

IFRS® Foundation

Third Agenda Consultation

Emerging Economies Group Meeting

EEG Agenda Paper 3
May 2021

Purpose of this session

Agenda ref 3



- Provide an overview of the Request for Information on the Third Agenda Consultation
- Seek EEG members feedback on three key aspects of the Request for Information
- Questions for EEG members are on slides 25, 29 and 38



In December 2019 EEG members provided feedback that helped shape the content of the Request for Information

- The Request for Information is accessible on slide 40 of this agenda paper.
- This agenda paper provides detailed information about the three key aspects of the Request for Information.
- Before the meeting, please review the Request for Information and this agenda paper.
- During the meeting, we will provide a brief overview of each aspect of the Request for Information and ask your views on the Board's priorities.

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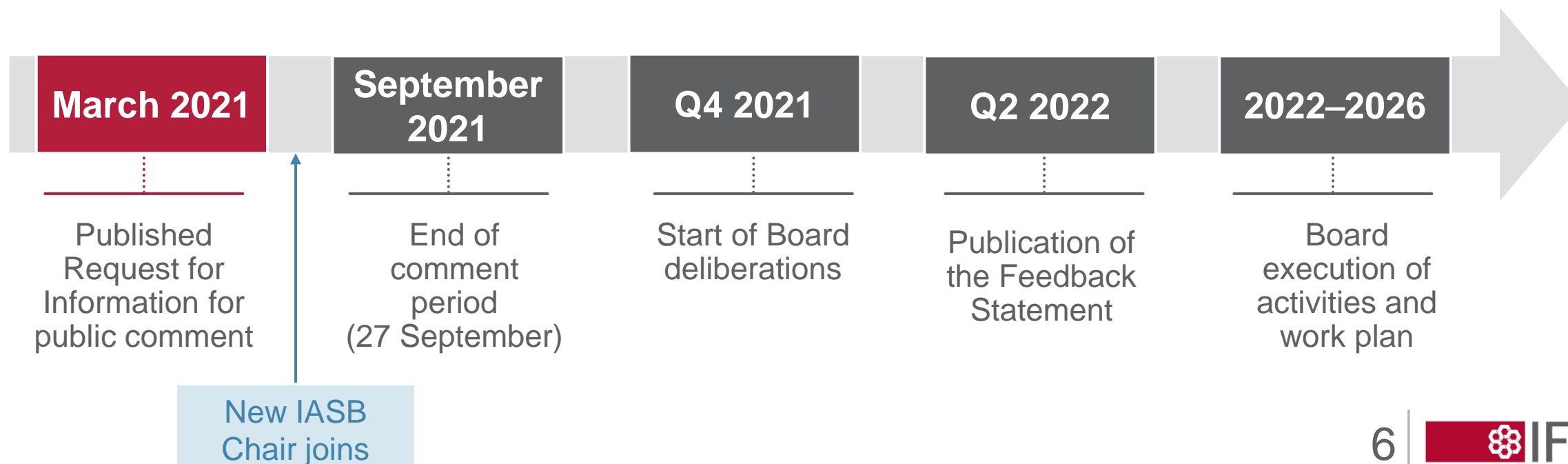
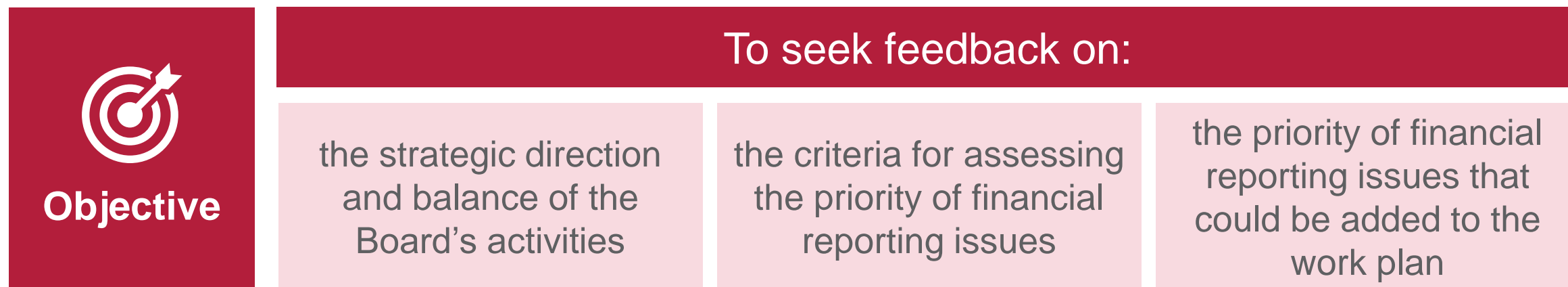
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A grayscale world map is the background for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. Additionally, there are dotted lines forming a grid-like pattern across the map, representing latitude and longitude lines.

Background and overview

Objective and timeline of the consultation

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How this consultation compares with the Trustees' strategy review

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Third Agenda Consultation

Undertaken by the Board

- To seek feedback that helps the Board prioritise activities within the **current scope of the Board's work**
- The current scope of the Board's work is financial statements and management commentary for profit-oriented companies
- Final decisions to be made by Q2 2022

Strategy Review

Undertaken by the IFRS Foundation Trustees

- To explore a potential **expansion of the Foundation's role** through the creation of a new Board to set sustainability reporting Standards
- Final decisions to be made before the November 2021 United Nations COP26 conference

Trustees' decisions that affect the scope of the Board's work will be considered in finalising the Board's priorities and work plan

Overview of the Request for Information

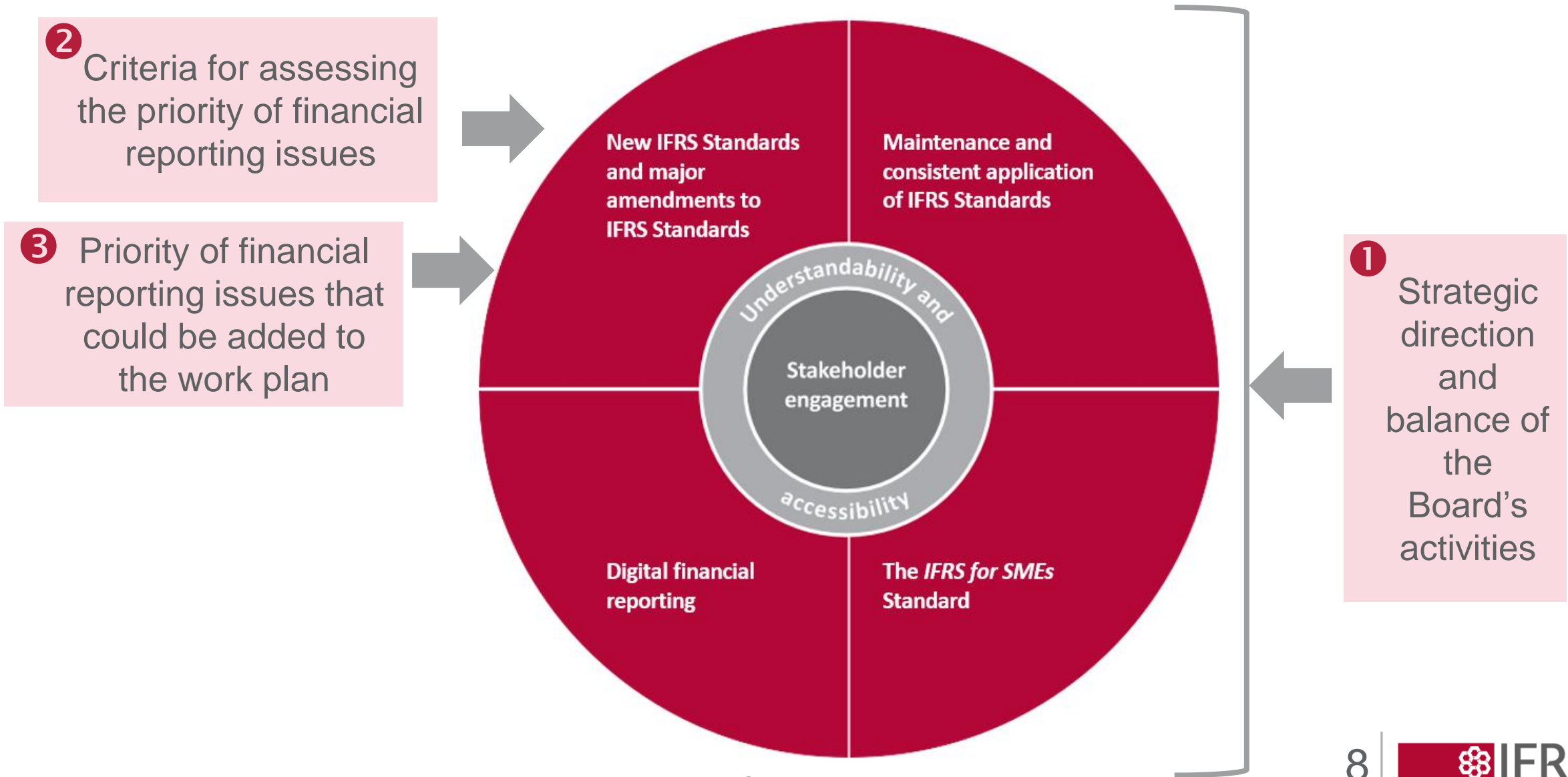


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Content of the Request for Information

- 1 Strategic direction and
balance of the Board's
activities

Strategic direction and balance of the Board's activities

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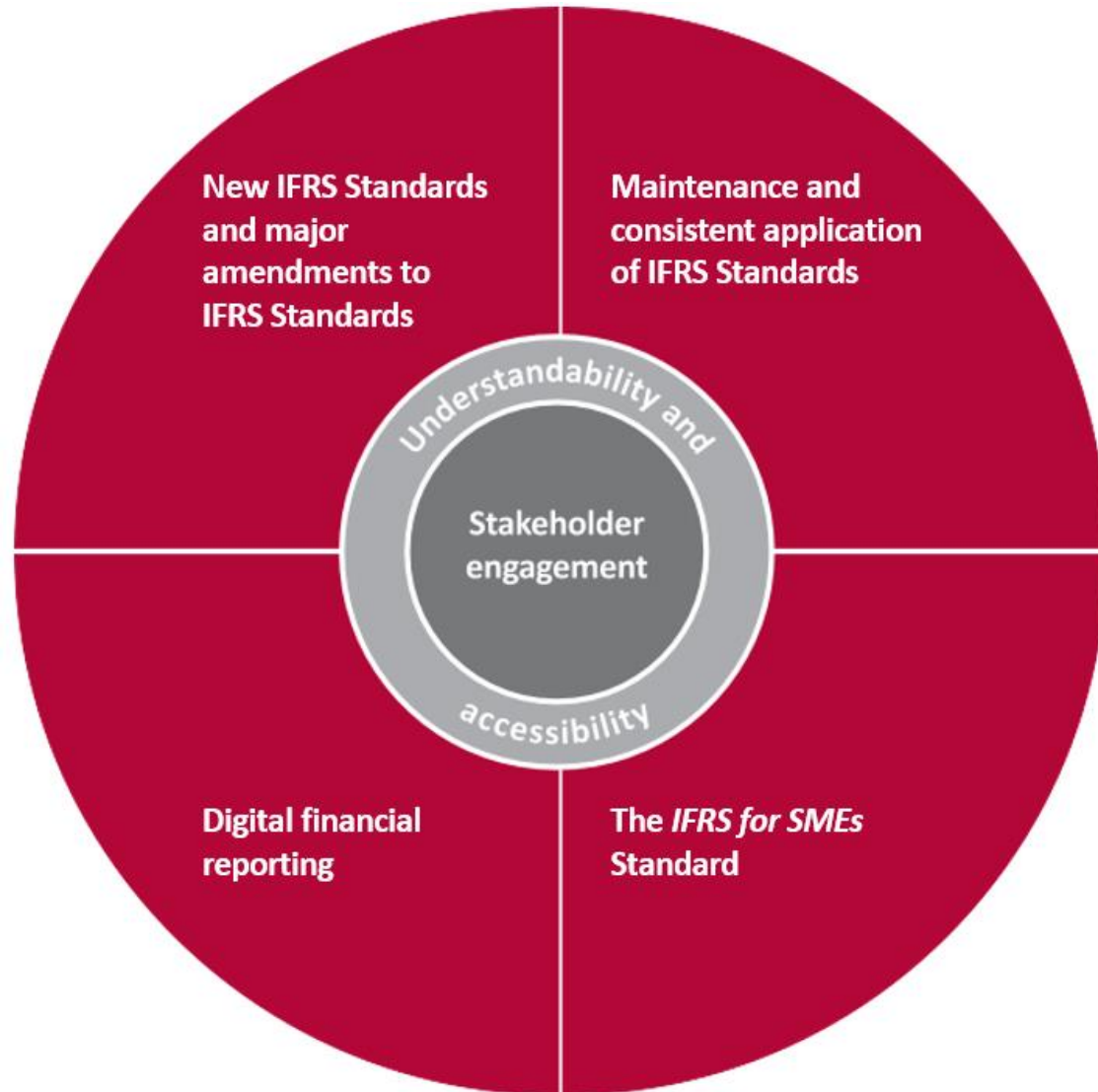


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We are seeking stakeholder feedback on whether the Board should:

- A increase, leave unchanged or decrease its current level of focus for each main activity?
- B undertake any other activities within the current scope of its work?

Helping stakeholders respond on the balance of activities

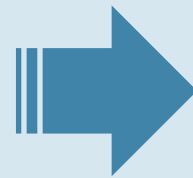
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Current level of focus on each activity

New IFRS Standards and major amendments to IFRS Standards	40%–45%
Maintenance and consistent application of IFRS Standards	15%–20%
The <i>IFRS for SMEs</i> Standard	5%
Digital financial reporting	5%
Understandability and accessibility	5%
Stakeholder engagement	20%–25%

Resources

The overall level of resources available **to the Board** will remain substantially unchanged



Increasing the resource allocation to one activity will mean fewer resources are available for other activities

New IFRS Standards and major amendments to IFRS Standards

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Objective: Research financial reporting issues and, if appropriate, develop major new financial reporting requirements

What the Board currently does

Research and standard-setting projects

Required post-implementation reviews

IFRS 10, 11 and 12, and the classification and measurement requirements in IFRS 9 (on current work plan)

IFRS 15 and 16, and the impairment and hedge accounting requirements in IFRS 9 (planned for 2022 to 2026 work plan)

What more the Board could do

New projects to address financial reporting issues—see slides 30–38

Maintenance and consistent application

Agenda ref 3

Objective: Help stakeholders obtain a common understanding of financial reporting requirements

What the Board currently does*

Monitor consistent application

Narrow-scope amendments and interpretations

Committee agenda decisions

Educational materials

Support regulators and national standard-setters in their role to support consistent application

* Together with the Interpretations Committee

What more the Board could do (examples)

Identify challenges

Work more with investors, companies, auditors, regulators and others to identify challenges in applying the Standards

Address any application challenges through:

Existing channels

Includes:

- agenda decisions, narrow-scope amendments or interpretations
- educational materials

New channels

Includes capacity building-efforts for emerging economies and new adopters:

- regional IFRS training workshops to support cohesive understanding of requirements
- case studies to develop capacity to make judgements to apply the requirements

The *IFRS for SMEs* Standard

Agenda ref 3

Objective: Provide financial reporting requirements tailored for companies that do not have public accountability (SMEs)

Publicly accountable company

Company's debt or equity instruments are traded on a public market (or it is in the process of issuing such instruments for trading in a public market)

or

Company holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses

The Board develops the *IFRS for SMEs* Standard because:

- its mission is to provide a single set of globally accepted Standards, taking into account the needs of a range of sizes and types of companies.
- SME financial statements are directed to the needs of a **broad range of users**, including lenders, investors, employees, governments and others.
- full IFRS Standards are beyond the needs and capabilities of SMEs.

The *IFRS for SMEs* Standard (cont.)

Agenda ref 3

What the Board currently does*

Periodic reviews of the Standard, and if necessary, amendments to the Standard

Educational materials:

SMEIG Q&As that respond to application questions on the Standard

Modules on each section of the Standard, including case studies and self-assessments

What more the Board could do (examples)

Work more with stakeholders to support consistent application

Provide more educational materials and programmes, including for micro-sized companies that are not publicly accountable

Work with national standard-setters and others to increase global adoption

* Together with the SME Implementation Group (SMEIG)

Objective: Facilitate the digital consumption of financial information

What the Board currently does

1 Develop the IFRS Taxonomy

- Updates for new or amended Standards
- Updates for common reporting practice
- Educational materials to support use

2 IFRS Standards for a digital world

Presentation and disclosure requirements are 'digital neutral'. That is, they are drafted for both paper-based and digital consumption of financial reports.

3 Digital ecosystem

- Commentary in speeches and other discussions
- Meetings as requested by regulators

What more could the Board do?

A vision for digital financial markets

Agenda ref 3

Without joint efforts towards the vision, will we lose all the benefits of a high-quality global financial reporting in a digital world?

② IFRS Standards for a digital world

Transparency, accountability and efficiency
through democratisation of financial reports

All investors have digital access to all aspects of
financial reporting for all companies

① Develop the IFRS Taxonomy

③ Digital ecosystem

What more the Board could do (examples)

1 Develop the IFRS Taxonomy

- More activities to improve quality of electronic data
- Redesign to better meet investor needs

2 IFRS Standards for a digital world

Explore ways to enhance presentation and disclosure requirements through more 'digital focused' means

3 Digital ecosystem

- More of current activities
- Identify partners and work jointly towards the vision. Partners could include regulators, auditors, software platform providers, data aggregators, investors and preparers.

Understandability and accessibility

Agenda ref 3

Objective: Improve the understandability and accessibility of our financial reporting requirements

Understandability

Slides 21–22

Accessibility

Slide 23

Understandability

Agenda ref 3

Causes of unnecessary complexity

Complex accounting models (e.g. pre-tax discount rate used in the impairment test of cash generating units)

Inconsistent drafting and structure across IFRS Standards

Inconsistent terminology in IFRS Standards (e.g. several different terms of likelihood)

Consequences of unnecessary complexity

Inefficient use of resources by all participants in the financial reporting system

Inconsistent application of IFRS Standards, which reduces comparability between companies

Misapplication of IFRS Standards

The [2017 IFRS Reputation Survey](#) identified stakeholders' need for simple, practical and workable Standards

Understandability (cont.)

Agenda ref 3

What the Board currently does

Reduce complexity

Includes reducing unnecessary complexity so **users of the Standards**—companies, auditors, regulators and NSS—can improve financial reporting for **investors**.

Clear Standards

Drafting clear Standards through:

- editorial and translation teams
- external reviewers

Supporting materials

Includes snapshots, project summaries, feedback statements and board member articles

What more the Board could do (examples)

Identify complexity

A **holistic review** of IFRS Standards to identify possible areas of unnecessary complexity and assess whether improvements can be made to those areas

Address complexity

Based on the results of the review, **undertake projects** to:

- amend existing requirements to reduce unnecessary complexity
- develop process changes (e.g. how to develop more clearly articulated Standards and use consistent terminology and structure)
- implement process changes for new and existing Standards

What the Board currently does

Accessible materials

Includes:

- IFRS Standards with annotations and cross-references to other materials (Annotated IFRS Standards)
- semi-annual compilations of Committee agenda decisions

Technological tools

Includes tools to make the electronic version of IFRS Standards and other materials easier to navigate. For example, the Standards navigator on the new iteration of the IFRS website.

What more the Board could do (example)

Use technology to further develop tools that **help stakeholders tailor** the Standards and other materials to their needs. For example, using flow charts or decision trees to quickly find applicable requirements.

Stakeholder engagement

Agenda ref 3

Objective: Obtain views to support the development of high-quality financial reporting requirements and promote acceptance of the Standards

What the Board currently does

General and project specific meetings with stakeholders

Tailored materials to support various meetings with stakeholders

Engagement through comments letters received in response to consultations

What more the Board could do (examples)

Increase engagement with a broader range of stakeholders

Increase engagement on consultations, using digital means such as surveys

Provide more investor-focused educational materials and initiatives



Strategic direction and balance of the Board's activities

We are seeking feedback on the overall balance of the Board's six main activities:

- Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each activity that the Board should increase or decrease.
- Should the Board undertake any other activities within the current scope of its work?

Main activities	Slides
New IFRS Standards and major amendments to IFRS Standards	12
Maintenance and consistent application of IFRS Standards	13–14
The <i>IFRS for SMEs</i> Standard	15–16
Digital financial reporting	17–19
Understandability and accessibility	20–23
Stakeholder engagement	24



Content of the Request for Information

- ② Criteria for assessing the priority of financial reporting issues

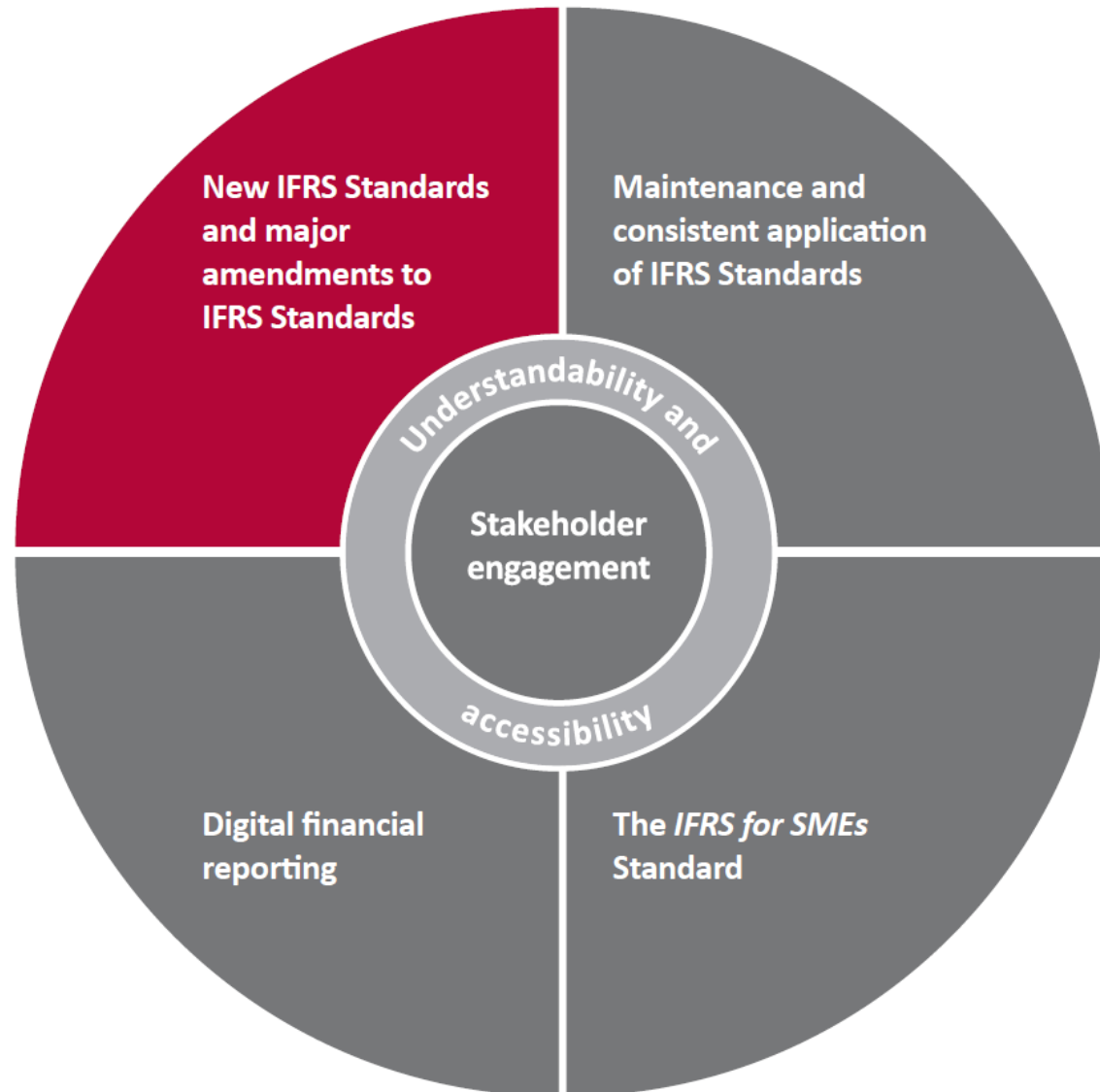



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We are seeking stakeholder feedback on the criteria the Board will use to assess the priority of new financial reporting issues to add to the work plan

Overarching consideration—whether a potential project will meet investors' needs, while taking into account the costs of producing the information

the importance of the matter to **investors**

whether there is a **deficiency** in current reporting

the **type of companies** affected and jurisdictions where the matter is more prevalent

how **pervasive** the matter is

the potential project's **interaction with other projects**

the **complexity and feasibility** of the potential project and its solutions

the **capacity** of the Board and its stakeholders to progress the potential project



Criteria for assessing the priority of financial reporting issues that could be added to the Board's work plan

- Do you think the Board has identified the right criteria to use? Why or why not?
- Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

Keep in mind that the range and subjectivity of any specified criteria means that prioritising potential projects will require judgment—i.e. it cannot be an exact science



Content of the Request for Information

- ③ Financial reporting issues that could be added to the work plan

Priority of financial reporting issues

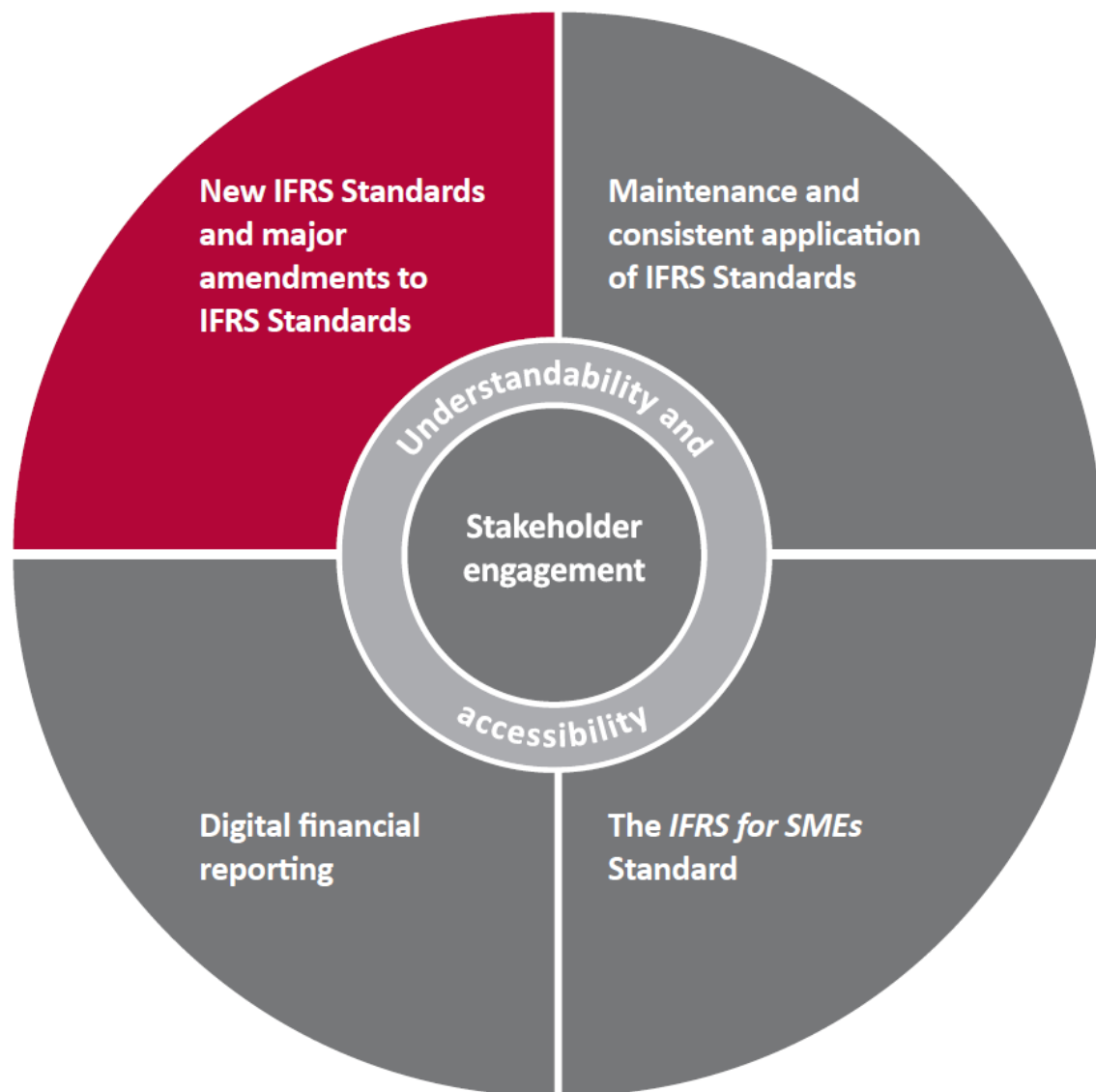


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The Board has limited capacity to add new projects to its 2022 to 2026 work plan. We are seeking stakeholder feedback on the priority of new financial reporting issues that the Board should consider for inclusion in the work plan.

2022-2026 work plan priorities

Continue projects already on the work plan

- Stakeholders have previously identified them as priorities
- Re-prioritising could lead to inefficient starts and stops

Conduct required post-implementation reviews

- IFRS 10, 11 and 12
- IFRS 9
- IFRS 15
- IFRS 16

Undertake any time-sensitive projects

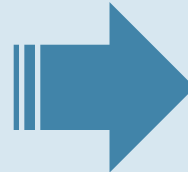
- Urgent projects that may arise after this consultation
- For example, the IBOR Reform projects that arose after the 2015 Agenda Consultation

Add new projects to the work plan

- The Board expects to add 2–3 large projects, or 4–5 medium-sized projects, or 7–8 small projects, if the Board continues to spend 40%–45% of its resources on this activity

Board's approach

Conducted outreach to identify potential new projects to describe in the Request for Information



Provide a common understanding of the issues that could be addressed to focus stakeholder feedback



- The descriptions include an identification of the different types of work the Board could undertake on each potential project
- The list of potential projects is not a draft work plan for the Board
- Stakeholders can suggest other financial reporting issues

Projects described in the Request for Information Agenda ref 3

Described projects*				
Borrowing costs	Climate-related risks	Commodity transactions	Cryptocurrencies and related transactions	Discontinued operations and disposal groups
Discount rates	Employee benefits	Expenses (Inventory and cost of sales)	Foreign currencies	Going concern
Government grants	Income taxes	Inflation	Intangible assets	Interim financial reporting
Negative interest rates	Operating segments	Other comprehensive income	Pollutant pricing mechanisms	Separate financial statements
Statement of cash flows and related matters			Variable and contingent consideration	

* See the Request for Information for descriptions of the potential projects

Priority of new financial reporting issues

Agenda ref 3

A solid foundation to make decisions

We aim to gather information to assist the Board in applying the criteria (see slide 28) to the projects stakeholders identify as priority in this agenda consultation.

We are particularly interested in information that would help us assess the following:

The importance of the matter to investors

Whether the issue affects primary users (as defined by the *Conceptual Framework*)

The extent to which existing practice adequately addresses the issue for investors

The extent to which diversity in practice is an issue for investors

Deficiency in reporting

Whether the issue is due to a standard-setting or compliance

Whether standard-setting is feasible, if the issue is due to compliance

Any new information to the extent there was a previous standard-setting project

Priority of new financial reporting issues (cont.)

Agenda ref 3

A solid foundation to make decisions

We aim to gather information to assist the Board in applying the criteria (see slide 28) to the projects stakeholders identify as priority in this agenda consultation.

We are particularly interested in information that would help us assess the following:

Companies affected and pervasiveness

Data on the types of companies affected

Data on the prevalence of the issue in jurisdictions (in regions and globally)

Capacity (stakeholders)

Whether constraints will affect stakeholder capacity to engage

Priority of new financial reporting issues (cont.)

Agenda ref 3

A solid foundation to make decisions

We aim to gather information to assist the Board in applying the criteria (see slide 28) to the projects stakeholders identify as priority in this agenda consultation.

The staff also aims to provide the Board with the following information.

Interaction with other projects

Updated information as current work plan projects progress

Complexity and feasibility

Previous projects undertaken on the issue and why they were not finalised

Whether standard-setting is feasible, if the issue relates to the need for judgement

Capacity (Board)

Updated information on the Board's work plan and timetables



Financial reporting issues that could be added to the Board's work plan

- What priority would you give each of the potential projects described in the Request for Information—high, medium or low—and why?
- Should the Board add any other financial reporting issues to its work plan for 2022 to 2026?

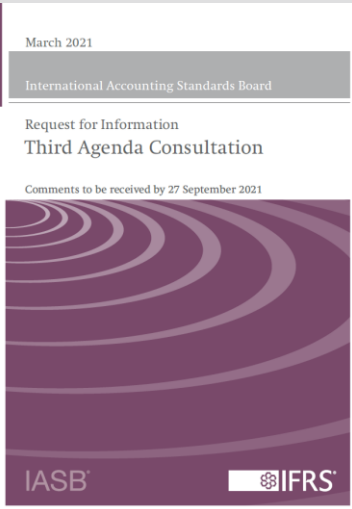


Other comments

- Do you have any other comments on the Board's activities and work plan?

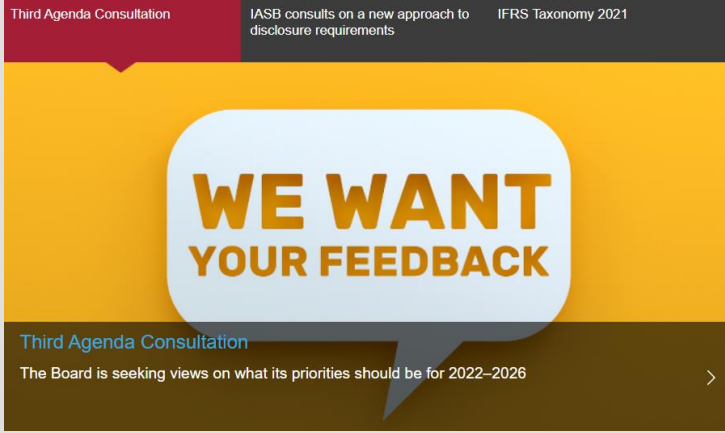
A grayscale world map is the background for the top half of the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. A network of thin, dotted white lines is also visible, suggesting a global grid or data flow.

Published materials



March 2021
International Accounting Standards Board
Request for Information
Third Agenda Consultation
Comments to be received by 27 September 2021
IASB IFRS

Request for Information



Third Agenda Consultation IASB consults on a new approach to disclosure requirements IFRS Taxonomy 2021
WE WANT YOUR FEEDBACK
Third Agenda Consultation
The Board is seeking views on what its priorities should be for 2022–2026

Press release



March 2021
Investor Perspectives
Third Agenda Consultation—an overview
Request for Information published by the International Accounting Standards Board
IFRS

Videos and articles

How to comment

- Submit a comment letter:
 - ✓ Online at: <https://www.ifrs.org/projects/open-for-comment/>
 - ✓ By email to: commentletters@ifrs.org
- Complete a survey: <https://ecv.microsoft.com/sDvxcZ9hrt>

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