

IASB® meeting

Project	Third Agenda Consultation		
Paper topic	Feedback summary—Users of financial statements		
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Objective

1. This paper analyses feedback from user comment letters, user responses to the survey and user outreach meetings on the Request for Information [Third Agenda Consultation](#) (Request for Information, consultation document).

Key messages

2. Many users commented on the strategic direction and balance of the Board's activities and supported the Board's current strategic direction. Many said the current allocation of resources to the Board's six main activities is about right and suggested only minor modifications to the level of focus on some of the activities.
3. Many users suggested the Board either increase its focus on or maintain the higher end of the current level of focus on:
 - (a) maintenance and consistent application of IFRS Standards;
 - (b) digital financial reporting; and
 - (c) understandability and accessibility of the Standards.

4. Recognising that any increase in the level of focus on one activity means that fewer resources are available for other activities, some users suggested the Board:
 - (a) decrease its current level of focus on new IFRS Standards and major amendments to IFRS Standards;
 - (b) focus less on the *IFRS for SMEs* Standard; and
 - (c) seek synergies in engaging with stakeholders—for example, by working with national standard-setters and using digital-friendly approaches (such as surveys).

5. Many users commented on the growing importance of sustainability reporting. Some users commented on a potential interaction and connectivity between the Board, its technical staff and the International Sustainability Standards Board (ISSB).

6. Many users provided feedback on the criteria. Of those users, almost all agreed with the criteria proposed by the Board. Many said the criteria are well-balanced and adequate.

7. Most users said a project on the statement of cash flows and related transactions is a high priority. They broadly agreed with the issues identified and described in the Request for Information. They generally said greater disaggregation of information is needed, as is information to enable them to reconcile the information in the statement of cash flows with other primary financial statements. Some of these users expressed strong support for a requirement to present cash flows from operating activities using the direct method and held similar views in previous agenda consultations.

8. Many users identified the following projects as a high priority (in alphabetical order):
 - (a) climate-related risks—these users generally welcomed the publication of the article and educational material on the effects of climate-related matters on financial statements and suggested the Board consider how to strengthen these requirements and ensure they are applied consistently.¹

¹ In November 2020, the IFRS Foundation published educational material on the [Effects of climate-related matters on financial statements](#). This document explained how IFRS Standards require companies to consider climate-related matters when those matters have a material effect on the financial statements. The educational material complements a November 2019 article, [IFRS Standards and climate-related disclosures](#).

- (b) cryptocurrencies and related transactions—these users said current requirements are not fit for purpose; listed companies show some interest in this new class of assets and users would like to better understand risks associated with these assets.²
- (c) intangible assets—there was mixed feedback about the scope of that project. Some users expressed support for more recognition of internally generated intangible assets. However, more users expressed support for better disclosures about unrecognised intangible assets. Some of these users said that measuring the value of these assets is their task.
- (d) operating segments—these users generally agreed that more comparable information is needed and more granularity by segment would improve financial reporting.

Structure of the paper

9. This paper includes:
- (a) summary of types of user feedback (paragraphs 10–13);
 - (b) strategic direction and balance of the Board’s activities (paragraphs 14–44);
 - (c) criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan (paragraphs 45–50);
 - (d) financial reporting issues that could be added to the Board’s work plan—projects described in the Request for Information (paragraphs 51–83);
 - (e) other financial reporting issues suggested to the Board (paragraph 84);
 - (f) other comments (paragraphs 85–89); and
 - (g) question for the Board.

² Throughout this paper, the term ‘companies’ refers to entities that report applying IFRS Standards or the *IFRS for SMEs* Standard. The terms ‘companies’ and ‘entities’ are used interchangeably.

Summary of types of user feedback

10. The Board received 15 comment letters from users:
 - (a) twelve from representative groups; and
 - (b) three from individual organisations (two buy-side, one sell-side).
11. The Board received 7 survey responses from users:
 - (a) one from a representative group; and
 - (b) six from individual investors (buy-side investment professionals).
12. In addition, between March 2021 and October 2021, Board members and the staff met with 21 individuals or groups of users of financial statements to discuss feedback on the Request for Information. The users comprised:
 - (a) Capital Markets Advisory Committee (CMAC);
 - (b) three national standard-setter user advisory groups;
 - (c) six meetings with user representative groups; and
 - (d) eleven meetings with individual users or individual organisations.
13. The analysis in this paper includes the feedback from the comment letters, from the survey and from the outreach meetings.

Strategic direction and balance of the Board's activities

14. Many users commented on the strategic direction and balance of the Board's activities and supported the Board's current strategic direction. Many said the current allocation of resources to the Board's six main activities is about right and suggested only minor modifications to the level of focus on some of the activities.
15. Some of these users said the Board should continue to make improvements to financial reporting by publishing high-quality documents. However, they encouraged the Board to increase the speed at which these improvements are made. To achieve this, some said the Board should focus on projects and solutions that are feasible in the foreseeable future ('quick wins'); others said improvements to the IFRS Foundation's due process could be considered to increase the speed at which IFRS Standards are developed.

16. A few users, mainly from North America, said they found it difficult to provide comments on this part of the consultation. One of these users said the Board’s main activities are integrated—for example, the development of new IFRS Standards requires a lot of stakeholder engagement—so it is difficult to comment on whether enough resources are spent on some of these activities.
17. Comments on each of the Board’s main activities are summarised in the following sections:
- (a) new IFRS Standards and major amendments to IFRS Standards (paragraphs 19–21);
 - (b) maintenance and consistent application of IFRS Standards (paragraphs 22–24);
 - (c) *IFRS for SMEs* Standard (paragraphs 25–27);
 - (d) digital financial reporting (paragraphs 28–31);
 - (e) understandability and accessibility of the Standards (paragraphs 32–34); and
 - (f) stakeholder engagement (paragraphs 35–39).
18. Comments on interaction between the Board and the ISSB are summarised in paragraphs 40–42.

New IFRS Standards and major amendments to IFRS Standards

19. Many users commented on this activity. Many said the Board should leave unchanged its current level of focus on new IFRS Standards and major amendments to IFRS Standards. Some of them explained why and said:
- (a) this is the Board’s core activity.
 - (b) the Board needs to undertake the required post-implementation reviews and allow sufficient time to improve financial reporting in areas, where the Standards do not work as intended.
 - (c) the Board needs to remain responsive to market developments and react in a timely manner to urgent issues that may arise.
 - (d) there are still many improvements needed to financial reporting. Some of these users said projects on the statement of cash flows and operating segments are high priorities.

20. Some users said the Board should decrease its current level of focus on this activity, because the Board has recently introduced new major IFRS Standards. A few user representative groups said the Board should not commence work on any new major IFRS Standard. Some users said they need long-term trends (covering 10–15 years) to make decisions, and changes to the Standards are disruptive to the time-series data they use to analyse those trends. These users suggested that the Board focus on completing projects on its current work plan. However, some other users told the Board that they can adjust the historical information appropriately, if they understand changes arising from the implementation of a new Standard. These users said the Board should continue making changes to the Standards if these changes improve financial reporting and the usefulness of information.
21. Some other users said the Board should increase the level of focus on research and standard-setting projects. These users said:
- (a) the increased level of focus could help the Board complete its projects faster and respond in a timely manner to urgent issues that may arise.
 - (b) there are still a few gaps remaining in IFRS Standards and the Board needs to address them.

Maintenance and consistent application of IFRS Standards

22. Many users commented on this activity. Many said the Board should leave unchanged its current level of focus and many said the Board should increase its current level of focus. No users said the Board should decrease its current level of focus.
23. Many users who suggested the Board leave unchanged its current level of focus said the consistent application of IFRS Standards is as important as the development of new Standards—it is critical to ensuring that IFRS Standards remain high-quality, understandable, enforceable, and globally accepted. These users suggested, that within the current level of focus on this activity (15%-20%), the Board should:
- (a) address any issues identified as part of the post-implementation reviews.
 - (b) continue monitoring the consistent application of the Standards and be responsive to situations when:

- (i) there is diversity in practice across companies, jurisdictions and regions; or
 - (ii) the Standards do not work as intended.
24. Many users who suggested the Board increase its focus on maintenance and consistent application of the Standards said:
- (a) they would like the Board to work more with investors, companies, auditors, regulators and others to identify and address challenges in applying the Standards. This may involve, for example, additional resources to increase capacity building efforts to support emerging economies, jurisdictions that have recently adopted IFRS Standards, or future adopters of the Standards. These users said consistent application of IFRS Standards across jurisdictions is critical in their evaluation of company performance and risks.
 - (b) the Board should provide more educational materials for investors.

IFRS for SMEs Standard

25. Only some user comment letters and user survey responses expressed views on the *IFRS for SMEs* Standard and almost all users we have met with focus on publicly listed entities. Most users who commented said the Board should leave unchanged its current level of focus on developing and maintaining this Standard, but only a few explained their view and said:
- (a) the needs of investors in companies that do not have public accountability are different from the needs of investors in companies applying IFRS Standards. However, there is a need for high-quality, comparable information from entities without public accountability and these companies need a comprehensive and workable Standard.
 - (b) if the Board were to decrease its current level of focus, there would not be too many resources available for this area.
26. A few users suggested the Board focus less on the *IFRS for SMEs* Standard because:
- (a) many jurisdictions have well-developed financial reporting requirements for companies without public accountability; and

(b) by decreasing the current level of focus, more resources would be available for the other activities identified as high priorities by users.

27. One user survey response suggested the Board increase its current level of focus on the Standard, but did not explain why.

Digital financial reporting

28. Many users welcomed the opportunity to comment on digital financial reporting as part of this agenda consultation, given rapid developments and increased use of technology in accessing and processing financial information. Most of these users acknowledged that digitalisation will increasingly affect financial markets and said the Board should increase its level of focus on this activity. Some of these users suggested the Board:

- (a) consider improving the quality of the IFRS Taxonomy to better meet users' needs.
- (b) be part of and supervise a working group that would set out a framework for drafting IFRS Standards, considering how the information would be presented and disclosed in a digital format.
- (c) continue developing the IFRS Taxonomy in parallel with any new IFRS Standard; new IFRS Standards should be drafted incorporating the related taxonomy.
- (d) identify partners and work jointly with them to create digital financial markets, where high-quality, comparable electronic data is easily accessible.
- (e) facilitate the digital consumption of financial information by developing effective disclosure requirements that provide improved disaggregation of information. This would increase comparability between the companies, help users see trends and understand drivers of financial performance, financial position and cash flows, thus improving the understandability of financial statements.

29. A user organisation from North America expressed willingness to provide more specific comments once the Board has shared more details on its plans to further support digital financial reporting.

30. Some users, mainly from North America, suggested the Board leave unchanged its current level of focus on digital financial reporting. One of these users said this area is not a high priority and the Board should first focus on developing financial reporting requirements that would improve disaggregation of information and provide more effective disclosures.
31. No user said the Board should decrease its current level of focus on digital financial reporting.

Understandability and accessibility of the Standards

32. Many users commented on this activity. Many said the Board should increase its current level of focus on the understandability and accessibility of the Standards because that would enable those applying IFRS Standards (including preparers) to provide better information and communicate effectively with users of financial statements. Some of these users provided more detailed comments and said:
- (a) the content of the Standards is increasing and becoming more complicated, which makes it difficult for users to:
 - (i) understand IFRS Standards systematically and accurately; and
 - (ii) access the Standards easily and quickly.
 - (b) the Board should consider:
 - (i) using graphs illustrations and charts in the Standards;
 - (ii) improving the keyword search function of the Standards; and
 - (iii) posting videos that would explain the requirements to the users.
 - (c) the Standards should be clearly articulated and new terminology should be used only when necessary. The Board should also try to eliminate cross-references within the Standards and between them.
 - (d) accessibility could be improved by providing free access to the full Standards with all accompanying documents (currently available for IFRS Digital subscribers).
 - (e) the current level of focus is around 5%, so an increase would not have a substantial negative impact on the overall balance of the Board’s activities.

33. Some users stressed the importance of the understandability and accessibility of the Standards but did not suggest any changes to the Board’s current level of focus. One of these users said the Standards should be concise and clearly articulated, using consistent structure and terminology.
34. A user organisation from North America expressed concerns that activities to improve the understandability of financial reporting requirements focus on the needs of preparers and could result in a decrease in the information available to investors.

Stakeholder engagement

35. Many users commented on this activity. Some of these users expressed their appreciation to the Board for its commitment to consult with stakeholders and for the work it has done to educate investors. They acknowledged that engagement with stakeholders is an important part of the Board’s work.
36. Many users said the current level of focus on this activity is appropriate to obtain views from a broad range of stakeholders, including users. They found meetings and outreach events very productive and did not suggest any changes. A user representative group welcomed the opportunity to engage with the Board and share their concerns even after the Board has made tentative decisions.
37. Some users would like to see more investor-focused initiatives to enable them to engage with the Board and suggested the Board broaden user outreach by:
 - (a) providing more educational materials tailored to users’ needs; and
 - (b) using online surveys to increase stakeholder engagement.
38. A user representative group said there is growing cost pressure on investment management firms and investment research providers which has led to a contraction in the number of sell-side analysts and a trend for buy-side analysts to increase the number of companies they follow. At the same time the Standards and the Board’s proposals are becoming more complex. So, most users who are not accounting professionals find it increasingly difficult and onerous to understand them accurately and provide feedback to the Board.
39. A few users suggested the Board consider decreasing its current level of focus on stakeholder engagement by seeking synergies with or outsourcing some of its

activities in this area to other stakeholders (such as national standard-setters and endorsement bodies). In these users' views, this approach would eliminate or minimise multiple outreach meeting requests that users receive on a particular topic and would help alleviate some users' capacity constraints. They said, however, there is a risk that the Board could lose some granular understanding of individual views passed through a group with some jurisdiction-specific leanings.

Interaction between the Board and the ISSB

40. Many users commented on the growing importance of sustainability reporting and expressed support for integrated, comparable reporting of financial and non-financial information to help them better understand the company's performance, financial position and cash flows.
41. Some users commented on a potential interaction between the Board and the ISSB and suggested that connectivity with the ISSB will be an overarching theme for the Board from 2022 to 2026. Some of these users said that the Board needs to remain focused on developing financial reporting requirements and should not undertake any activities outside its current scope. A few users said any potential interaction should not reduce the resources available to the Board to make timely progress on its work plan.
42. Comments from users were similar to the comments from other types of respondents summarised in paragraph 75 of Agenda Paper 24B. The most common themes arising from the user comments include:
 - (a) the financial and sustainability-related financial disclosures are key sources of information to calculate enterprise value. Therefore, IFRS Standards and IFRS Sustainability Disclosure Standards need to be consistent, coherent and compatible. To achieve this, there needs to be an ongoing dialogue between the two Boards.
 - (b) effective cooperation between the Board and the ISSB will be beneficial for the entire corporate reporting ecosystem.
 - (c) the Board needs to set aside capacity to support any interaction between the work of the Board and the ISSB.

Other comments on the strategic direction and balance of the Board's activities

43. A user representative group suggested the Board expand its current scope of work by developing sustainability reporting standards, thus formalising best practices not only in financial reporting, but also in non-financial reporting.
44. Another user representative group emphasised the importance of international comparability for investors with global coverage. This respondent encouraged the Board to collaborate with the Financial Accounting Standards Board (FASB) to achieve global comparability.

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

45. The Request for Information noted that the Board evaluates a potential project for inclusion in its work plan primarily by assessing whether the project will meet investors' needs, while taking into account the costs of producing the information. In addition, the Request for Information set out seven criteria that the Board proposes to use in deciding whether to add a potential project to its work plan:
 - (a) the importance of the matter to investors;
 - (b) whether there is any deficiency in the way companies report the type of transaction or activity in financial reports;
 - (c) the type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others;
 - (d) how pervasive or acute the matter is likely to be for companies;
 - (e) the potential project's interaction with other projects on the work plan;
 - (f) the complexity and feasibility of the potential project and its solutions; and
 - (g) the capacity of the Board and its stakeholders to make timely progress on the potential project.
46. Many users provided feedback on this aspect of the agenda consultation. Of those users, almost all agreed with the criteria proposed by the Board. Many said the criteria

are well-balanced and adequate. Some users would also like to better understand how the criteria have been weighted, balanced and applied to individual projects.

47. Many users welcomed the consideration of the importance of the matter to users and shared some comments:
- (a) the criterion needs to remain paramount, all other criteria are secondary. If the Board’s assessment concludes that the matter is not of sufficient importance to users, the analysis of the other six criteria should not be necessary and the Board should not add the project to its work plan. Over time, that approach could free up some resources that the Board could allocate to other activities that are more likely to benefit users.
 - (b) given the importance of this criterion, it would be helpful if the Board clarified how it defines the importance of the matter to investors. The Board should consider providing greater transparency of the process to obtain users’ views and determine their priorities—for example, how the Board considers various users’ needs across many jurisdictions.
 - (c) the criteria to assess the priority of any project should be the relative urgency and importance of the issue for preparers and users. Consequently, the following three criteria are as important as the importance of the matter to investors:
 - (i) whether there is any deficiency in the way companies report the type of transaction or activity;
 - (ii) the type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others; and
 - (iii) the potential project’s interaction with other projects on the work plan. In this context, users gave Primary Financial Statements as an example of a project that will result in amendments to some IFRS Standards and may interact with potential projects on operating segments or the statement of cash flows and related matters.

48. Some user representative groups suggested the Board consider the work streams of other major standard-setters. Their comments are included in paragraphs 22–23 of Agenda Paper 24C.
49. Some users raised concerns about some of the proposed criteria and said:
- (a) limited resources, including the capacity of the Board and its stakeholders to make timely progress on the potential project should not influence the prioritisation decisions.
 - (b) the complexity and feasibility of the potential project and its solutions, along with capacity, could create a bias against long-term, large projects. These criteria should not stop the Board from adding a long-term project to the work plan. In addition, in a complex world, accounting needs to reflect the economics of the transaction, regardless of whether it is complex or not.
 - (c) sometimes there is not enough consideration given to the importance of the matter to users—for example, users told the Board that its previous Financial Statement Presentation project undertaken jointly with the FASB was very important to them, but the work on this project was stopped in 2011.
50. A user representative group noted differences between the criteria set out in paragraph 5.4 of the *Handbook* (criteria for new IFRS Standards and major amendments to IFRS Standards) and paragraph 5.16 (criteria that the IFRS Interpretations Committee uses to decide whether a standard-setting project should be added to the work plan). This respondent said it is unclear why there are differences and suggested the Board clarify this point.

**Financial reporting issues that could be added to the Board’s work plan—
projects described in the Request for Information**

51. Most users said a project on the statement of cash flows and related matters is a high priority for them (see paragraph 56).
52. Many users said the Board should undertake these high priority projects (in alphabetical order):
- (a) climate-related risks (paragraphs 57–59).
 - (b) cryptocurrencies and related transactions (paragraphs 60–61).

- (c) intangible assets (paragraphs 62–67).
 - (d) operating segments (paragraph 68).
53. Some users ranked these projects as high priority (in alphabetical order):
- (a) discontinued operations and disposal groups (paragraphs 69–71).
 - (b) discount rates (paragraphs 72–73).
 - (c) going concern (paragraphs 74–75).
 - (d) income taxes (paragraphs 76–77).
 - (e) interim financial reporting (paragraphs 78–79).
 - (f) negative interest rates (paragraphs 80–81).
 - (g) other comprehensive income (paragraph 82).
 - (h) pollutant pricing mechanisms (paragraph 83).
54. A few users ranked the following projects as high priority (in alphabetical order):
- (a) borrowing costs.
 - (b) commodity transactions.
 - (c) employee benefits.
 - (d) expenses—inventory and cost of sales.
 - (e) foreign currencies.
 - (f) government grants.
 - (g) inflation.
 - (h) separate financial statements.
 - (i) variable and contingent consideration.
55. Many other users said that the areas listed in paragraph 53–54 may need improvements, but indicated they would affect only a small number of companies and are of lower priority compared to other projects.

Project rated as high priority by most users*Statement of cash flows and related matters*

56. Most users said a project on the statement of cash flows and related transactions is a high priority for them. These users said that any project should address the issues identified and described in [paragraphs B76–B79 of the Request for Information](#). Some of these users shared additional concerns and suggested solutions:

- (a) a user representative group said it may not be necessary to require that companies present a statement of changes in net debt but there is a need for a standardised definition and improved disclosure requirements of a company's gross debt.
- (b) some users, mainly from North America, said the Board should consider whether companies that present operating cash flows using the indirect method, should also be required or encouraged to present operating cash flows using the direct method. These users expressed the view that the indirect method fails to provide users with some decision-useful information that would be provided under the direct method—for example, cash collected from customers.
- (c) a user representative group said the requirement to present a statement of cash flows for financial institutions should not be removed, because it provides some useful information (such as cash flows relating to dividend payments, capital issued and repaid, and acquisitions and disposals). There may be some improvements needed but a project to develop a statement of cash flows specifically for financial institutions would only be a medium priority.
- (d) some users said the Board should develop better disclosure requirements that would provide disaggregated information about working capital, non-cash movements, restricted cash and income taxes. This information would enable users to calculate some commonly used cash flow measures, such as free cash flows.
- (e) one user said entities should be required to disclose the fair value of all share-based payments, including share-based payments in mergers and acquisitions. These payments are cash-like—that is, they are used to fund investments in

acquisitions—and users would like to include them in their calculations of free cash flows. This cash flow measure is intended to provide an indication of cash generated by a company after considering all its investment needs, including share-based payments.

Projects rated as high priority by many users

Climate-related risks

57. Many users said a potential project on climate-related risks is a high priority. They expressed appreciation to the Board for the recently published article and educational material on the effects of climate-related matters on financial statements.³ They said these materials were helpful but in their observation of reporting practices, they believe there is still inconsistent application of the requirements. They suggested the Board consider how it can best ensure that the requirements are implemented consistently by companies in their financial statements and said:
- (a) addressing deficiencies in disclosure requirements should be a higher priority than making changes to recognition and measurement requirements for assets and liabilities.
 - (b) it is unclear to users whether identified deficiencies and inconsistencies are due to non-compliance with existing requirements or due to actual gaps in the Standards.
 - (c) climate-related risks will be an important matter for the ISSB. The Board, however, needs to consider which disclosure requirements should be developed by the ISSB and which should be developed by the Board. Consistency between the requirements in IFRS Standards and IFRS Sustainability Disclosure Standards will be crucial.
 - (d) it would be useful if companies were required to disclose whether and how climate-related risks have been considered in testing assets for impairment, fair value measurements, expected credit losses and depreciation, or factored in to sensitivity analysis. In this user's view, Amendments to the disclosure

³ See footnote 1 to paragraph 8.

requirements in IAS 1 *Presentation of Financial Statements* and IAS 36 *Impairment of assets* to explicitly require information about climate-related risks would be a smaller project than the project described in the Request for Information.

58. Some users, mainly from North America, said a potential project on climate-related risks is a medium priority. In their view:
- (a) careful consideration is needed about which disclosures should be developed by the Board and which by the ISSB.
 - (b) disclosures about climate-related risks would fit better in a management commentary rather than financial statements.
 - (c) climate-related risks are difficult to quantify and describe.
 - (d) there is a need for consistently reported information on climate-related risks and their effect on, for example, impairment of assets and fair value measurements.
59. One user survey respondent from North America said this project is a low priority. In this respondent's view, this area has attracted attention because of the actions of some people who appear to lack sufficient expertise and understanding about this matter's underlying facts and science.

Cryptocurrencies and related transactions

60. Many users rated this potential project as high priority. Some users provided detailed comments and said:
- (a) current requirements to classify cryptocurrencies as intangible assets are not fit for purpose—users need information about the fair value of these assets. One possible solution would be to permit cryptocurrencies to be measured at fair value through profit or loss. However, cryptocurrencies should not be classified as cash and cash equivalents unless they are issued by central banks. Other users based in Asia said that cryptocurrencies are different from financial assets because they have much higher volatility and there is a ban on trading cryptocurrencies in some jurisdictions.

- (b) companies' holdings in cryptocurrencies may be growing. Given the high risks associated with these assets, the Board could consider a threshold for requiring disclosures about cryptocurrencies—for example, more than insignificant holdings.
 - (c) cryptocurrency mining can be energy-intensive, so better information is needed to help users assess the environmental impacts of cryptocurrencies and activities relating to this class of assets.
 - (d) cybersecurity attacks on companies have soared over the past few years and companies subject to these attacks are often required to make payments in cryptocurrencies, which enable hackers to easily hide the illegal source of funds. Thus, more disclosure requirements on cryptocurrency transactions are needed to help users better assess and understand the risks associated with these assets.
 - (e) these are new and complex assets—they may be a combination of currency, value storage, programmable money, smart contracts platforms and involve advanced technology.
61. A few user survey responses, mainly from North America, who ranked a potential project on cryptocurrencies as low priority said:
- (a) this is a passing fad.
 - (b) existing requirements already determine the accounting for this class of assets.
 - (c) cryptocurrencies are currently of little relevance.

Intangible assets

62. Many users said a project on intangible assets is a high priority. There was mixed feedback about the scope of that project. Some users expressed support for more recognition of internally generated intangible assets. However, more users expressed support for better disclosures about unrecognised intangible assets. Some of these users said that measuring the value of these assets is their task.
63. Some users said the Board needs to comprehensively review IAS 38 *Intangible assets*. They commented on the need to:

- (a) reconsider the scope of the Standard because there are new classes of assets (such as cryptocurrencies and emission trading rights) that would be better addressed within the scope of another Standard.
 - (b) reconsider recognition and measurement requirements, because intangible assets are the largest asset class for many companies, but their valuation has not received enough attention. In addition, requirements for the recognition and measurement of internally generated intangible assets make companies that grow through acquisitions look better than those that grow organically.
 - (c) develop separate requirements for intangible assets held for trading.
64. Some other users said there is too much focus on the recognition and measurement of unrecognised internally generated intangible assets and they strongly opposed lowering the threshold for recognition of these assets. These users said the goal of investors is to value the enterprise, and then allocate this value to the debt and equity instruments that they can purchase. Users do not need information about the value of individual intangible assets, because in most cases these assets cannot be sold separately.
65. Some users said the Board could develop better disclosure requirements about recognised and unrecognised intangible assets. Qualitative information would be a useful link between financial and non-financial reporting. However, the boundary between the work of the Board and the ISSB should be defined. Some of these users said qualitative information may not be enough and the Board should consider developing disclosure requirements that would provide qualitative and quantitative information.
66. Some users said better disaggregation of expenses in the statement of profit or loss would best address concerns about accounting for unrecognised intangible assets. They said in the past selling, general and administrative (SG&A) expenses were mainly fixed costs, unrelated to growth. Currently, many companies report significant amounts of SG&A expenses which are variable and closely relating to growth. Users want to know how much is being spent on the growth-related parts of SG&A such as marketing and promotional spend, information technology and training. If these were required line items (if material), then users would have a much better picture of the

cost structure of the business and would be able to capitalise some, or all, of these expenses to come up with their own definition of invested capital.

67. Rather than focusing on a review of IAS 38, a few users said the Board should review the requirements of IFRS 3 *Business Combinations*. They said the requirement to measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value is costly for preparers to apply and distorts trends. They said these accounting requirements do not serve users and applying predecessor accounting would provide better information. Some of these users suggested the Board require companies to disclose internally generated and acquired intangibles separately, noting that many companies already do so. One user from Asia suggested the Board undertake a comprehensive review of IAS 38 and IFRS 3 as part of its Goodwill and Impairment project and propose consistent amendments to both Standards.

Operating segments

68. Many users said a project on operating segments is a high priority. Many of these users said more granular and comparable information is needed and expressed support for potential solutions described in [paragraphs B60–B62 of the consultation document](#). Some of these users provided additional comments:
- (a) a few user representative groups said the convergence with US GAAP resulted in a major loss of usefulness of segment reporting and the post-implementation review of the Standard was a missed opportunity to make improvements.
 - (b) some user representative groups said the perspective of a chief operating decision maker does not provide useful information, because segment reporting should focus on users' needs; previous approaches based on risks and returns provided more granularity and comparability between the periods.
 - (c) a few user representative groups said one possible solution to overcome the shortcomings of the Standard would be to permit segment reporting from several perspectives—for example, geographic area, product, technology, customer type, domestic operations, foreign operations.

- (d) a user representative group said in the Primary Financial Statements project, the Board proposes to require additional subtotals in the statement of profit or loss and these subtotals should also be presented by segment.

Projects rated as high priority by some users

Discontinued operations and disposal groups

- 69. Some user comment letters from Europe ranked this project as high priority because improvements in this area would affect many companies. These users expressed the following views:
 - (a) IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* makes financial statements complex and does not provide meaningful information to users;
 - (b) non-current assets when classified as held-for-sale are not depreciated or amortised, which is counter-intuitive; and
 - (c) disposal groups classified as held for sale are still controlled by the entity but are presented in a single line item in primary financial statements.
- 70. Some other users who ranked this project as medium priority raised concerns that a post-implementation review of the Standard may not improve the requirements and said a comprehensive review of IFRS 5 may be needed.
- 71. Another user’s view was that non-current assets held for sale and discontinued operations lack importance for a company’s future operations, so the project should be a low priority.

Discount rates

- 72. Some users said a project on discount rates is a high priority because discounting is a pervasive issue that affects all companies with medium to long-term debt, often with a material impact on their financial statements. A user representative group also said:
 - (a) the determination of discount rates is too subjective and can easily be used to manipulate financial position and performance; and
 - (b) the use of discount rates in excess of risk-free rates is rejected by all financial economists.

73. Some other users acknowledged that a more consistent approach to discount rates in IFRS Standards may reduce complexity and increase comparability but suggested there are other more important projects for the Board to focus on. Comments from these users included:

- (a) there needs to be a consistent approach to determining discount rates in all IFRS Standards—for example, by establishing clear principles for how to determine discount rates and apply these principles to all IFRS Standards.
- (b) the Board should develop better disclosure requirements about discount rates that companies use. That would enable users to make their own assessment of the reasonableness of discount rates used by the company and potentially recalculate assets and liabilities on the balance sheet in their own models.

Going concern

74. Some users who rated a potential project on going concern as high priority commented on the need for enhanced specific disclosure requirements about the going concern assumption. In these users' view:

- (a) better, audited, information about the ability of an entity to refinance its debt over the next 12 months would be helpful.
- (b) insolvency risks are often ignored.

75. Some other users who rated a potential project on going concern as medium priority provided similar comments, but said there are more important projects for the Board to take on. A user commented that, in practice, most companies that fail are reorganised rather than liquidated and that liquidation accounting for companies that are reorganised is not helpful for investors.

Income taxes

76. Some users ranked a potential project on income taxes as high priority. Some of these users commented that corporate income taxes have come under greater scrutiny by regulators, users and civil society. They said they need more effective disclosure requirements (such as disaggregation of income tax paid by jurisdiction) to help them better understand companies' exposures to potential changes in tax legislation and the global tax risk these companies may face.

77. Another user said it would be helpful to require granular disclosure of tax paid to help users understand which periods the cash payment relates to and reconcile income tax paid to the income tax expense presented in the statement of profit or loss.

Interim financial reporting

78. Some users said a project on interim financial reporting is a high priority and the Board should consider:
- (a) amending IAS 34 *Interim Financial Reporting* to require the same structure for the primary financial statements in interim financial reports as in the annual financial statements; and
 - (b) developing more effective disclosure requirements to provide an update on the latest complete set of annual financial statements.
79. A few users who ranked this project as medium priority said the Board should clarify what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment. One of these users also said interim financial statements often include insufficient details about the impact of any new Standard or major amendment. If entities cannot provide the exact impact, they should be required at least to provide a range of the expected impact of a new Standard.

Negative interest rates

80. Some users who rated this potential project as high priority said:
- (a) negative interest rates create practical valuation challenges for entities and users.
 - (b) specific accounting requirements are needed because negative interest rates are expected to remain present in many economies for some time.
 - (c) the use of negative interest rates may lead to under-pricing of risks, excessive risk-taking and potentially system-wide disruptions to financial markets.
81. Some other users rated this potential project as medium priority. A few that commented expressed concerns about the treatment of the resulting income and expense when financial assets and financial liabilities have negative interest rates. One of these users disagreed with the IFRS Interpretations Committee agenda decision on

the implications of negative effective interest rates for the presentation of income and expenses in the statement of profit or loss.⁴

Other comprehensive income

82. Some users said a project on other comprehensive income is important. They commented that there is lack of conceptual basis for the recognition of some items of income and expenses in other comprehensive income. They also do not understand why some of these items are subsequently recycled, whereas some others are not.

Pollutant pricing mechanisms

83. Some users said a project on pollutant pricing mechanisms (PPM)—such as carbon taxes, emission trading schemes and carbon offset credits—is a high priority, because a significant number of listed entities in many jurisdictions and industries engage in transactions involving PPM. Comments from these users included:
- (a) the ISSB will immediately focus on climate-related financial disclosures but there are some important areas of shared relevance with the Board; PPM are just one example where there is a need for a well-coordinated approach with the ISSB.
 - (b) governments will increasingly use PPM to meet their net-zero ambitions. As a first step, the Board should address some of the most popular mechanisms, such as emission trading schemes.
 - (c) during the covid-19 pandemic, production levels decreased for many entities, resulting in correspondingly reduced emission levels. Many entities can sell surplus allowances but without specific accounting requirements in IFRS Standards, there has been a great diversity in the way companies report and value these tradeable emission allowances.

⁴ See: <https://cdn.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/ias-39-ias-1-january-2015.pdf>.

Other financial reporting issues suggested to the Board

84. Some users suggested other projects for the Board to consider, not necessarily as a high priority. In all cases, those potential projects were suggested by one or a few users. These other suggestions are that the Board:
- (a) develop enhanced disclosure requirements about management remuneration;
 - (b) review the requirements in IFRS 3 *Business Combinations*, 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) (see paragraph 67);
 - (c) 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, coupon, etc), assets pledged as security and restrictions on cash;
 - (d) develop disclosure requirements about human capital;
 - (e) develop enhanced disclosure requirements about non-controlling interests and associates;
 - (f) 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;
 - (g) review the requirements for share-based payment transactions, focusing on share options granted to employees;
 - (h) review the requirements in IFRS 9 *Financial Instruments* to provide more granular quantitative and qualitative information about amounts arising from expected credit losses;
 - (i) review IFRS 16 to consider alignment with US GAAP;
 - (j) review IAS 19 *Employee Benefits*, including considering alignment with some aspects of US GAAP; and
 - (k) develop guidance on the reporting and disclosure of the factoring of receivables.

Other comments

85. Users generally agreed that the Board should prioritise existing projects and emphasised the importance of the Primary Financial Statements project.
86. A few users from North America said more Board members and technical staff with an investor background could help the Board issue Standards that would better meet investors' needs.
87. One user comment letter identified themes that could underpin the Board's work plan and activities over the next five years:
- (a) connectivity between the Board and the ISSB;
 - (b) co-ordination with FASB; and
 - (c) non-GAAP metrics.
88. One user survey response from North America said the Goodwill and Impairment project should focus on developing a more robust model for earlier recognition of impairment.
89. A few users said the implementation of IFRS 16 *Leases* has resulted in the creation of some new non-GAAP measures (such as EBITDA post-IFRS 16, EBITDA pre-IFRS 16), structuring opportunities and added to the complexity in analysing and understanding companies' performance. They suggested the Board seek users' views on what improvements to the disclosure requirements in this Standard are needed.

Question for the Board

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