

| Project | Third Agenda Consultation | | |
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| Paper topic | Feedback summary—Potential projects (part 2) | | |
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Accounting Standards Advisory Forum, December 2021, Agenda paper 2E

This paper was discussed at the meeting of the International Accounting Standards Board in November 2021 as Agenda paper 24E.

Objective

1. Agenda Paper 24D *Feedback summary—Potential projects (part 1)* and this paper analyse feedback from comment letters, the online survey and outreach on questions in the Request for Information *Third Agenda Consultation* (Request for Information) relating to financial reporting issues that could be added to the Board's work plan (potential projects). Agenda Paper 24D analyses feedback on the potential projects described in Appendix B of the Request for Information. This paper analyses feedback received on other potential projects, including the financial reporting issues listed in Appendix C of the Request for Information and other potential projects suggested by respondents.

Key messages

2. Respondents suggested a wide range of other potential projects that the Board should consider adding to its work plan. In all cases, those potential projects were suggested by one or a few respondents.

Questions in the Request for Information

3. The Request for Information asked the following questions about financial reporting issues that could be added to the Board's agenda:

Question 3

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board's work plan.

- (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.
- (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board's capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
 - (i) the nature of the issue; and
 - (ii) why you think the issue is important.

4. Agenda Paper 24D analyses feedback on Question 3(a). This paper analyses feedback on Question 3(b).

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Feedback received

5. The potential projects suggested by respondents include the financial reporting issues listed in Appendix C of the Request for Information. Table 1 sets out those issues and the types of respondents who said those issues should be added to the Board’s work plan. Table 2 sets out other suggestions for potential projects.¹
6. In all cases, those potential projects were suggested by one or a few respondents.

¹ Table 2 does not include suggestions for projects that are already on the Board’s work plan.

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Table 1—Potential projects from Appendix C of the Request for Information

| Potential project | Respondent type |
|--|------------------------------|
| Align the definition of cost in IFRS Standards | Standard-setters, preparer |
| Clarify the accounting for transactions with owners (including government owners) acting in their capacity as owners | Standard-setter, individual |
| Converge IFRS 13 <i>Fair Value Measurement</i> with International Valuation Standards | Standard-setters, individual |
| Develop accounting requirements for assets acquired at no cost (from related and third parties) | Standard-setter |
| Develop enhanced disclosures about the process used in determining materiality, including quantitative thresholds applied | Standard-setters |
| Develop standardised disclosure of financial ratios with numerators and denominators based on line items presented in the primary financial statements | Standard-setter |

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| Potential project | Respondent type |
|---|--|
| Review of IFRS 2 <i>Share-based Payment</i> —not only accounting for shares bought back to replace shares granted in share-based payment transactions (as noted in Appendix C of the Request for Information), but also additional issues or a wider review | Accounting firm, user, individual |
| Review the requirements of IAS 33 <i>Earnings per Share</i> | Individual |
| Review the requirements of IAS 36 <i>Impairment of Assets</i> | Standard-setters, accountancy body, individual |
| Review the requirements of IAS 41 <i>Agriculture</i> —not only focusing on immature biological assets that cannot be sold in their current condition (as noted in Appendix C of the Request for Information), but a broader review | Accounting firm, standard-setters |

Table 2—Other suggestions for potential projects

| Potential project | Respondent type |
|---|------------------------------------|
| Develop guidance on applying IFRS Standards for not-for-profit entities | Accountancy body, standard-setters |

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| Potential project | Respondent type |
|---|---|
| Review older IFRS Standards to consider if the requirements in those standards need updating for changes in the business environment, consistency with more recent IFRS Standards or consistency with the <i>Conceptual Framework</i> | Standard-setter, individuals |
| Further work on the <i>Conceptual Framework</i> , for example, to fill some gaps and strengthen its forward-looking features to provide guidance for emerging businesses and changes in the economic environment | Standard-setters, individuals |
| Consider the broader spectrum of environmental, social and governance (ESG) risks, in addition to climate-related risks, and connectivity between ESG information | Standard-setter, accountancy body, regulator, government agency |
| Develop disclosure requirements about human capital, such as the disclosure of disaggregated workforce cost information and employee-related key performance indicators (for example, employee turnover rate, gender pay gap, workforce diversity data) | User, academic, accountancy body |
| Develop enhanced disclosure requirements about management remuneration | User |
| Develop disclosure requirements for risk-factor reporting, to provide insights into the various risks faced by companies | Accountancy body |

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| Potential project | Respondent type |
|---|---|
| Provide additional exemptions in IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> for entities transitioning from the <i>IFRS for SMEs</i> Standard | Individual |
| Review the requirements in IFRS 3 <i>Business Combinations</i> , including the separate recognition of certain intangible assets acquired (such as customer lists) and the fair value measurement of assets and liabilities acquired (such as inventory) | User |
| Review the application of the hedge accounting requirements in IFRS 9 <i>Financial Instruments</i> to: <ul style="list-style-type: none"> (a) insurance contracts; (b) dynamic risk management by entities other than banks and for risks other than interest rate risk; and (c) hedges of inflation risk. | Standard-setter, preparer Standard-setter, regulator Preparer |
| Consider the interaction between the requirements of IFRS 9 and other IFRS Standards, such as interactions with IAS 10 <i>Events After the Reporting Period</i> , IFRS 2 and IFRS 16 <i>Leases</i> | Accounting firm |

| Potential project | Respondent type |
|---|-------------------|
| Review the requirements in IFRS 9 to provide more granular quantitative and qualitative information about amounts arising from expected credit losses | User |
| Review the approach to consolidation in IFRS 10 <i>Consolidated Financial Statements</i> | Individual |
| Develop enhanced disclosures to enable identification of the subsidiaries, joint ventures and associates included in the consolidated financial statements using an international identifier, such as the Legal Entity Identifier | Government agency |
| Develop guidance on accounting for ‘termination for convenience’ clauses in contracts within the scope of IFRS 15 <i>Revenue from Contracts with Customers</i> | Preparer |
| Review IFRS 16 to consider alignment with US GAAP | User |
| Improve the disclosure requirements in IAS 1 <i>Presentation of Financial Statements</i> on significant judgements and estimates | Accounting firm |
| Remove the requirement in IAS 1 for a statement of changes in equity when it is redundant, that is, when there is only a single class of equity holders and all changes in equity are reflected in the statement of comprehensive income, the statement of financial position or can be adequately disclosed in the notes | Preparer |

| Potential project | Respondent type |
|---|-------------------------------|
| Post-implementation review of the amendment to the definition of material to consider its impact in practice | Individual |
| Research on further improvements to the definition of estimates in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> | Standard-setter |
| Review the disclosure requirements of IAS 24 <i>Related Party Disclosures</i> | Preparer, accountancy body |
| Amend the requirements in IAS 40 <i>Investment Property</i> to require the gain or loss from the change in the fair value of investment property to be recognised in the statement of comprehensive income instead of in the statement of profit or loss | Individual |
| Develop enhanced disclosure requirements for bond holders and equity holders, such as information about the sources of dilution of shares, where debt resides within a group, the characteristics of the individual elements of debt (such as maturity and coupon), assets pledged as security and restrictions on cash | User |
| Develop enhanced disclosure requirements about non-controlling interests and associates | User |
| Develop enhanced disclosure requirements to explain the changes from the opening balance to the closing balance for all the balances brought forward from the previous reporting year | User |

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| Potential project | Respondent type |
|--|------------------------|
| Develop disclosure requirements for fees paid to the external auditor | Accountancy body |
| Develop guidance on the sale of assets via corporate wrappers | Standard-setter |
| Develop guidance on the reporting and disclosure of the factoring of receivables | User |
| Develop guidance on transactions between entities under common control that are outside the scope of the Business Combinations under Common Control project | Individual |
| Develop guidance on renewables and biofuels, such as the unit of account when there is embedded environmental attributes and whether the provision of carbon offsets is a service or a sale. | Preparer |
| Consider requiring disclosures about policies and expenditure on management of the pandemic | Accountancy body |
| To advance digital financial reporting, review IFRS Standards to remove ‘user-unfriendly’ requirements based on paper-based financial reporting, such as requirements relating to aggregation and disaggregation, the allocation of data between the primary financial statements and the notes, and requirements for a reporting date and reporting period (which should be at the user discretion). Either do not replace these requirements (leave it to the market to come up with solutions) or develop a financial data taxonomy | Standard-setter |

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| Potential project | Respondent type |
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| Develop requirements for a Statement of Added Value, which shows the creation and distribution of wealth by the entity | Standard-setter |
| Undertake a research project to clarify the usefulness for users of the financial statements of non-transaction accruals (such as changes in the value of assets) included in earnings | Accountancy body |
| Undertake a post-implementation review of the impacts of fair value measurement requirements, including whether they have assisted with providing credible financial statements or have created an opportunity for valuations that do not reflect the true value of entities | Accountancy body |

Question for the Board

Does the Board have any comments or questions on the feedback discussed in this paper?