
Accounting Standards Advisory Forum meeting

Date **March 2023**
Project **ASAF**
Topic **ASAF planning and feedback from previous meetings**
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*.

Introduction

1. The aim of this paper is to:
 - (a) discuss the agenda topics for the July 2023 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 (IASB) have considered (or will consider) the advice given at the September 2022 and December 2022 ASAF meetings.
2. Information about the IASB'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 July 2023 ASAF meeting; and
 - (b) Appendix B sets out a table summarising the feedback from the September 2022 and December 2022 ASAF meetings and how the staff or the IASB 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 July 2023 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 September 2022 and December 2022 ASAF meetings has been (or will be) used by the staff or the IASB (Appendix B)?

Appendix A—ASAF agenda topics

Agenda topic	Purpose of the discussion
July 2022 ASAF meeting (Actual)	
Dynamic Risk Management	Seek ASAF members' views on the IASB's discussions and tentative decisions to respond to the main challenges identified during 2020 outreach. Seek ASAF members' input on whether equity should be eligible for designation in the DRM model.
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	Seek ASAF members' views on the interaction between local regulations and the proposed IFRS Accounting Standard <i>Subsidiaries without Public Accountability: Disclosures</i> .
Disclosure Initiative—Targeted Standards-level Review of Disclosures	Seek advice from ASAF members on the next steps for the project.
Financial Instruments with Characteristics of Equity	Seek ASAF members' views on whether the IASB's tentative decisions on financial instruments with contingent settlement provisions and the effects of laws on the contractual terms would resolve practice issues or would have any unintended consequences.
Goodwill and Impairment	Seek ASAF members' advice on possible ways forward for the IASB's preliminary views related to (a) additional disclosure objectives in IFRS 3; and (b) improving disclosures about subsequent performance of business combinations and expected synergies.
Post-implementation Review of IFRS 9—Classification and Measurement	Seek ASAF members' views on whether some of the application questions raised in responses to the Request for Information <i>Post-implementation Review of IFRS 9—Classification and Measurement</i> could be suitable for submission to the IFRS Interpretations Committee. Seek input from ASAF members on the topic of ESG-linked features in the light of the IASB's discussions in April 2022 and May 2022.
Primary Financial Statements	Seek ASAF members' advice on the IASB's discussion on (a) income and expenses of limited recurrence (unusual income and expenses); and (b) analysis of operating expenses by nature in the notes when an entity reports operating expenses by function in the statement of profit or loss. Ask whether ASAF members would like to conduct targeted outreach.
Review of the <i>IFRS for SMEs</i> Accounting Standard	Provide an update about the project and the forthcoming Exposure Draft proposing amendments to the <i>IFRS for SMEs</i> Accounting Standard.
September 2022 ASAF meeting (Actual)	
Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures	Seek advice from ASAF members on some aspects of the project, including whether to retain the requirement that the ultimate or any intermediate parent financial statements should be available for public use, the approach to addressing the proposed disclosure requirements and the structure of the Standard.
Post-implementation Review of IFRS 9—Impairment requirements	Seek advice from ASAF members on matters to be considered in the Post-implementation Review of impairment requirements in IFRS 9.
Rate-regulated Activities	Seek ASAF members' advice on recent IASB's discussions on total allowed compensation and the scope of the Accounting Standard to be issued.
Goodwill and Impairment	Presentation by the UK Endorsement Board of a research paper on a hybrid approach to subsequent measurement of goodwill.

December 2022 ASAF meeting (Actual)	
Business Combinations under Common Control	Seek ASAF members' advice on staff's initial views on how to respond to feedback on selecting the measurement method(s) to apply to business combinations under common control.
Equity Method	Seek input from ASAF members to help assess the implications on IASB's tentative decisions in ASAF members' jurisdictions.
Post-implementation Review of IFRS 15	Seek advice from ASAF members on matters to be considered in the Post-implementation Review of IFRS 15.
Provisions—Targeted Improvements	Seek input from ASAF members on discount rates for provisions within the scope of IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> —specifically, whether discount rates for provisions should reflect the entity's own credit risk and whether financial statements currently disclose enough information about the rates entities use to discount provisions.
Primary Financial Statements	Update on targeted outreach
Variable and contingent consideration	Presentation by EFRAG of its research project on variable and contingent consideration.
March 2023 ASAF meeting (Actual)	
Equity Method	Seek ASAF members' input for the effects analysis on the potential amendments (preferred approach)
Rate-regulated Activities	Seek ASAF members' advice on the IASB's recent discussions on the scope and total allowed compensation of the Accounting Standard to be issued.
Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures	Seek ASAF members' advice on the expected benefits and costs of the proposals for stakeholders in their jurisdiction to help develop the Effects Analysis.
IASB and ISSB Connectivity	Provide ASAF members with a brief update on Connectivity between the work of the IASB and the work of the ISSB before opening up the discussion for Q&A with ASAF members.
Primary Financial Statements	Seek ASAF members' advice on the IASB's recent tentative decisions.
Business Combinations—Disclosures, Goodwill and Impairment	Seek ASAF members' feedback on some suggestions respondents to the Discussion Paper had for changes to the impairment test of cash-generating units containing goodwill.
July 2023 ASAF meeting (proposed)	
Climate-related risks (in the Financial Statements)	Seek input from ASAF members as part of the early-stage research on the IASB's recently launched project on Climate-related risks (in the Financial Statements)
Provisions – Targeted Improvements	Seek ASAF members' advice and views on the IASB's recent discussions on IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>
Intangibles	Presentation by EFRAG the feedback received on Discussion Paper "Better Information on Intangibles – Which is the Best Way to Go?" and EFRAG's current recommendations in response to the feedback.

Appendix B—Feedback from the September 2022 and December 2022 ASAF meeting

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Rate-regulated Activities (September 2022)</p> <p>The purpose of this session was to update ASAF members on the redeliberations of the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> and seek their views on whether the tentative decisions to date on scope and total allowed compensation help address stakeholders' concerns about the proposals.</p>		
<p>Total allowed compensation</p>	<p>ASAF members overall welcomed the IASB's tentative decisions: (a) to focus the application guidance of the final Accounting Standard (Standard) on differences in timing instead of specifying the components of total allowed compensation; and (b) on regulatory returns on assets not yet available for use.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 25–26 of the September 2022 meeting summary note.</p>	<p>The IASB will continue to redeliberate the project proposals at future meetings.</p>
<p>Scope</p>	<p>ASAF members generally agreed with the IASB's tentative decisions on the scope of the Standard dealing with the term 'customers' and with the interaction between the model and IFRS 9 <i>Financial Instruments</i>.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraph 27 of the September 2022 meeting summary note.</p>	<p>The IASB will continue to redeliberate the project proposals at future meetings.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Subsidiaries without Public Accountability: Disclosures (September 2022)</p> <p>The purpose of this session was to provide ASAF members an update on the <i>Disclosure Initiative – Subsidiaries without Public Accountability: Disclosures</i> project, and to ask ASAF members’ views on: (a) removing the requirement that for a subsidiary to be eligible to apply the proposed IFRS Accounting Standard (draft Standard) the parent’s consolidated financial statements be ‘available’ for public use; (b) the staff’s suggested approach for analysing comments received on the proposed disclosure requirements; and (c) responding to feedback on the structure of the draft Standard.</p>		
<p>Parent’s consolidated financial statement be available for public use</p>	<p>ASAF members had mixed views on removing the requirement that for a subsidiary to be eligible to apply the draft Standard the parent’s consolidated financial statements be ‘available for public use.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 5–9 of the September 2022 meeting summary note.</p>	<p>In November 2022 the IASB met to consider feedback on aspects of the proposed scope of the draft Standard including whether the parent’s consolidated financial statements should be available for public use.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Staff's suggested process to address comments on proposed disclosure requirements</p>	<p>ASAF members generally agreed with the staff's suggested process for responding to the feedback on the disclosure requirements proposed in the draft Standard.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 10–12 of the September 2022 meeting summary note.</p>	<p>In October 2022 the IASB met to discuss the staff's recommended process to address comments on proposed disclosure requirements in the draft Standard.</p> <p>The IASB decided that the staff should analyse the comments received on the proposed disclosure requirements in the draft Standard in three steps:</p> <ul style="list-style-type: none"> (a) Step 1—stratify the comments on the proposed disclosure requirements based on how the proposed disclosure requirements were developed; (b) Step 2—assess the comments received against a set of factors: the principles on users' information needs of non-publicly accountable entities' financial statements, cost and benefit, distribution of the comments received, overall usefulness of information and previous IASB discussions and decisions on the disclosure requirement; and (c) Step 3—recommend any changes to the proposed disclosure requirements to the IASB.:
<p>Responding to feedback on the structure of the draft Standard</p>	<p>ASAF members had mixed views on the structure of the draft Standard as it relates to: (a) Disclosure requirements in IFRS Accounting Standards replaced by the draft Standard; and (b) Disclosure requirements that remain applicable in other IFRS Accounting Standards.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 10–12 of the September 2022 meeting summary note.</p>	<p>In October 2022 the IASB met to discuss the feedback on the structure of the draft Standard.</p> <p>The IASB tentatively decided to:</p> <ul style="list-style-type: none"> (a) omit Appendix A proposed in the draft Standard. (b) replace the footnotes with cross-references to disclosure requirements that remain applicable in other IFRS Accounting Standards, under each IFRS Accounting Standard subheading.

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Post-implementation Review of IFRS 9— Impairment (September 2022)</p> <p>The purpose of this session was for ASAF members to share their views on applying the impairment requirements in IFRS 9 Financial Instruments and on matters that the IASB might consider in the post-implementation review (PIR) of these requirements.</p> <p>ASAF members were asked whether: (a) there are fundamental questions on the clarity and suitability of the objectives or principles in the impairment requirements—that is, if there are fatal flaws in the requirements; (b) the benefits to investors arising from applying the requirements are significantly lower than expected; and (c) the costs of applying some or all of the requirements and auditing and enforcing their application are significantly greater than expected.</p>		
<p>Matters to consider in the PIR</p>	<p>ASAF members suggested the IASB consider various topics as part of the PIR, including: (a) Significant Increases in Credit Risk (SICR); (b) Incorporation of forward-looking information in measurement of Expected Credit Losses (ECL); (c) Credit risk disclosures in IFRS 7; (d) Application of the ECL model to intercompany loans; (e) Definition of credit losses (f) Financial guarantees and loan commitments. ASAF members noted that various industries found the transition to IFRS 15 challenging, in particular those with long-term or complex contracts with many customers. Several members noted that overall, the benefits of IFRS 15 outweighed the costs.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 20–23 of the September 2022 meeting summary note.</p>	<p>At the February 2023 IASB meeting, the IASB discussed the feedback received from outreach, including feedback from ASAF members. The IASB considered this feedback in deciding on which matters to ask questions about in the Request for Information, which is expected to be published by end of May 2023.</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Primary Financial Statements (December 2022)</p> <p>The purpose of this session was to provide ASAF members with an update on the targeted outreach held between September and December 2022. The staff thanked members for their involvement in organising, attending and summarising meetings with stakeholders in their jurisdictions.</p>		
<p>Targeted Outreach</p>	<p>The staff provided a summary of the principal messages received during the meetings. Overall, ASAF members agreed with the direction of the IASB’s redeliberations and said that they would prefer for the project to be completed as soon as possible.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 6-9 of the December 2022 meeting summary note.</p>	<p>At its January 2023 meeting, the IASB discussed the feedback from targeted outreach and next steps. As a result, the IASB decided to add four topics to its redeliberation plan:</p> <ul style="list-style-type: none"> (a) whether it should reconfirm its decision on classification of income and expense from associates and joint ventures accounted for using the equity method; (b) whether it should develop application guidance for classifying income and expense from off-balance-sheet items; (c) whether it should develop guidance for including interest expense on lease liabilities in operating profit if subleasing is a main business activity; and (d) whether it should develop further application guidance for the proposed rebuttable presumption in the definition of management performance measures.

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Post-implementation Review of IFRS 15 Revenue from Contracts with Customers (December 2022)</p> <p>The purpose of this session was for ASAF members to share their overall views on IFRS 15 <i>Revenue from Contracts with Customers</i>, and, in particular, on: (a) the application matters on which the IASB should seek feedback as part of the post-implementation review (PIR) of IFRS 15; (b) the transition to IFRS 15; and (c) the benefits and costs of implementing and applying the Standard.</p>		
<p>Matters to consider in the PIR</p>	<p>All ASAF members said that overall IFRS 15 is working well and has achieved its objective although applying the Standard can still be challenging. ASAF members suggested the IASB seek feedback on various topics as part of the PIR of IFRS 15, including: the relationship between IFRS 15 and other IFRS Accounting Standards, principal versus agent considerations, the timing of revenue recognition, variable consideration, licencing and various other matters.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 15-27 of the December 2022 meeting summary note.</p>	<p>The IASB will consider ASAF members' comments on these matters as it develops the Request for Information on this PIR.</p>
<p>Business Combinations under Common Control (December 2022)</p> <p>The purpose of this session was to update ASAF members on the IASB's Business Combinations under Common Control (BCUCC) project and ask ASAF members' views on particular aspects of the staff's analysis on selecting the measurement method(s) to apply to BCUCCs.</p>		
<p>Staff's initial views on the principle for selecting which measurement a receiving entity would apply to BCUCCs</p>	<p>ASAF members had mixed views on the staff's initial view on the principle for selecting the measurement method. Some members said they would prefer an entity to evaluate the substance of each BCUCC to determine which measurement method to apply, but, for practical reasons, accepted the staff's initial views while another member said that a book-value method should apply to all BCUCCs for a number of reasons.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 30-36 of the December 2022 meeting summary note.</p>	<p>The staff will consider ASAF members' comments on these matters as part of future deliberations with the IASB.</p> <p>[Richard – note that Example of BCUCC text in AP1 for the last appearance at ASAF can be found on page 4 of AP1 from Oct-2021 ASAF meeting]</p>

Topic	Summary of ASAF advice	How the advice has been/will be applied
Staff's initial views on whether a receiving entity would be permitted or required to deviate from the principle (referred to collectively as 'exceptions')	<p>ASAF members had mixed views on whether an exception should be made for BCUCCs which affect insignificant Non-Controlling Shareholders. A few members disagreed with the potential government-related entities exception.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 37–47 of the December 2022 meeting summary note.</p>	The staff will consider ASAF members' comments on these matters as part of future deliberations with the IASB.
<p>Provisions – Discount rates (December 2022)</p> <p>The purpose of this session was to obtain ASAF members views on discount rates used to measure long-term provisions within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and information disclosed about the rates used.</p> <p>On discount rates for provisions, ASAF members were asked: (i) whether the IASB should amend IAS 37 to specify the treatment of non-performance risk (ii) if so, which of nine factors already identified by the IASB should carry most weight in deciding whether to require or to prohibit the inclusion of non-performance risk; and (iii) whether the IASB should consider other factors. On disclosure of information about rates used to discount provisions, ASAF members were asked: (i) whether the IASB should add to IAS 37 a requirement to disclose information about rates used; and (ii) if so, what information IAS 37 would require an entity to disclose.</p>		
Discount rates for provisions	<p>Most ASAF members agreed that the IASB could reduce diversity in practice by amending IAS 37 to specify the treatment of non-performance risk.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 39–60 of the December 2022 meeting summary note.</p>	The IASB will be asked to make decisions on these matters at a future IASB meeting. The staff will consider ASAF members' comments in developing its recommendations.
Disclosure of information about rates used to discount provisions	<p>ASAF members said they thought IAS 37 should require an entity to disclose information about the rates used to discount provisions and shared detail about the rationale for their views.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 61–64 of the December 2022 meeting summary note.</p>	

Topic	Summary of ASAF advice	How the advice has been/will be applied
<p>Equity Method (December 2022)</p> <p>The purpose of this session was to update ASAF members on the progress of the Equity Method project and to obtain ASAF members views on four alternatives identified by the staff to answer the application question: How should an investor recognise gains and losses that arise from the sale of a subsidiary to its associate applying the requirements of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures; and discount rates used to measure long-term provisions within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and information disclosed about the rates used.</p>		
<p>Four alternatives identified to answer the application question</p>	<p>ASAF members provided a range of views on the four alternatives identified by the staff. ASAF members also provided views on other application questions relating to the Equity Method.</p> <p>Detailed feedback provided by ASAF members is summarised in paragraphs 66–72 of the December 2022 meeting summary note.</p>	<p>At its January 2023 meeting, the IASB continued discussing the four alternatives presented to ASAF members.</p> <p>The IASB considered the views expressed from ASAF members as well as the input from other stakeholders.</p> <p>The IASB asked the staff to:</p> <ul style="list-style-type: none"> (a) continue exploring two of the alternatives; (b) undertake targeted outreach with users of financial statements; and (c) prepare a decision-making paper for consideration at a future meeting. <p>For ASAF March 2023 meeting, the staff will present the IASB's tentative answers to other application questions; and ask ASAF members on their views on the potential effects.</p>