments and suggestions from ASAF members on outreach plans included: <ul style="list-style-type: none"> <li>(a) working with securities regulators who are responsible for endorsing and mandating narrative reporting frameworks;</li> <li>(b) including discussion of compatibility with local regulations on narrative reporting;</li> <li>(c) seeking views from academics and audit regulators;</li> <li>(d) focusing on jurisdictions that have already adopted the Practice Statement; and</li> <li>(e) providing support on technical enquiries and materials for members performing outreach.</li> </ul>	The staff are considering ASAF members' feedback in conducting outreach on the Exposure Draft published in May 2021 and open for comment until 23 November 2021.

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Post-implementation Review of IFRS 9—Classification and Measurement</b></p>		
<p><b>The objective of this session was for ASAF members to share their views on the application of IFRS 9 and on matters that members think the Board should consider in the Post-implementation Review.</b></p>		
<p>ASAF members commented that the classification and measurement requirements in IFRS 9 generally are working as intended and that the stakeholder feedback was positive.</p> <p>Members suggested the Board to consider the following topics as part of the Post-implementation Review:</p> <ul style="list-style-type: none"> <li>(a) review whether the election to present fair value changes in equity instruments classified as fair value through other comprehensive income is working as intended;</li> <li>(b) issues relating to loan syndications and intergroup transfers when there is a change in business model;</li> <li>(c) possible diversity in practice for the assessment of business model relating to: <ul style="list-style-type: none"> <li>(i) the level at which business model is assessed;</li> <li>(ii) the distinction between business models; and</li> <li>(iii) consideration for the frequency and significance of sales in determining the business model.</li> </ul> </li> <li>(d) review whether existing application guidance is sufficient to enable consistent application, including: <ul style="list-style-type: none"> <li>(i) the distinction between modification and derecognition for modifications to contractual cash flows of financial assets; and</li> <li>(ii) the application of the SPPI requirements to specific products.</li> </ul> </li> </ul>	<p>The Board will discuss feedback from outreach, including ASAF members' feedback, and decide what matters to examine in the request for information at a forthcoming Board meeting.</p>	
<p><b>Post-implementation Review of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities</b></p>		
<p><b>The objective of this session was for ASAF members to share their initial views and comments they had received on the matters in the Request for Information.</b></p>		
<p>ASAF members provided initial views on the following topics included in the Post-implementation Review:</p> <ul style="list-style-type: none"> <li>(a) IFRS 10 <i>Consolidated Financial Statements</i>;</li> <li>(b) IFRS 11 <i>Joint Arrangements</i>; and</li> <li>(c) IFRS 12 <i>Disclosure of Interests in Other Entities</i>.</li> </ul> <p>These initial views are summarised in paragraphs 65–80 of the <a href="#">March 2021 meeting summary note</a>.</p>	<p>The staff will consider ASAF members' initial views and any additional feedback in members' comment letters in developing feedback summary on the Request for Information for the Board's discussion.</p>	

Topic	Summary of ASAF advice	How the advice has been/will be applied
<b>Extractive Activities</b>		
<b>The objective of this session was to seek ASAF members' views about how the Board plans to determine the scope and direction of any project on extractive activities.</b>		
<b>Evidence</b>	<p>ASAF members suggested the Board consider the following additional evidence when determining the scope and direction of the project:</p> <ul style="list-style-type: none"> <li>(a) further research on financial statements of entities which apply jurisdictional accounting standards on extractive activities;</li> <li>(b) the importance of accounting for exploration and evaluation expenditure would vary depending on the position of the reporting entity in the industry chain; and</li> <li>(c) the influence of regional and industry trends on accounting policies.</li> </ul>	<p>The staff will consider ASAF members' feedback when developing proposals for the project scope and direction for the Board's planned discussion in July 2021.</p>
<b>Determining project scope and direction</b>	<p>ASAF members suggested the Board consider the following aspects when determining the project scope and direction:</p> <ul style="list-style-type: none"> <li>(a) any matters that affect the extractive industries, whether or not these matters also affect other industries;</li> <li>(b) whether matters identified in the project would materially affect users of financial statements;</li> <li>(c) the potential for unintended consequences;</li> <li>(d) how this project interacts with jurisdictional regulatory requirements and whether it would result in conflict with those requirements;</li> <li>(e) whether the Board has the resources and expertise to carry out the project;</li> <li>(f) whether the project could significantly improve comparability of financial statements;</li> <li>(g) how the project would relate to other projects and IFRS Standards; and</li> <li>(h) whether any amendments would improve accounting practice.</li> </ul>	<p>The staff will consider ASAF members' feedback when applying the five assessment factors to all matters identified through outreach and staff research for the Board's planned discussion in July 2021.</p>



Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Other comments about the potential scope of the project</p>	<p>ASAF members suggested the Board consider the following additional aspects about the potential scope of the project:</p> <ul style="list-style-type: none"> <li>(a) including in the scope of this project the accounting treatment for streaming activities;</li> <li>(b) expanding the scope of IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i> to include all extractive activities, such as development and production of mineral resources, as well as requirements for disclosures of reserves;</li> <li>(c) prioritising other specific accounting issues (for example, requirements for sustainability reporting, the accounting in IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> for provisions for rehabilitation, which are common in extractive industries, and the accounting in IAS 36 <i>Impairment of Assets</i> relating to the impairment of exploration and evaluation assets) given the lack of significant issues with IFRS 6, and not developing a standard for extractive activities;</li> <li>(d) considering developing separate accounting models for the oil and gas industry and the minerals industry;</li> <li>(e) waiting for the outcome of the Third Agenda Consultation to determine the scope and direction of any project on extractive activities;</li> <li>(f) establishing an expert working group or advisory committee for measurement of mineral interests; and</li> <li>(g) collaborating with the FASB on any project it undertakes.</li> </ul>	<p>The staff will consider ASAF members' feedback when developing proposals for the project scope and direction for the Board's planned discussion in July 2021.</p>
<p>Reserve and resource information</p>	<p>ASAF members suggested the Board consider whether information about reserves and resources should be disclosed in financial statements or is better placed outside the financial statements.</p>	<p>The staff will consider ASAF members' feedback when developing proposals for the project scope and direction for the Board's planned discussion in July 2021.</p>