
International Accounting Standards Board (IASB)'s technical activities' update

Ana Simpson IASB Technical Staff
JIAR conference June 2023

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Agenda

- Overview of current work plan
- Update on major projects
- Connectivity between the IASB and the International Sustainability Standards Board (ISSB)
- Research opportunities related to the IASB's standard-setting agenda



Overview of current work plan



Consultations

Comments due 

Recently published

Exposure draft proposing amendments to *IFRS for SMEs Accounting Standard*, International Tax Reform—Pillar Two Model Rules

17 Jul 2023

Exposure draft proposing narrow-scope amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*

19 Jul 2023

Request for information on PIR of IFRS 9—*Impairment*

27 Sep 2023

Forthcoming

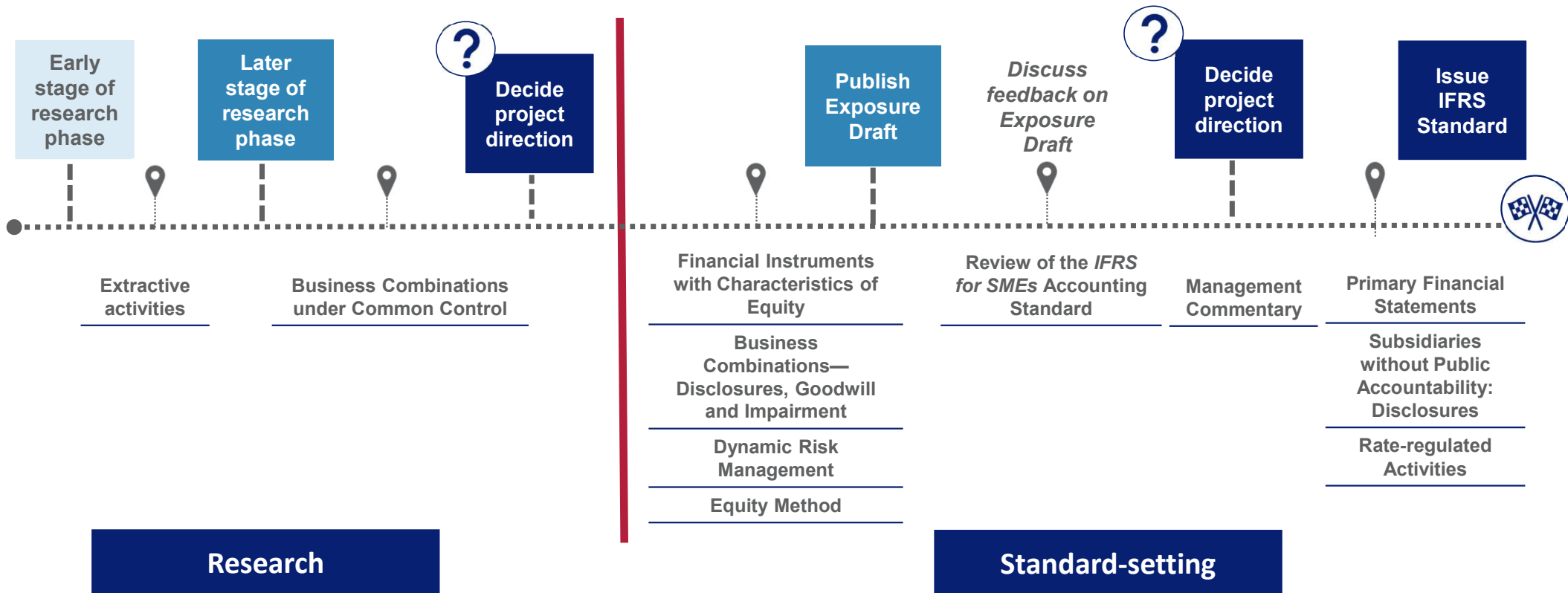
Expected Q2 2023:

- Request for information on PIR of IFRS 15 —*Revenue from Contracts with Customers*

Expected H2 2023:

- Exposure draft proposing amendments to IAS 32 *Financial Instruments with Characteristics of Equity*

Current projects are in different stages

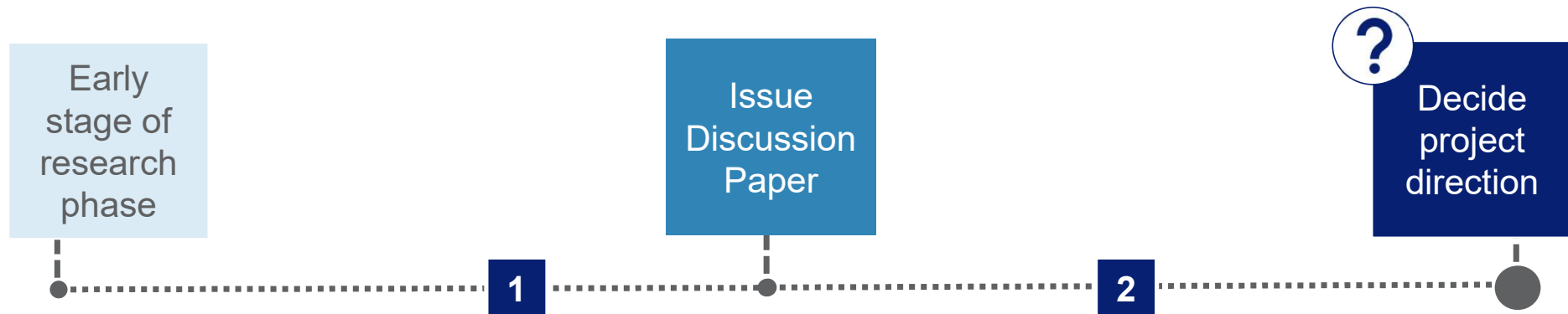


Update on major projects



Research projects

Overview: research projects



1 **Extractive Activities**

2 **Business Combinations under Common Control**

Extractive Activities

Objective

- Provide more useful information about exploration and evaluation expenditure and activities accounted for applying IFRS 6 *Exploration for and Evaluation of Mineral Resources* by improving the transparency and comparability of this information

Project scope

- Explore developing requirements or guidance to improve a company's disclosures about its exploration and evaluation expenditure and activities
- Explore removing the temporary status of IFRS 6

Next steps

- Decide project direction

Business Combinations under Common Control

Objective

- Develop reporting requirements to reduce diversity in practice and improve transparency

Project update

- In April 2023 the IASB discussed whether the current project direction is likely to result in the project moving into the standard-setting phase in the future

Next steps

- Decide project direction

Post-implementation reviews

Post-implementation reviews

Recently completed

PIR of IFRS 9—Classification and Measurement

PIR of IFRS 9—Impairment

Ongoing

PIR of IFRS 15 *Revenue from Contracts with Customers*

PIR of IFRS 16 *Leases*

Forthcoming

PIR of IFRS 9—Hedge Accounting

PIR of IFRS 9—*Financial Instruments*: Impairment

Objective

- Assess the effects on stakeholders of applying the expected credit losses (ECL) requirements to financial instruments

Request for Information

Examines:

- general approach to recognition of ECL
- significant increases in credit risk
- measurement of ECL
- credit-impaired financial assets
- simplified approach
- loan commitments and financial guarantee contracts
- credit risk disclosures
- interaction with other requirements

Next milestone

- Published Request for Information
- Comment period closes 27 September 2023

PIR of IFRS 15—*Revenue from Contracts with Customers*

Objective

- Assess whether the effects of applying IFRS 15 on users of financial statements, preparers, auditors and regulators are as intended when the Standard was issued

Request for information

Will examine:

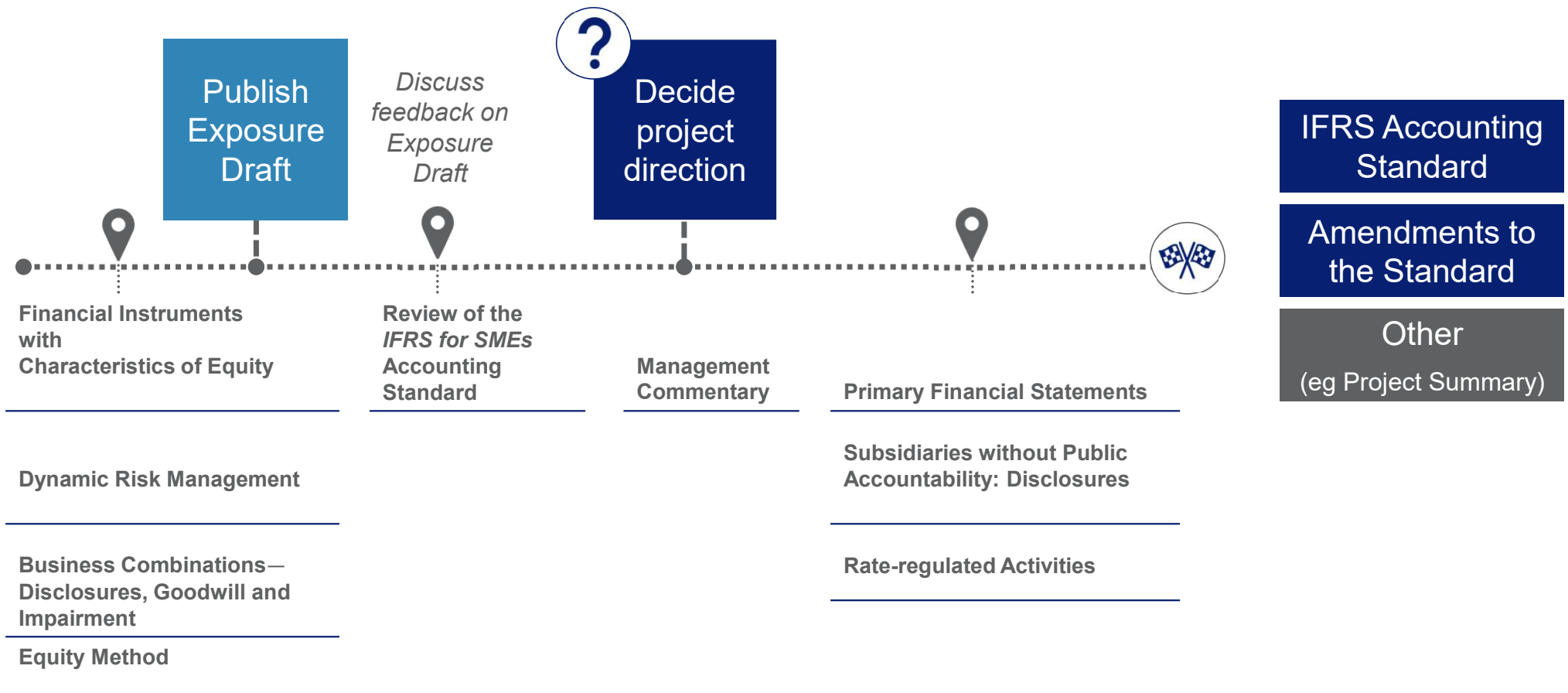
- identifying the performance obligations
- determining the transaction price
- determining the timing of revenue recognition
- principal versus agent considerations
- licensing
- disclosure requirements
- transition requirements
- interaction with other IFRS Accounting Standards
- convergence with US GAAP Topic 606

Next milestone

- Publish Request for Information end of June 2023

Standard-setting projects —Examples

Overview: standard-setting projects



Business Combinations—Disclosures, Goodwill and Impairment

Objective

- Improve information companies provide about their acquisitions at a reasonable cost

Current focus

- A package of disclosure requirements about business combinations (decision on some key aspects made in September 2022)
- Changes to the impairment test of cash-generating units containing goodwill in IAS 36 *Impairment of Assets*

Next milestone

- Publish Exposure Draft

Management Commentary

Objective

- Overhaul IFRS Practice Statement 1—building on innovations in narrative reporting and focusing on capital market needs

Evolving landscape

- Feedback on ED indicated support for the project, in particular from investors
- Calls to work together with the ISSB—the ISSB is consulting on its priorities (comments due on 1 September 2023)
- IASB discussed staff comparison with *Integrated Reporting Framework* and feedback on comparison

Next milestone

- Consider project direction

Primary Financial Statements

Objective

- Improve communication in financial statements
- Focus on information included in the statement of profit or loss

Proposals

- Require additional defined subtotals in statement of profit or loss
- Strengthen requirements for disaggregating information
- Require disclosures about management performance measures

Next milestone

- Issue IFRS Accounting Standard

Subsidiaries without Public Accountability: Disclosures

Objective

- Permit eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements this would simplify the preparation of subsidiary financial statements

Current focus

- Discuss proposals in the Exposure Draft to develop a new IFRS Accounting Standard

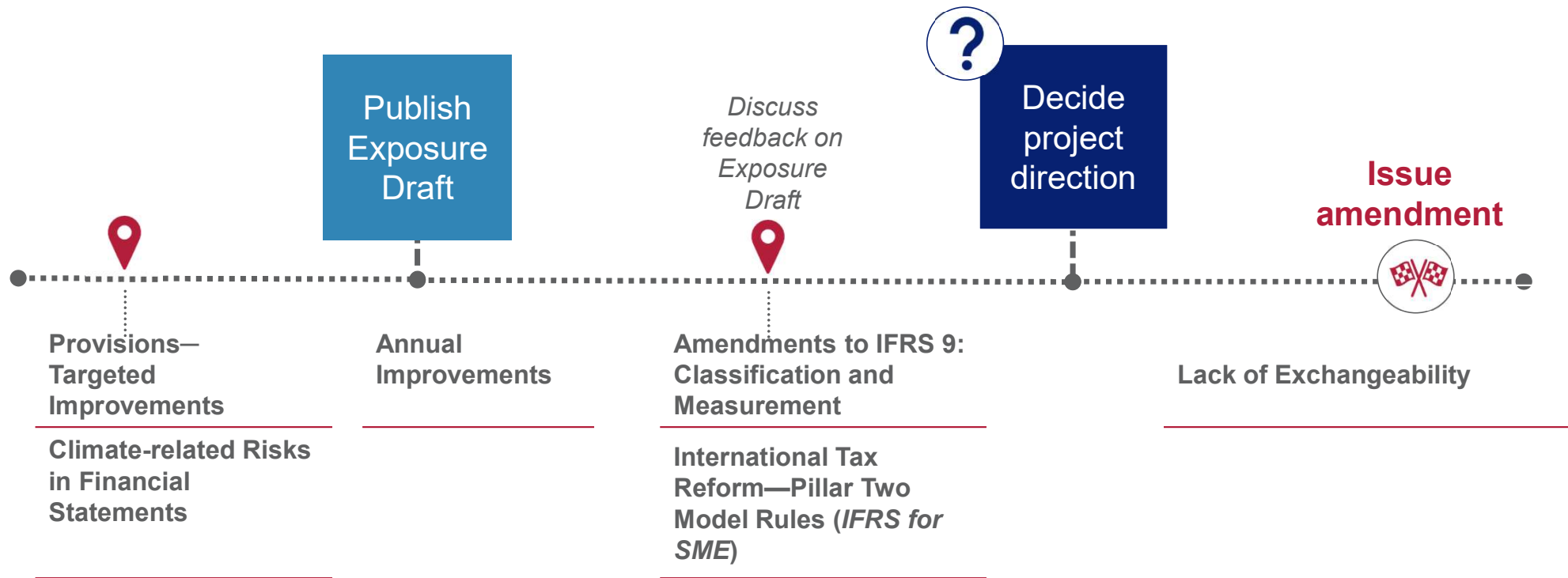
Next milestone

- Issue IFRS Accounting Standard

Maintenance projects— Examples



Overview: maintenance projects



Amendments to IFRS 9: Classification and Measurement

Objective

- Narrow-scope amendments in response to the Post-implementation Review of IFRS 9 *Classification and Measurement*

Areas of focus

- Derecognition of financial liabilities settled through electronic cash transfers
- Contractual cash flow characteristics of financial assets
- Disclosure requirements for equity instruments for which fair value changes are presented in other comprehensive income

Next milestone

- Feedback on Exposure Draft published
21 March 2023
- Comment period closes
19 July 2023

Climate-related Risks in the Financial Statements

Objective

- To explore whether and how financial statements can better communicate information about climate-related risks

Areas of focus

- Research the nature and causes of stakeholder concerns about the reporting of climate-related risks in the financial statements
- Consider possible courses of action, if any
- Consider the work of the ISSB to the extent that it applies to the financial statements

Next milestone

- Review research

Connectivity between the IASB and the ISSB



Feedback from consultations

Importance of connectivity between the Boards



Stakeholders expressed...

- strong support for IFRS Foundation's creation of ISSB in part because of opportunity for connectivity between the IASB and ISSB
- but also sought prioritisation and progress of each board's stand-alone projects

Why is connectivity between the IASB and ISSB important?

Connectivity in **PROCESS**

Examples:

- *Information sharing*
- *Joint IASB-ISSB meetings*

leads to

Connectivity in **PRODUCT**

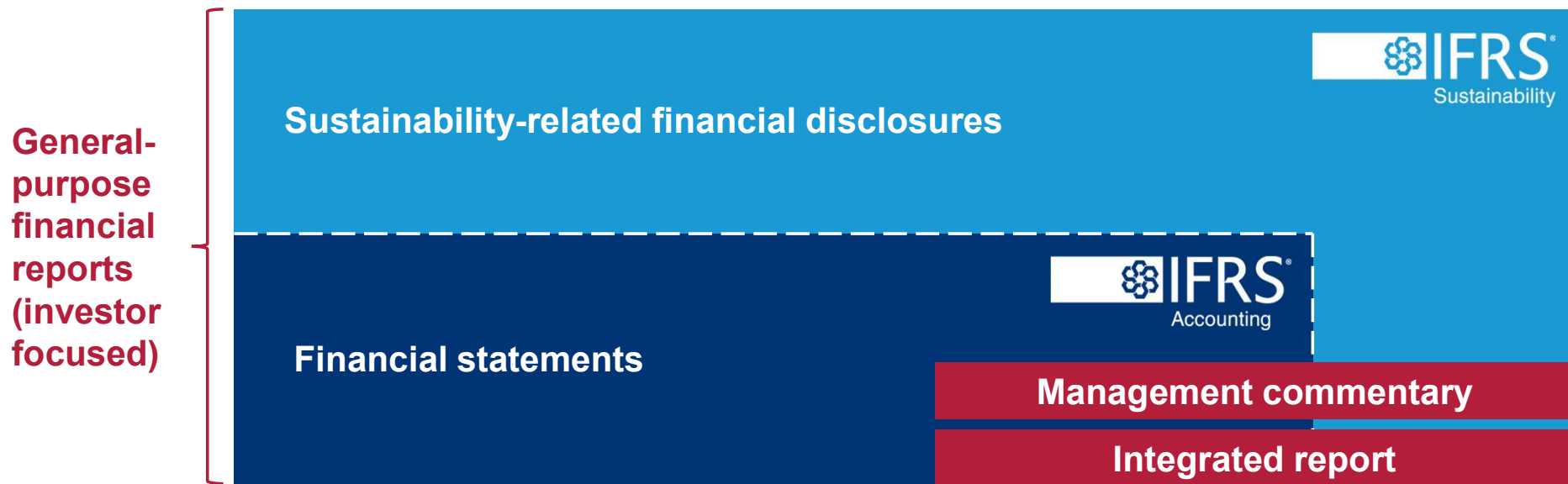
Examples:

- *Shared concepts (eg materiality)*
- *Complementary requirements (eg intangibles)*

leads to

Better general purpose financial reporting
Better information for better decisions

What are general purpose financial reports?



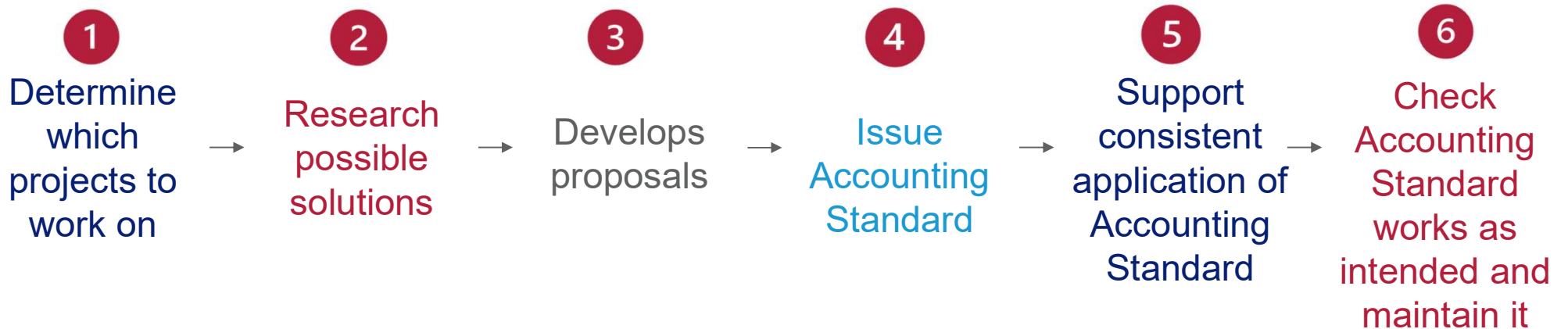
IFRS Standards within the broader reporting landscape



Research opportunities in relation to the IASB's standard-setting agenda



Developing IFRS Accounting Standards



Research and consultation



How does the IASB use academic research?
When is academic evidence considered??

1 Determine which projects to work on: IASB's Third Agenda Consultation feedback

Research project pipeline



Intangible Assets—this project will aim to review IAS 38 *Intangible Assets* comprehensively.



Statement of Cash Flows and Related Matters—as part of the research phase on such a project, the IASB will consider whether the project should aim to review IAS 7 *Statement of Cash Flows* comprehensively or make more targeted improvements

Maintenance project



Climate-related Risks in the Financial Statements—this project will consider whether and, if so, what narrow-scope actions might be needed in relation to accounting for climate-related risks in the financial statements.

Reserve list (if additional capacity becomes available)



Operating Segments



Pollutant Pricing Mechanisms

2 Research possible solutions

The IASB recently considered academic evidence in the research phase of these projects:



Primary Financial Statements

Extractive activities

Business Combinations under Common Control



3 Develop proposals

The Discussion Paper—Business Combinations, Disclosures, Goodwill and Impairment

Objective

To improve the information companies provide to investors, at a reasonable cost, about the acquisitions those companies make

Timeline

Feedback

The Discussion Paper sets out the IASB's preliminary views. In its redeliberations, the IASB decided to focus on developing improved disclosures about business combinations and to investigate further the option to retain the impairment-only model to account for goodwill.

* IFRS 3 introduced the impairment-only approach and replaced IAS 22 which required amortisation.

The IASB considered academic evidence when deliberating the feedback to the Discussion paper

Appendix A—List of academic papers

Agenda ref 18F

May 2021

STAFF PAPER

IASB® meeting

Project	Goodwill and Impairment		
Paper topic	Academic evidence		
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Purpose and structure of this paper

1. This literature review summarises the evidence from academic papers on topics relevant to the questions in the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment*. This literature review is based on:

- (a) an academic literature review that provides an overview of academic papers on empirical goodwill research published in the last 20 years;¹
- (b) additional published and working papers, which were located via Google Scholar, Social Science Research Network (SSRN) and other databases of academic studies;²
- (c) papers sent from academics who participated in the staff’s academic outreach workshop with the European Accounting Association (EAA), the Australian Accounting Standards Board (AASB), and the Advisory Panel of the Canadian Accounting Standards Board that provide additional evidence not included in the sources described in paragraphs 1(a) and 1(b); and

¹ This academic literature review by Amel-Zadeh, Glaum and Sellhorn (2020) was used in an academic workshop organised by the staff and the European Accounting Association to summarise the academic research on goodwill and impairment and obtain feedback from academics on additional academic evidence relevant to the proposals in the Discussion Paper.

² Even though the results of working papers may change prior to publication, working papers were included in this review for the purpose of outlining the scope of goodwill and impairment related topics that researchers have addressed.

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Fraser, I., and Tsalavoutas, I. (2019), 'The Impact of Family Control and Ownership on Earnings Persistence', *Journal of Business Finance & Accounting*, 39 (4), 328-48.

Hares, O. M., and Robertson, J. (2019), 'The Role of Evidence', *Journal of Business Finance & Accounting*, 46 (2), 204.

Hares, O. M., and Haddad, B. (2019), 'The Role of Evidence', *International Journal of Accounting*, 54 (1), 1-10.

Zero: Determinants and the Role of Evidence', *SSRN Electronic Journal*, 2019.

and Falk, H. (2010), 'The Role of Evidence in Accounting Numbers for Section 303(b)', 535-78.

Accounting Earnings and Impairment', *Journal of Business Finance & Accounting*, 17 (3), 377-400.

and Lobo, G. J. (2006), 'The Value-Relevance of Bankruptcy Costs', *Journal of Accounting Review*, 81 (3), 377-400.

et al. (2009), 'The Value-Relevance of Goodwill Impairment Evidence from Goodwill Impairment', *Journal of Business Finance & Accounting*, 36 (1), 1-10.

eks, G. (2019), 'Bidder Earnings and Goodwill Impairment', *Corporate Finance*, 58, 1-10.

eks, G. (2020), *Accounting and the Value of the Merging Firm*.

M., and Sellhorn, T. (2020), 'The Role of Evidence in the Development of Standard Set

6 Check Accounting Standard works as intended and maintain it - Objectives

Literature reviews

PIR of IFRS 15—Revenue from Contracts with Customers

PIR of IFRS 9—Impairment

PIR of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities

Conferences

Joint IASB, FASB and *The Accounting Review* Conference Nov 2022

Special Issues

Application and impact of IFRS 9 Financial Instruments with *Australian Accounting Review* 2022

Corporate Disclosures with *Accounting in Europe* and *British Accounting Review* 2022

Current initiatives



IASB, EAA and EFRAG online workshop on the Post-implementation Review of IFRS 9-Impairment and IFRS 7-Financial Instruments: Disclosures on 30 June



Special Issue Application and impact of hedge accounting requirements with *Accounting & Finance* **Deadline 1 Sep 2023**
[Watch our webinar for academics on this topic](#)



2023 IASB Research Forum in conjunction with *European Accounting Review* and *Accounting in Europe* – 2-3 November at IESEG School of Management in Paris



Open call for papers: 2024 IASB Research Forum with *Abacus* – 4-5 November at University of Sydney, Australia

Academic engagement

Follow IASB's work plan changes
(<https://www.ifrs.org/projects/work-plan/>)

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Relevant Research



Research helpful if it provides evidence to assess whether outcomes are in line with expectations



Sample—Which companies have been affected by the Accounting Standard?



Review of

- Financial statements
- Investor and analyst reports
- Publications of accounting firms
- Academic literature



Interviews
/Surveys
/Experiments

- Preparers, auditors and regulators
- Investors and analysts

Wider stakeholder engagement



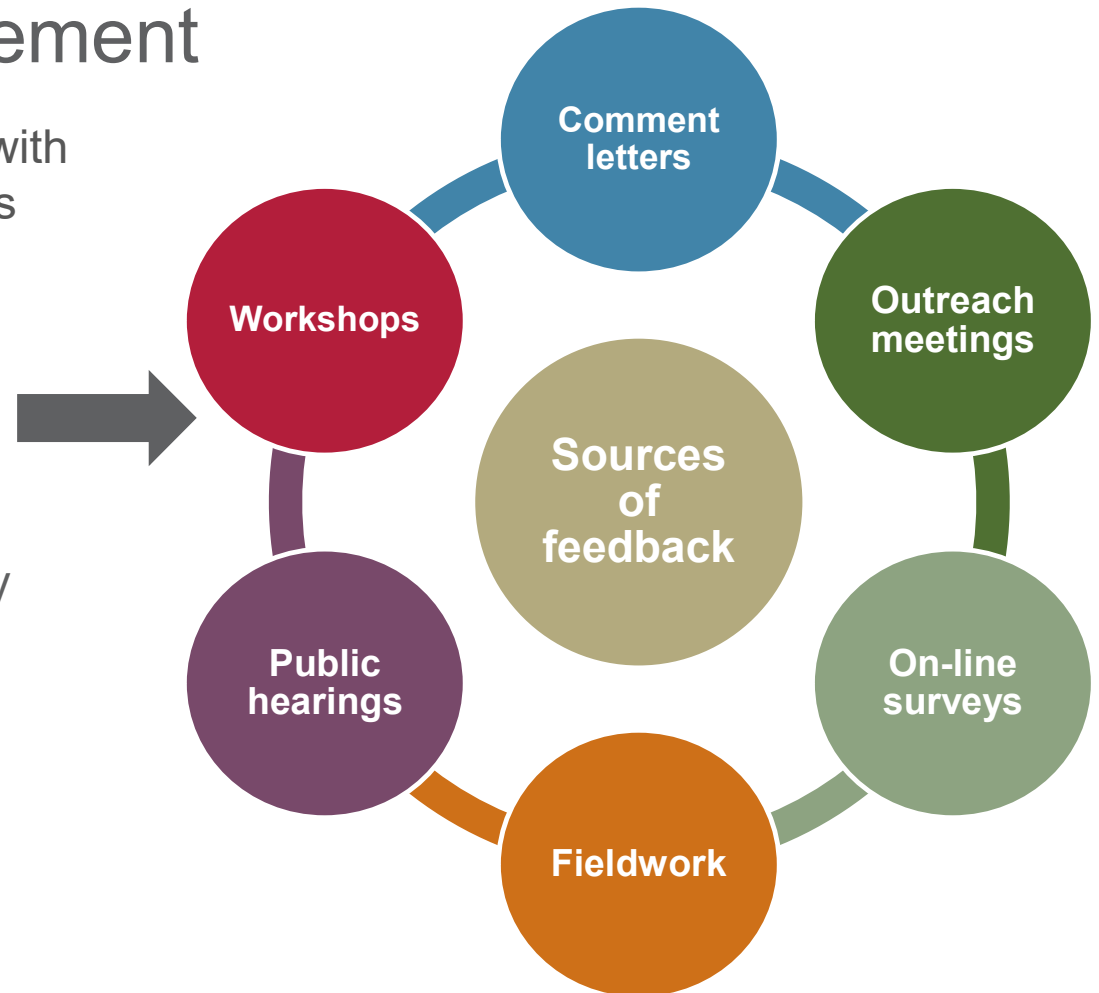
Wide, transparent consultation with informed stakeholders enhances the quality of IFRS Standards



Consultation can be carried out through various means



Comment letters are the primary tool to obtain feedback. They provide considered, public responses to formal consultations. Comment letters are made public on the relevant project page within five working days of submission.



Write a comment letter to the IASB – demonstrate impact!



Letters are received and posted on public website



Q1

Q2

Q3

Letters are read and their content is 'coded'



Feedback is analysed and summarised



Analysis and summary is reported to the IASB at a public meeting



IASB deliberates the feedback received

1000+ comment letters can be received over the course of a single project!

What makes a good comment letter?

- Responds to the questions as stated
- Specifies the paragraph(s) to which they relate
- Contains a clear rationale for the views expressed and provides related evidence
- Identifies any wording in the proposals that is difficult to translate, and
- Includes any alternatives that the IASB should consider, if applicable.

Comment letters need not answer all the questions in a consultation to provide helpful input.

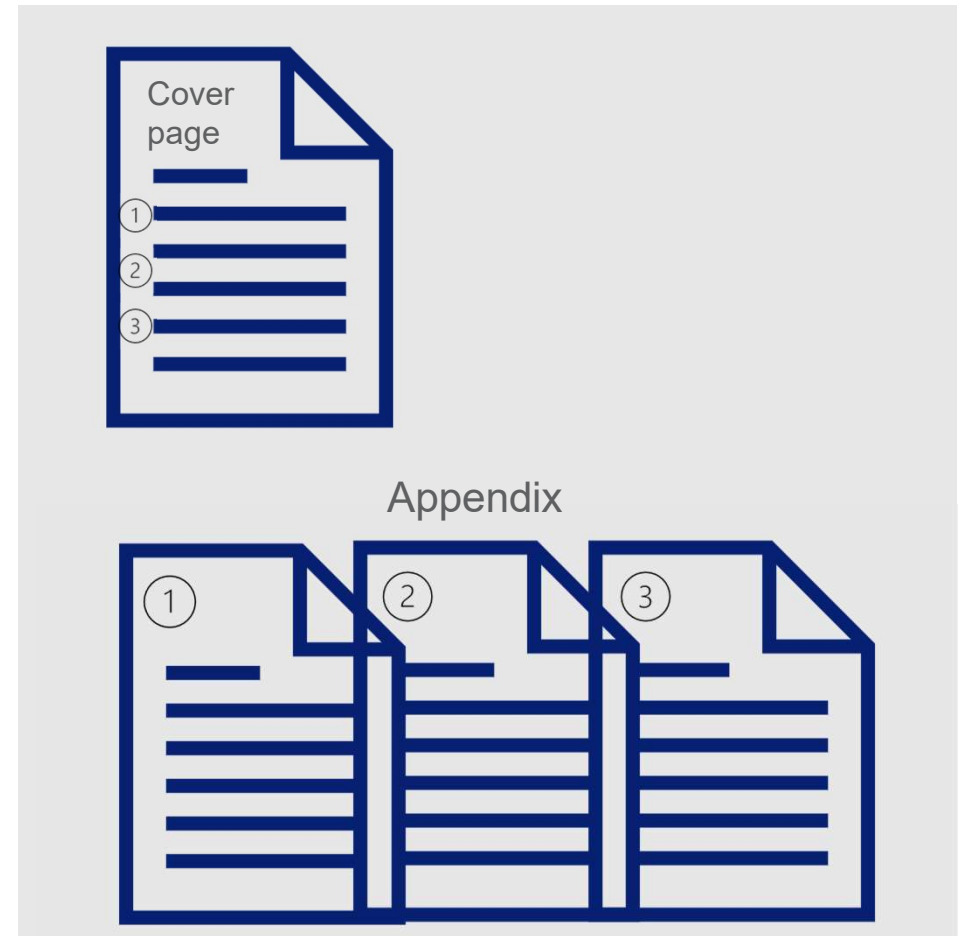
Good comment letters by academics include

- Balanced citations of academic literature (both evidence in support and against the views expressed)
- Explanation of why arguments in support outweigh arguments against the views expressed
- Recommendation to the IASB.

14 comment letters from academics were submitted to the Discussion paper: *Business Combinations—Disclosures, Goodwill and Impairment*

Good comment letters are structured well

- In IFRS Foundation' experience, most effective comment letters have:
 - A cover page summarizing the main points
 - A detailed analysis in an appendix
 - Clearly separated answers to the questions in the consultation
- When a letter is well structured the strength of the argument and quality of the analysis comes through much more.



Earlier in the process

The IASB seeks feedback from stakeholders throughout the project



Research phase

Define the problem

Discussion paper (DP)

Identify and evaluate options

Exposure draft (ED)

Evaluate proposed model

Final Standard

Implementation activities

The earlier in the process that we receive input...the more likely it is to affect the outcome!

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Disclosure of operating expenses by nature in the notes

Statement of profit or loss	20X2 ¹		Disclosure of operating expenses by nature (illustrating depreciation and employee benefits) ²	20X2 ¹
Revenue	3000		Depreciation	(400)
Cost of goods sold	(600)		<i>Cost of goods sold</i>	<i>(150)</i>
Gross profit	2400		<i>Selling expenses</i>	<i>(150)</i>
Other income	500		<i>Research and development expenses</i>	<i>(50)</i>
Selling expenses	(400)		<i>General and administrative expenses</i>	<i>(50)</i>
Research and development expenses	(300)		Employee benefits	(500)
General and administrative expenses	(200)		<i>Cost of goods sold</i>	<i>(200)</i>
Impairment losses on trade receivables	(100)		<i>Selling expenses</i>	<i>(100)</i>
Operating profit	1900		<i>Research and development expenses</i>	<i>(150)</i>
			<i>General and administrative expenses</i>	<i>(50)</i>

¹ Comparative reporting period not depicted in example for simplification purposes

² Amortisation, impairment losses and write-down of inventory not illustrated

What are MPMs?

Performance measures

Non-Financial performance measures

For Example:

- Number of subscribers
- Customer satisfaction score
- Store surface

Financial performance measures

(Sub)totals of income and expenses

IFRS-Specified For example:

- Operating profit
- Operating profit before depreciation amortisation and specified impairments

MPMs

For example:

- Adjusted profit or loss
- Adjusted operating profit
- Adjusted EBITDA

Other measures that are not subtotals of income/expenses

For example:

- Free cash flow
- Return on equity
- Net debt
- Same-store sales

Applying the 3 steps: Example 2—Net zero commitment

In 20X0, a manufacturer publicly announces its commitment to become 'net zero' by 20X5.

It announces it will:

- a) immediately start changing its processes with the aim of reducing its greenhouse gas emissions by at least 60% by 20X5; and
- b) in 20X5 and thereafter, offset any remaining emissions by paying the forestry commissions of specified countries to plant trees.

Is the present obligation criterion satisfied at 31 December 20X0?

