

## STAFF PAPER

December 2021

## Accounting Standards Advisory Forum

Project	Accounting Standards Advisory Forum	
Paper topic	Agenda planning and feedback from the previous ASAF meeting	
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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 March 2022 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 October 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 March 2022 ASAF meeting; and
  - (b) Appendix B sets out a table summarising the feedback from the October 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 March 2022 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 October 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>October 2021 ASAF meeting (Actual)</b>	
Equity Method	Provide an update on the project and seek views on how to develop solutions to application questions on the equity method
Management Commentary	Discuss preliminary feedback on the Exposure Draft <i>Management Commentary</i> published in May 2021
Primary Financial Statements	Provide an update on the discussions of the Board to redeliberate the proposals in the Exposure Draft <i>General Presentation and Disclosures</i> and seek input from ASAF members on any implications of the Board's redeliberations so far on topics yet to be discussed
Rate-regulated Activities	Provide an update about the feedback on the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> published in July 2021
<b>December 2021 ASAF meeting (Actual)</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
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	Seek ASAF members' views on the scope of the draft Standard. Paragraphs BC12–BC22 of the Basis for Conclusions on the Exposure Draft <i>Subsidiaries without Public Accountability: Disclosures</i> explain the Board's reasons for proposing that a subsidiary would be permitted to apply the draft Standard if, at the end of its reporting period, it (a) does not have public accountability and (b) has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Standards
Intangibles (EFRAG)	Discuss ASAF members' preliminary feedback on the Discussion Paper <i>Better Information on Intangibles</i> published by EFRAG in August 2021
Strategic / agenda consultations	Share feedback and decisions, if known, from any recent strategic / agenda consultations in ASAF members' jurisdictions and discuss how it compares to feedback received by the Board on its Third Agenda Consultation.
Goodwill and Impairment	Seek ASAF members' views on staff examples illustrating the information the staff expect an entity to disclose applying the Board's preliminary views expressed in the Discussion Paper <i>Business Combinations—Disclosures, Goodwill and Impairment</i> .
<b>March 2022 ASAF meeting (Proposed)</b>	
Supplier finance arrangements	Discuss feedback on the forthcoming Exposure Draft
Non-current liabilities with covenants	Discuss feedback on the forthcoming Exposure Draft
Business Combinations Under Common Control	Seek ASAF members' advice on staff's initial thinking on how to respond to particular aspects of feedback on the Discussion Paper
Rate-regulated Activities	Provide an update on the Board's discussions on the next steps of the project, seek any advice from ASAF members and discuss whether and how ASAF members would like to provide support during the next steps.

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

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Equity Method</b></p> <p><b>The objective of this session was to obtain ASAF members' views on: (a) how to respond to the application question on changes in an investor's interest in an associate without change in significant influence and (b) application questions that have recurrent themes outside the scope of the project.</b></p>		
<p><a href="#">Accounting for changes in an investor's interest in an associate without change in significant influence</a></p>	<p>To respond to the application question on changes in an investor's interest in an associate without change in significant influence, ASAF members highlighted the benefits of two alternatives, which are used by some of their stakeholders:</p> <ul style="list-style-type: none"> <li>(a) require an entity to measure the additional share in the associate's net assets at fair value and recognise the difference with the fair value of the consideration as goodwill; and</li> <li>(b) require an entity to measure the additional share in the associate's net assets at the fair value of the consideration.</li> </ul> <p>Some ASAF members said other alternatives, which would result in an immediate recognition of an expense, would be difficult to explain to investors.</p> <p>One ASAF member urged the Board to further consider the cost and benefits of each possible alternative to respond to the application question.</p> <p>One ASAF member said that the Board should also address accounting for a dilution of interest in an associate (a deemed disposal), that is, whether the gain or loss should be recognised in profit or loss, other comprehensive income, or equity.</p>	<p>The staff have considered the feedback from ASAF members in identifying the areas where research is necessary to ensure a consistent approach to addressing application questions.</p> <p>At its <a href="#">October 2021 meeting</a> the Board decided the staff should research the implications of differences between the principles in IAS 28 <i>Investments in Associates and Joint Ventures</i> and those in other IFRS Standards relating to business combinations and consolidation before considering the application questions within the scope of the project.</p>
<p><a href="#">Application questions outside the scope of the project</a></p>	<p>Although the frequency of application questions that have recurrent themes outside the scope of the project varies by ASAF member jurisdiction, ASAF members said the Board should consider the application questions related to:</p> <ul style="list-style-type: none"> <li>(a) ownership interests that provide access to benefits;</li> <li>(b) reciprocal interests; and</li> <li>(c) the non-conterminous period and uniform accounting policies</li> </ul>	<p>The staff plan to make the Board aware of these application questions and ask the Board to consider whether these questions warrant extending the scope of the project.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p><b>Management Commentary</b></p> <p><b>The objective of this session was to hear initial feedback from ASAF members' jurisdictions on the Exposure Draft <i>Management Commentary</i> published in May 2021 and open for comments until 23 November 2021.</b></p>		
<p><b>Initial feedback on the Exposure Draft</b></p>	<p>ASAF members shared initial feedback from their stakeholders on the proposals in the Exposure Draft related to:</p> <ul style="list-style-type: none"> <li>(a) the objectives-based approach;</li> <li>(b) the guidance on long-term prospects, intangible resources and relationships and environmental, social and governance (ESG) matters;</li> <li>(c) the qualified and unqualified statements of compliance; and</li> <li>(d) the interaction between the proposals and local reporting requirements and practices.</li> </ul> <p>The initial feedback provided by ASAF members is summarised in paragraphs 19–26 of the <a href="#">October 2021 meeting summary note</a>.</p>	<p>The staff will consider initial feedback from ASAF members and any additional feedback in members' comment letters as part of developing the feedback summary on the Exposure Draft for the Board's discussion in H1 2022.</p>
<p><b>Primary Financial Statements</b></p> <p><b>The purpose of this session was to seek ASAF members' views on the implications of redeliberations of proposals in the Exposure Draft <i>General Presentation and Disclosures</i> published in December 2019, including any suggestions on how the Board might approach subsequent redeliberations.</b></p>		
<p><b>Subtotals and categories</b></p>	<p>ASAF members discussed the implications of the Board's tentative decision to define the operating category as a residual in the statement of profit or loss and the clarification that that the operating category is not limited to main business activities. Suggestions from ASAF members included:</p> <ul style="list-style-type: none"> <li>(a) discussing the concept of 'main business activities' clearly because this concept affects presentation in the financial statements;</li> <li>(b) defining main business activities clearly and providing guidance on how to identify these activities;</li> <li>(c) defining the investing and financing category clearly and performing additional outreach or field testing; and</li> <li>(d) prioritising the discussion of the proposals for separate integral and non-integral associates and joint ventures.</li> </ul>	<p>The Board has redeliberated proposals relating to integral and non-integral associates and joint ventures during its <a href="#">October 2021 meeting</a>, and is prioritising work on the remaining topics in this area.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
Disaggregation	<p>Suggestions from ASAF members included:</p> <ul style="list-style-type: none"> <li>(a) prioritising the discussion of the proposal for unusual income and expense because it is important to users;</li> <li>(b) clarifying the definition of unusual income and expense to improve comparability; and</li> <li>(c) providing additional guidance on unusual income and expenses.</li> </ul>	<p>The Board is planning to discuss this topic in the next couple of months.</p>
Management performance measures	<p>ASAF members discussed the implications of the Board's tentative decision to retain a narrow scope of management performance measures (that is, subtotals of income and expenses). Suggestions from ASAF members included:</p> <ul style="list-style-type: none"> <li>(a) explaining clearly to the market the reason for not expanding the scope of management performance measures;</li> <li>(b) redeliberating and clarifying the definition of management performance measures in the near future; and</li> <li>(a) providing additional guidance on measures not defined in the Exposure Draft.</li> </ul>	<p>The Board is going to continue discussion on proposals relating to management performance measures during its <a href="#">November 2021 meeting</a>.</p>
Statement of Cash Flows	<p>Suggestions from ASAF members included:</p> <ul style="list-style-type: none"> <li>(a) undertaking a comprehensive review of IAS 7 <i>Statement of Cash Flows</i> to address, for example, how a statement of cash flows for financial institutions should look like and new challenges, such as those that arise from the increased use of cryptocurrencies; and</li> <li>(b) reconsidering the relationship between the statement of profit or loss and the statement of cash flows.</li> </ul>	<p>The Board is going to consider a comprehensive review of IAS 7 as a part of its work on Agenda Consultation.</p> <p>The Board will continue to consider the relationship between the statement of profit or loss and the statement of cash flows.</p>
Due process	<p>Suggestions from ASAF members included:</p> <ul style="list-style-type: none"> <li>(a) considering whether re-exposure would be necessary when redeliberations have been finalised; and</li> <li>(b) assessing the cost of applying the proposal for the analysis of expenses to see whether the proposal would be operational for preparers.</li> </ul>	<p>The Board will discuss a summary of due process steps undertaken throughout the project to begin the balloting process for the IFRS Standard, including the assessment of the overall changes made to the proposals against the Board's criteria for re-exposure.</p>

<b>Topic</b>	<b>Summary of ASAF advice</b>	<b>How the advice has been/will be applied</b>
Redeliberations of proposals relating to disclosure requirements	One ASAF member suggested the Board delay redeliberations on the topics relating to disclosure requirements in this project until it completes redeliberations on the Exposure Draft <i>Disclosure Requirements in IFRS Standards—A Pilot Approach</i> , in the light of the relationship between tentative decisions of the two projects.	The Board is redeliberating all proposals in the project scope.