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

Anne McGeachin IASB Technical Staff
Ana Simpson IASB Technical Staff
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Agenda

- Overview of current work plan
- Update on major projects
- Update on Primary Financial Statements project
- Research opportunities related to the IASB's standard-setting



Overview of current work plan



Forthcoming Consultations

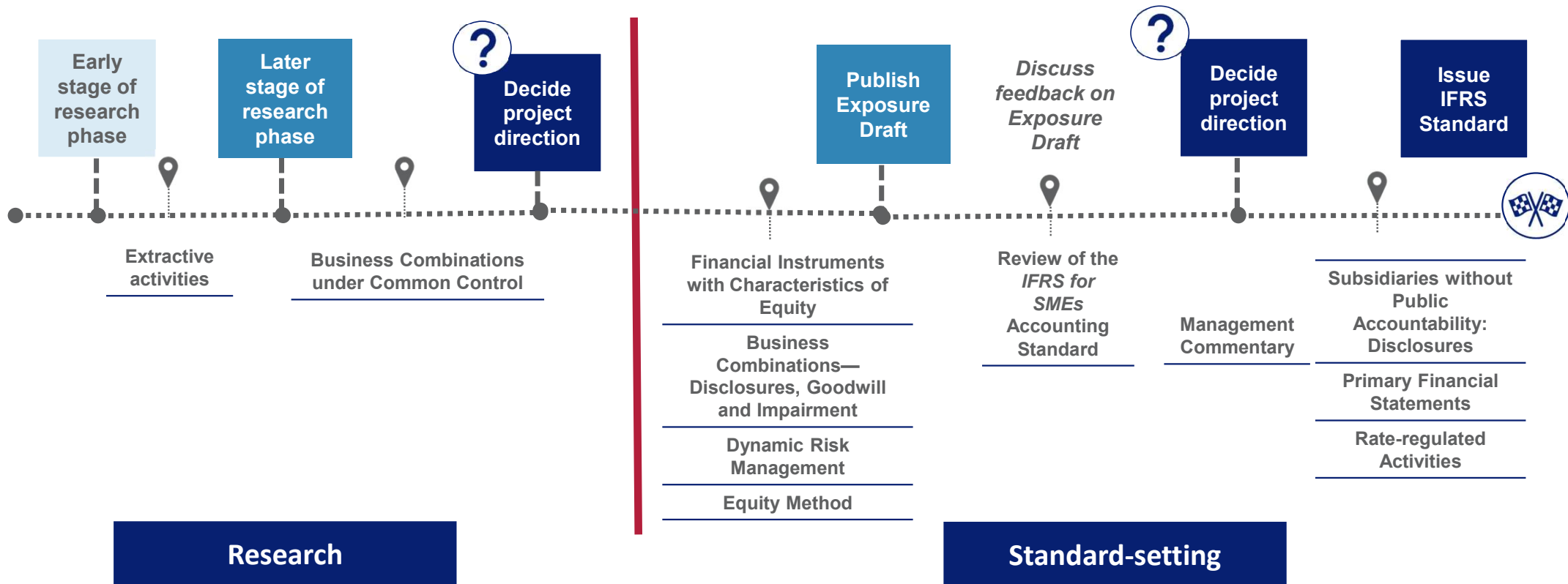
Expected Q2 2023:

- Exposure draft proposing amendments to *IFRS for SMEs Accounting Standard*
- Amendments to the IFRS for SMEs Accounting Standard—International Tax Reform—Pillar Two Model Rules
- Request for information on PIR of IFRS 9—*Impairment*
- 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

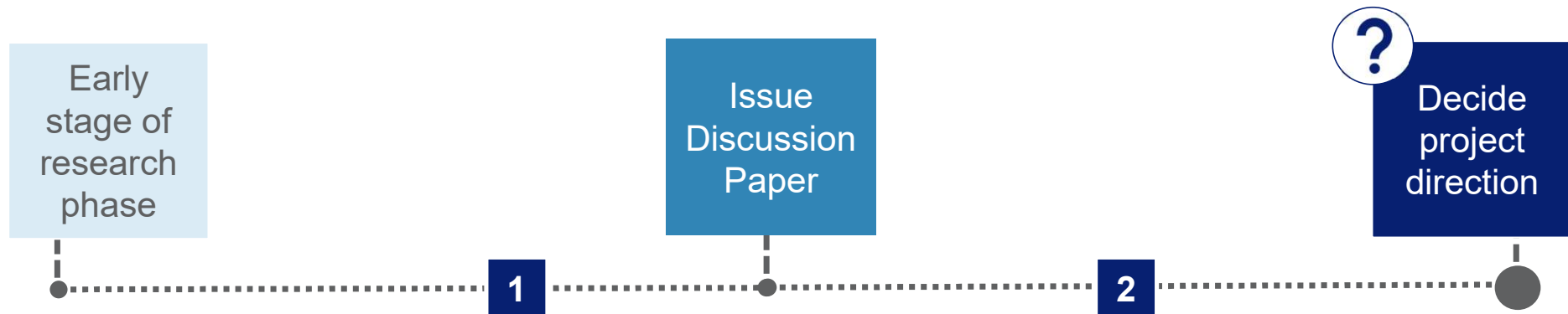


Update on major projects



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

Will examine:

- 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

- Publish Request for Information May 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:

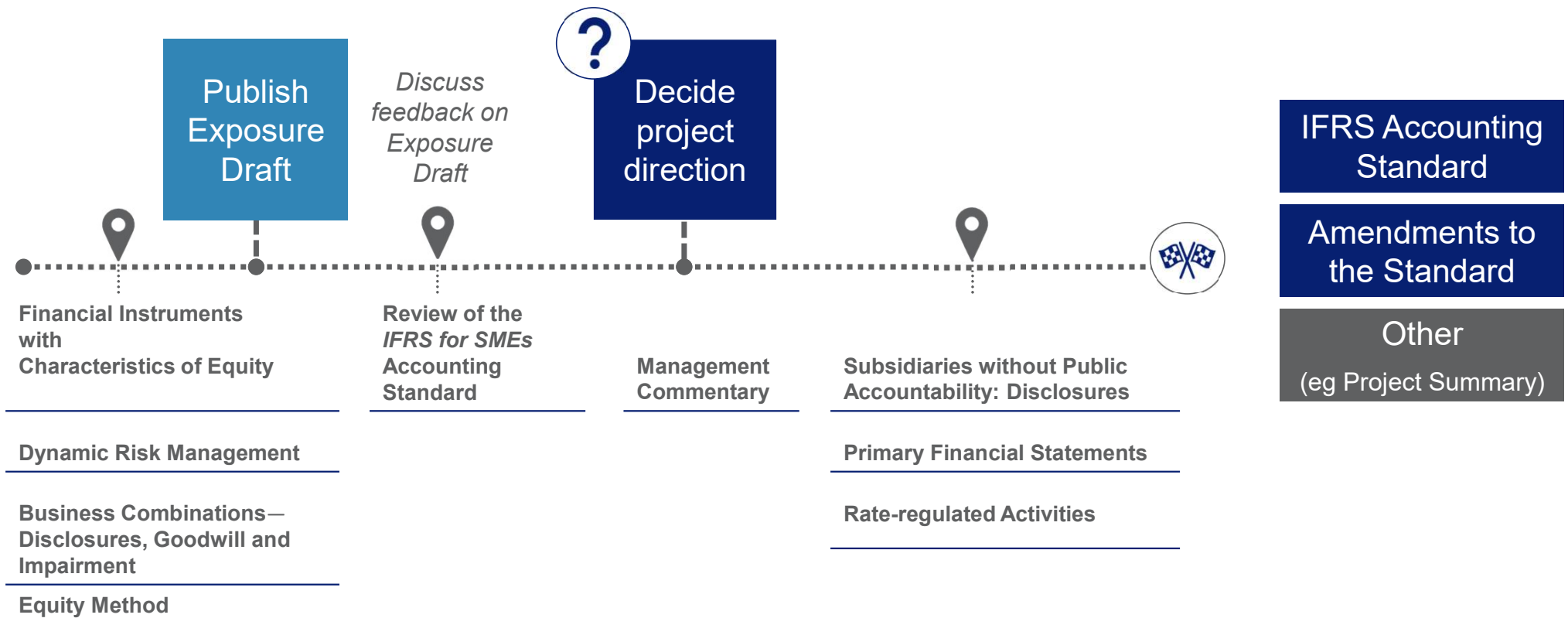
- identifying the performance obligations
- determining the transaction price
- determining the timing of revenue recognition
- principal versus agent considerations
- licensing
- disclosure requirements
- transition requirements
- interaction with other IFRS Accounting Standards
- convergence with US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

Next milestone

- Publish Request for Information expected Q2 2023

Standard-setting projects

Overview: standard-setting projects



Financial Instruments with Characteristics of Equity

Purpose

- Improve the information that companies provide in their financial statements about financial instruments that they have issued
- Address challenges with applying IAS 32 *Financial Instruments: Presentation*

Approach

- Clarify IAS 32 classification principles to address practice issues (eg classification of financial instruments settled in the issuer's own equity instruments)
- Provide classification guidance and illustrative examples
- Improve presentation and disclosure

Next milestone

- Publish Exposure Draft

Dynamic Risk Management

Objective

- Develop an accounting model to better reflect the effect of dynamic risk management in a company's financial statements

DRM model

- A DRM adjustment is recognised in the statement of financial position to represent the extent to which the designated derivatives successfully mitigated the variability in both the fair value of and the net interest income from the risk mitigation intention, and achieved the entity's target profile

Next milestone

- Further discussions on the DRM model

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

Equity Method

Objective

- To develop answers to application questions about the equity method, as set out in IAS 28 *Investments in Associates and Joint Ventures*, using the principles derived from IAS 28, where possible

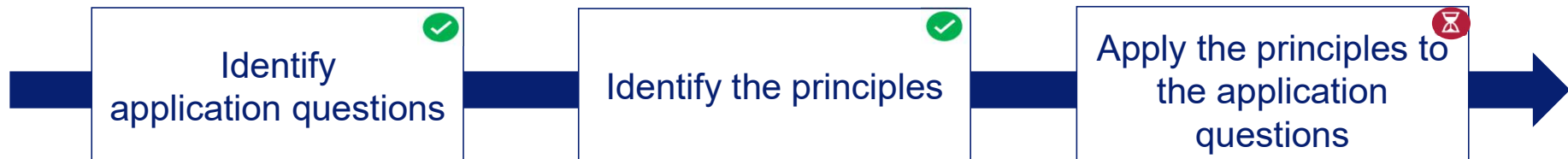
Project update

Ownership changes ✓	Deferred taxes ✓
Recognition of losses ✓	Impairment
Transactions with (and between) equity accounted investments ✓	Contingent consideration

Next steps

- Discuss remaining application questions
- Discuss any implications of applying IASB tentative decisions to investments other than those in associates

Project approach



Review of the *IFRS for SMEs* Accounting Standard

Objective

- Update the *IFRS for SMEs* Accounting Standard to reflect improvements made in full IFRS Accounting Standards (in the scope of the second comprehensive review) while keeping the simplicity of the Standard

Approach

- Apply ‘alignment approach’ to update the *IFRS for SMEs* Accounting Standard
- The alignment approach uses the principles of relevance to SMEs, simplicity and faithful representation, including the assessment of costs and benefits, to identify possible amendments

Next milestone

- Discuss Exposure Draft feedback
- Seek advice from the SME Implementation Group

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 will consult on its priorities in its Agenda Consultation
- Commitment to explore similarities and differences with *Integrated Reporting Framework*

Next milestone

- Consider project direction

Subsidiaries without Public Accountability: Disclosures

Objective

- Permit eligible subsidiaries to apply the disclosure requirements in the draft Standard and the recognition, measurement and presentation requirements in IFRS Accounting Standards

Current focus

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

Next milestone

- Issue IFRS Accounting Standard

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

Rate-regulated Activities

Objective

- Provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on companies' financial performance and financial position

Proposals

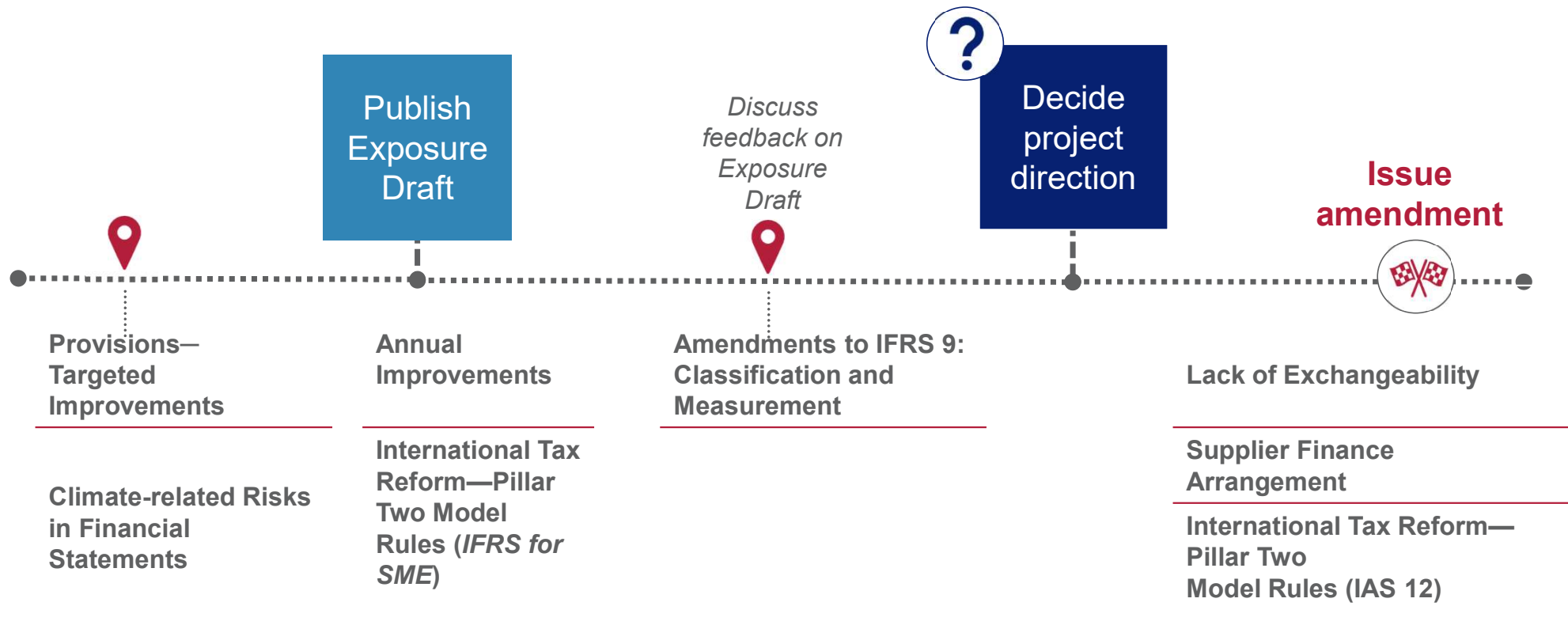
- Require recognition of regulatory assets, regulatory liabilities, regulatory income and regulatory expense
- Reflect compensation for goods or services in financial performance in the period in which goods or services are supplied
- Measure regulatory assets and regulatory liabilities using a cash-flow-based measurement technique

Next milestone

- Issue IFRS Accounting Standard

Maintenance projects

Overview: maintenance projects



Provisions—Targeted Improvements

Objective

- Develop proposals for three targeted amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

Areas of focus

- Align requirements for identifying liabilities with *Conceptual Framework*
- Clarify which costs to include in measure of a provision
- Specify whether discount rates used should reflect non-performance risk

Next milestone

- Decide project direction

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

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 ends
19 July 2023

Annual Improvements to IFRS Accounting Standards

Objective

Propose amendments to IFRS Accounting Standards that either:

- clarify wording; or
- correct relatively minor unintended consequences, oversights or conflicts between existing requirements

In scope

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 9 *Financial Instruments*
- IFRS 10 *Consolidated Financial Statements*
- IAS 7 *Statement of Cash Flows*

Next milestone

- Discuss other potential amendments

International Tax Reform—Pillar Two Model Rules (IAS 12)

Objective

- Respond to stakeholders' concerns about the potential implications of the imminent implementation of the OECD's Pillar Two model rules for income tax accounting

Proposals

- Introduce a temporary exception to the accounting for deferred taxes arising from the implementation of the rules
- Require targeted disclosures for affected companies

Next milestone

- Issue Amendment to IAS 12

International Tax Reform—Pillar Two Model Rules (*IFRS for SMEs* Accounting Standard)

Objective

- Address potential implications of the imminent implementation of the OECD's Pillar Two model rules for income tax accounting.

Areas of focus

- Using the IASB's alignment approach decide, whether and how to amend the *IFRS for SMEs* Accounting Standard for amendments to IAS 12.
- A narrow-scope standard-setting project outside the second comprehensive review of the *IFRS for SMEs* Accounting Standard

Next milestone

- Publish an Exposure Draft proposing amendments to the *IFRS for SMEs* Accounting Standard.

Lack of Exchangeability

Objective

- Improve usefulness of information provided by requiring a consistent approach to determining whether a currency is exchangeable into another currency and the exchange rate to use when it is not

Proposals

- Specify when exchangeability is lacking and how to make that assessment
- Estimate the spot exchange rate when exchangeability is lacking
- Disclose how the lack of exchangeability affects financial performance, financial position and cash flows

Next milestone

- Issue IFRS Accounting Standard amendments

Supplier Finance Arrangements

Objective

- Provide information to enable investors to assess the effects of supplier finance arrangements on a company's liabilities, cash flows and exposure to liquidity risk

Proposals

- Describe the arrangements for which the proposed disclosure would be required
- Add qualitative and quantitative disclosure requirements
- Highlight the required disclosure of liquidity risk and risk management

Next milestone

- Issue IFRS Accounting Standard amendments

IFRS Accounting Taxonomy



IFRS Accounting Taxonomy

IFRS Accounting Taxonomy facilitates communication between preparers and users 



consists of '**elements**' used by preparers to mark-up the information in IFRS financial statements

makes IFRS disclosures **more accessible** to users of electronic information

IFRS Accounting Taxonomy reflects the presentation and disclosure *requirements of IFRS Accounting Standards* and related common *reporting practice* in a timely and accurate manner

IFRS Accounting Taxonomy: focus areas in 2023

New and amended IFRS Accounting Standards

keeping the taxonomy in line with the issued standards

looking ahead to significant changes (e.g. Primary Financial Statements)

Content improvements

enabling high-quality tagging for financial instruments and the financial sector

analysing reporting practice of IFRS electronic filers

Implementation support

supporting regulators adopting the IFRS Accounting Taxonomy, including translations

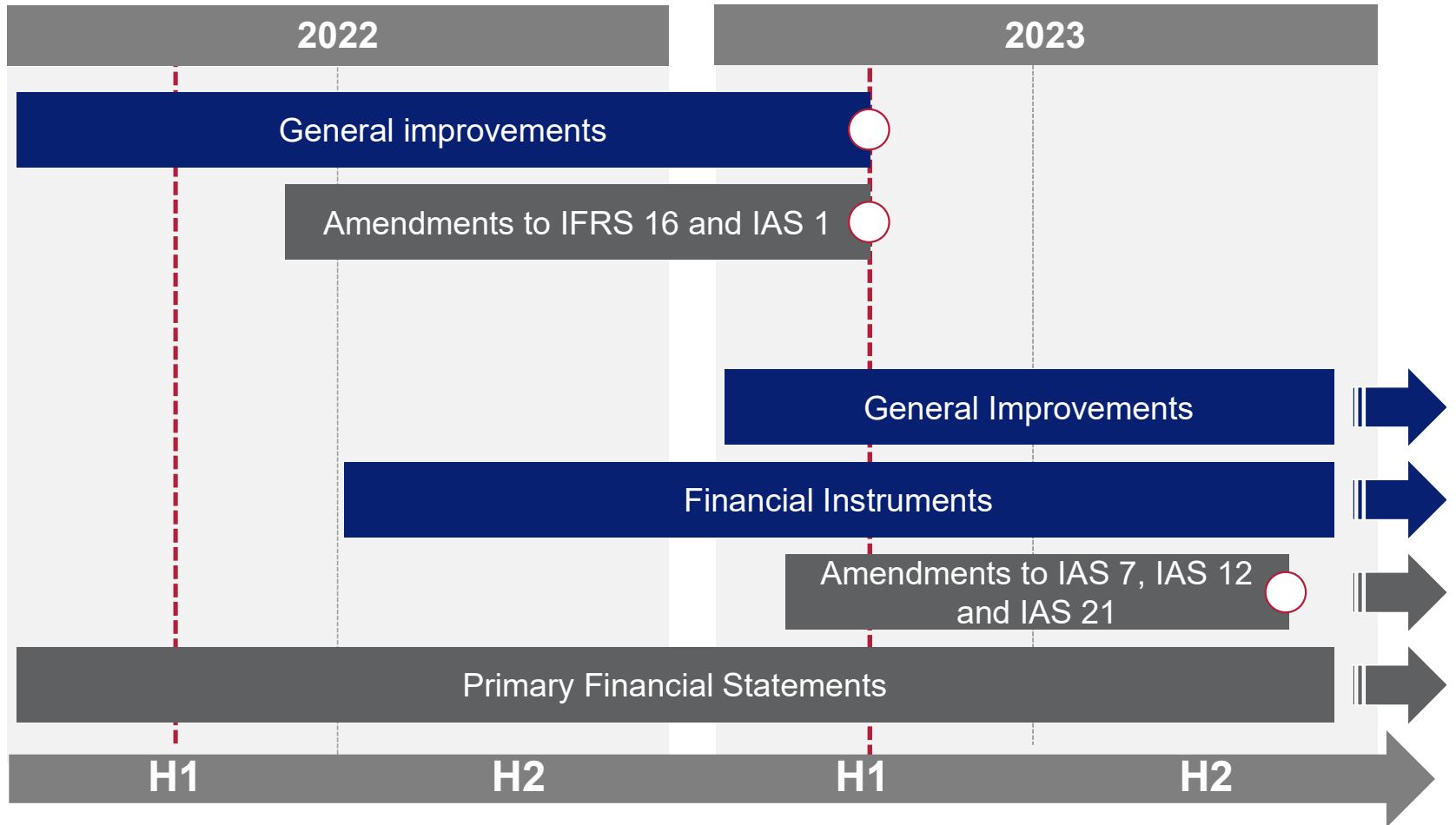
updating supporting materials

New / amended IFRS Accounting Standards

Common Practice / General Improvements

○ Final IFRS Taxonomy Update

⋮ Annual IFRS Accounting Taxonomy



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**

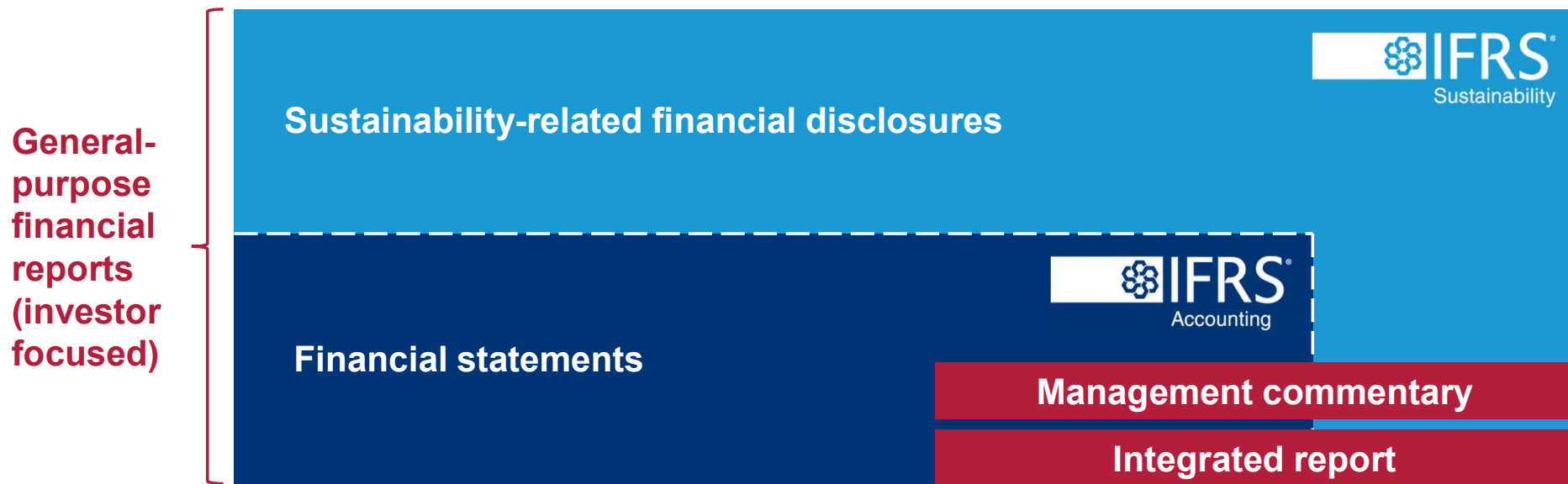
Examples:

- *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?



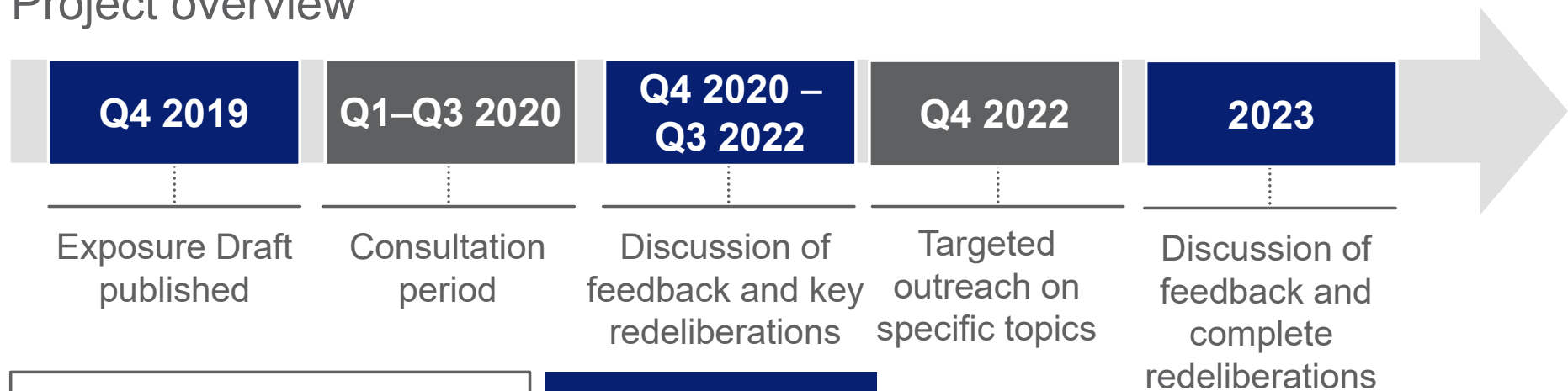
IFRS Standards within the broader reporting landscape



Update on Primary Financial Statements project



Project overview



Objective

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

Main proposals

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

Subtotals

Statement of profit or loss

Revenue
 Other income
 Changes in inventories of finished goods and work in progress
 Raw materials used
 Employee benefits
 Depreciation
 Amortisation

Operating profit

Income and expenses from associates and joint ventures

Operating profit and income from associates and joint ventures (specified subtotal)

Income and expenses from investments

Income and expenses from cash and cash equivalents

Profit before financing and income tax

Income and expenses from liabilities that arise from transactions that involve only the raising of finance

Unwinding of discount on provisions

Profit before tax

Income tax

Profit for the year

Operating

Investing

Financing

Line items illustrate what is included in each category and do not necessarily denote specified line items. An entity would present line items that provide an understandable overview of the entity's income and expenses.

What is in the operating category?

Includes, **but is not limited to**, income and expenses from an entity's main business activities

Defined as a default—includes income and expenses not classified in other categories

- Works for **different business models**
- A direct definition would require **significant judgement** which may result in operating profit not being comparable
- Avoids creation of a '**non-operating**' **category** that is neither operating, investing or financing, which may be used opportunistically

Includes **volatile and unusual income and expenses arising from an entity's operations**

- The category is intended to provide a **complete** picture of the entity's operations for the period

What is in the investing category?

- Income and expenses from associates and joint ventures accounted for using the equity method ★
- Income and expenses from assets that generate a return individually and largely independently of other resources held by an entity, including cash and cash equivalents

Examples (classified in the operating category when investing as a main business activity)

- rental income and remeasurements of investment property
- interest income and fair value changes on financial assets
- dividends and fair value changes on non-consolidated equity investments

★ *Feedback received in targeted outreach will be considered at a future IASB meeting*

What is in the financing category?

All income and expenses from liabilities that involve only the raising of finance

A transaction that involves only the raising of finance is a transaction that involves:

- The receipt by the entity of cash, an entity's own equity instruments or a reduction in a financial liability; and
- The return by the entity of cash or an entity's own equity instruments

For example, a typical loan contract involves only the receipt of cash and the return of cash

Interest expense and the effects of changes in interest rates from other liabilities

For other liabilities, including lease liabilities, **interest expense and the effect of changes in interest rates** are classified in the financing category when such amounts are identified applying the requirements of IFRS Accounting Standards (eg IAS 19 or IAS 37)

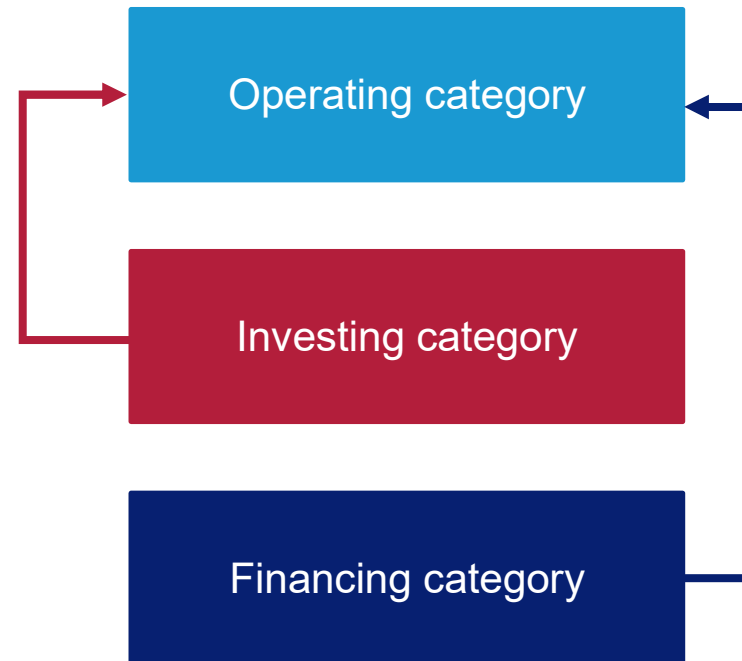
For example, a lease liability involves the receipt of a right-of-use asset and the return of cash

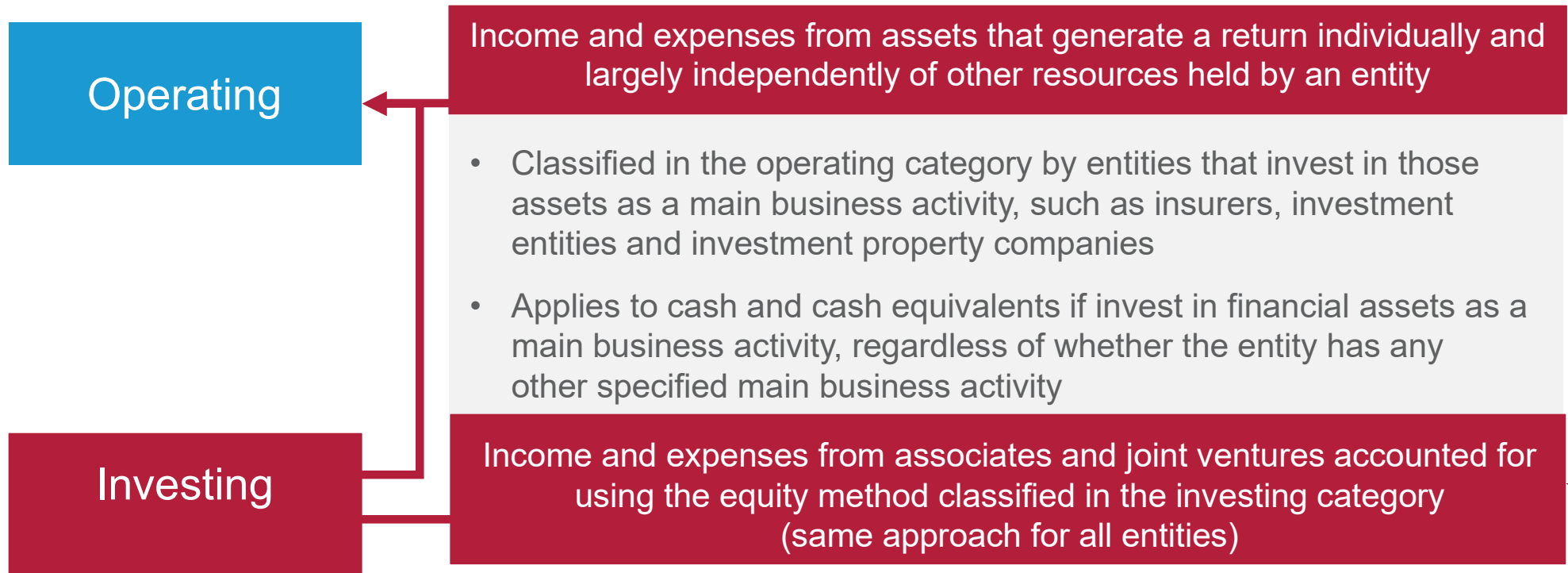
Entities with specified main business activities

Operating profit is intended to include, but is not limited to, income and expenses from an entity's main business activities



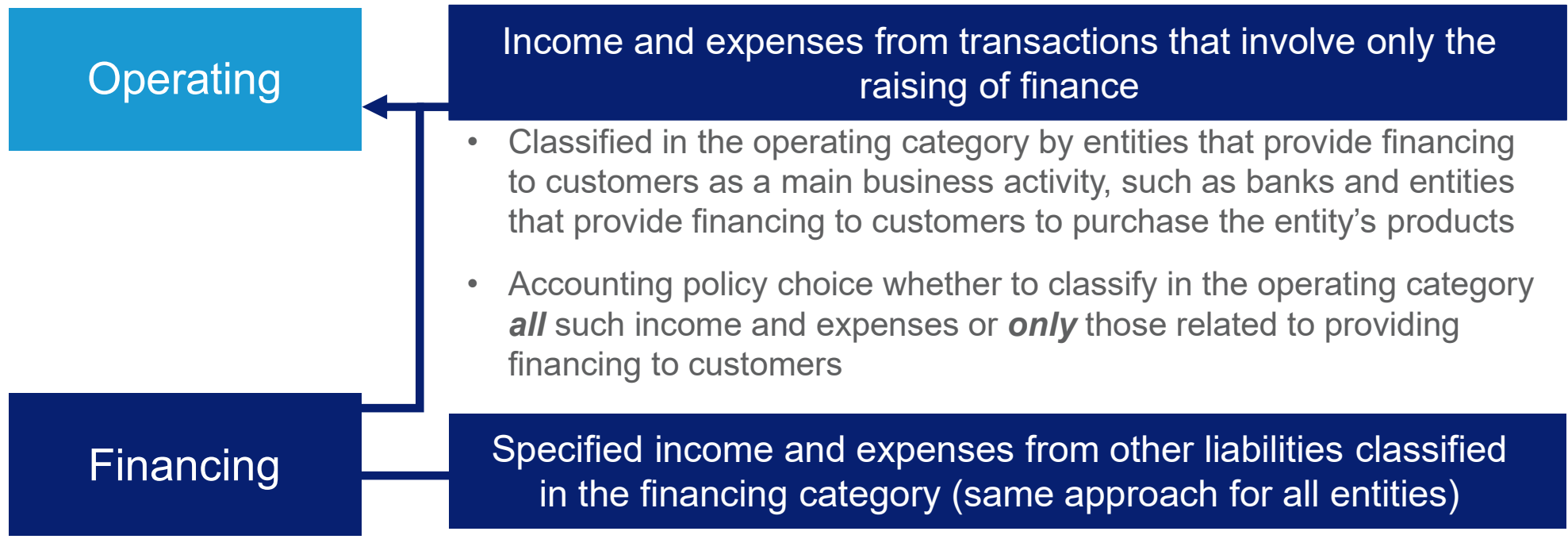
The IASB proposes requirements for some entities, such as banks, to classify income and expenses in the operating category that would otherwise be classified in the investing or financing categories



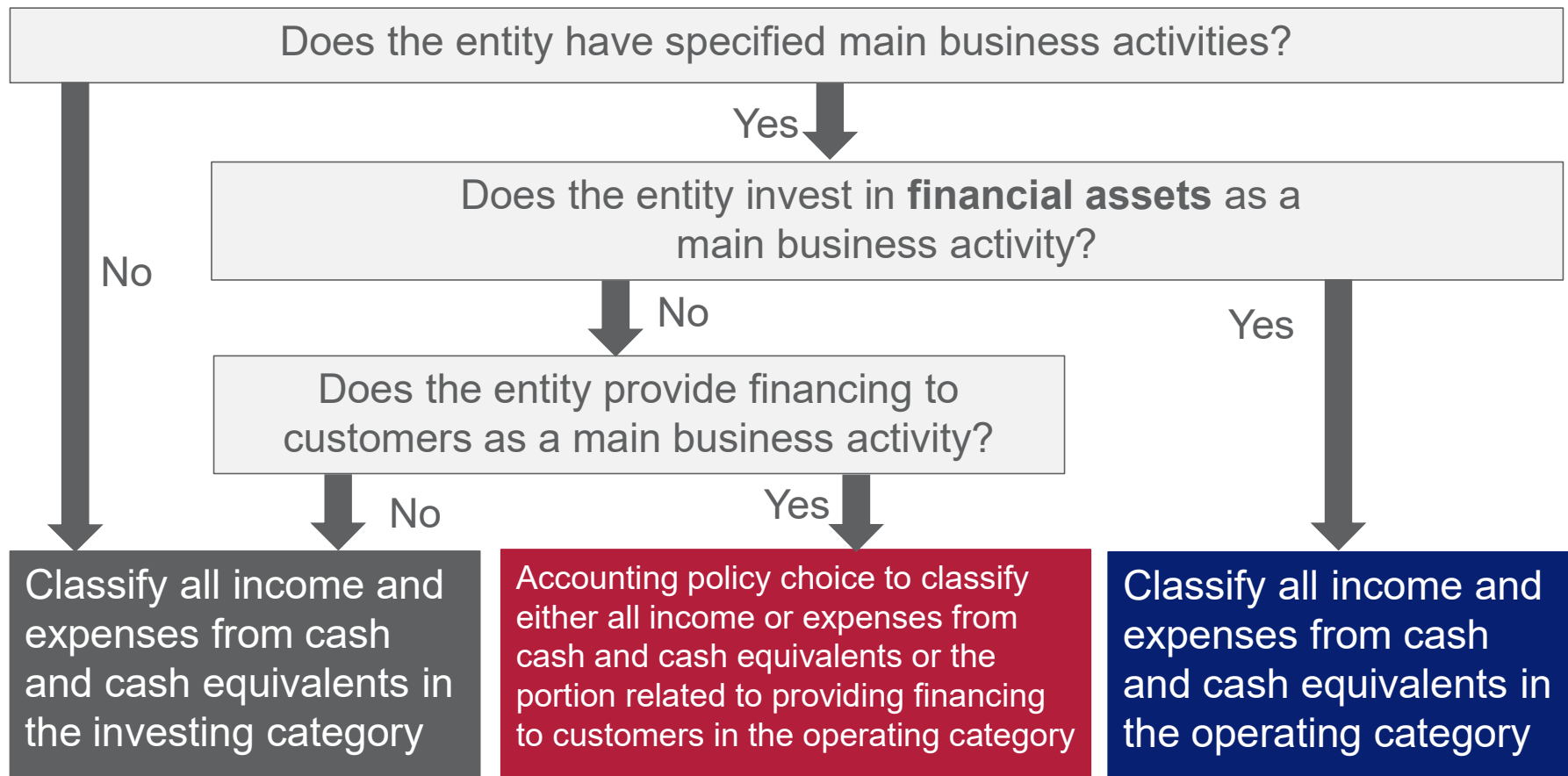


★ *Feedback received in targeted outreach will be considered at a future IASB meeting*

Entities that provide financing to customers as a main business activity



Income and expenses from cash and cash equivalents



Statement of profit or loss — financing and investing as main business activities

Interest revenue calculated using the effective interest method

Interest expense

Net interest income

Fee and commission income

Fee and commission expense

Net fee and commission income

Net trading income

Net investment income, including cash and cash equivalents

Credit impairment losses

Employee benefits expense

Depreciation and amortisation expenses

Operating profit

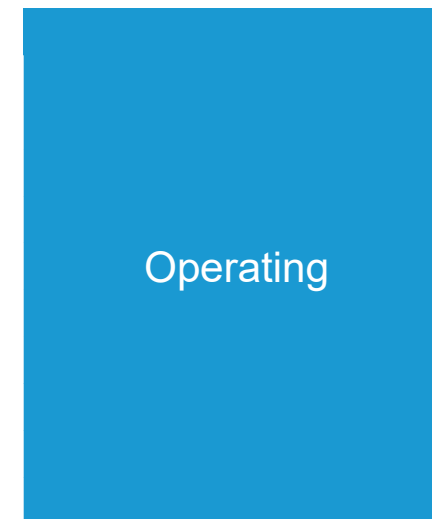
Share of profit or loss of associates and joint ventures

Specified income and expense on other liabilities (incl. interest on lease liabilities)

Profit before tax

Income tax

Profit for the year



Operating



Non-main Investing
and financing

Line items illustrate what is included in each category and do not necessarily denote specified line items. An entity would present line items that provide an understandable overview of the entity's income and expenses.

Statement of profit or loss—insurance as a main business activity

Insurance revenue

Insurance service expenses

Insurance service results

Interest revenue calculated using the effective interest rate method

Dividends and fair value changes on financial assets

Other impairment losses

Insurance finance expenses

Net financial result

Other expenses

Operating profit

Share of profit or loss of associates and joint ventures accounted for using equity method

Profit before financing and income tax

Specified income and expense on other liabilities (incl. interest on lease liabilities)

Profit before tax

Income tax

Profit for the year

Operating

Investing

Financing

Line items illustrate what is included in each category and do not necessarily denote specified line items. An entity would present line items that provide an understandable overview of the entity's income and expenses.

Management performance measures

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

What disclosures will be required for MPMs?

Reconciliation



Reconciliation between MPM and the most directly comparable subtotal or total specified by IFRS Accounting Standards, including the income tax effect and effect on non-controlling interests

Why an MPM communicates management's view



Includes an explanation of how the MPM is calculated and how the measure provides useful information about the entity's performance. Explanation should refer to individual reconciling items where necessary

Not necessarily comparable with other entities



A statement that MPM provides management's view of an aspect of the entity's financial performance and is not necessarily comparable with measures provided by other entities

Changes in calculation



Explanation of and reasons for any changes in how the entity calculates its MPMs or which MPMs it provides

Definition of MPMs

Subtotals of income and expenses not specified by IFRS Accounting Standards that:

Are used in public communications outside financial statements (excluding oral communications, transcripts and social media posts)



Communicate management's view of an aspect of an entity's financial performance

Rebuttable presumption that a subtotal used in public communications represents management's view of an aspect of an entity's financial performance—rebutted with reasonable and supportable evidence (including management communicating or using a subtotal in a way that is consistent with the assertion that the subtotal does not communicate management's view).

The rebuttable presumption is intended to:

- reduce the subjectivity involved in identifying the subtotals that represent management's view; and
- avoid requiring entities to include as management performance measures, subtotals of income and expenses that do not represent management's view of an aspect of the entity's performance

What might a reconciliation look like?

Adjusted operating profit (MPM)	52,870	Tax	NCI
Restructuring in Country X (incl. in employee benefits)	(5,400)	900	(1,020)
Revenue adjustment (incl. in revenue)	(6,200)	1,550	-
Operating profit (IFRS-specified)	41,270		

Most directly comparable subtotal/total specified by IFRS Accounting Standards—can be:

- operating profit, profit before financing and income tax;
- gross profit and subtotals similar to gross profit;
- profit before tax, profit from continuing operations, profit or loss;
- total other comprehensive income, comprehensive income;
- operating profit before depreciation, amortisation and specified impairments
- operating profit and income and expense from investments accounted for using the equity method

Tax effect can be calculated:

- using the statutory tax rate(s) applicable to the underlying transaction(s) in the relevant jurisdiction(s);
- on the basis of a reasonable pro rata allocation of the current and deferred tax of the entity in the tax jurisdiction(s) concerned; or
- by another method that achieves a more appropriate allocation in the circumstances.

An entity is required to disclose how it has determined the income tax effects. The disclosure is required for each reconciling item if more than one method is used to calculate the tax effect.

Disaggregation



What will be the disaggregation requirements?

General requirements and specified line items	Roles of the primary financial statements (PFS) and the notes	Principles for aggregation and disaggregation
	Specified line items	Aggregating items and using meaningful labels
Specific requirements	Disclosure of amounts included in each function line item in statement of profit or loss for depreciation, amortisation, employee benefits, impairments and write-downs of inventory	Present operating expenses by nature and by function (mixed presentation permitted)

What would be the general requirements?

Roles of PFS and the notes



- Describe the roles of PFS and the notes and refer to understandability in the description of the role of PFS

Principles for aggregation and disaggregation



- Single dissimilar characteristic can be enough to disaggregate if resulting information is material
- Application guidance on when disaggregation in the notes would result in material information and when disaggregation in the PFS would result in a more understandable overview

Specified line items



- New specified line items, including goodwill in the statement of financial position

Aggregating items and using meaningful labels



- Use meaningful labels – only use the label ‘other’ when unable to find a more informative label
 - Explanation of what is included in an aggregation of varied immaterial items – e.g. amount consists of several unrelated immaterial items with an indication of the nature and amount of the largest item
-

Disclosure of operating expenses by nature in the notes

The Exposure Draft proposed that an entity that reports expenses by function in the statement of profit or loss discloses in the notes an analysis of total operating expenses by nature



Some respondents (users, standard-setters and accountancy bodies) agreed

Some respondents (preparers and their representative bodies) disagreed



To achieve a more balanced outcome between costs for preparers and benefits for users the IASB has tentatively decided to:

- require an entity to disclose the amounts of depreciation, amortisation, employee benefits, impairments and write-downs of inventory included in each function line item in the statement of profit or loss; and
- provide application guidance clarifying that these amounts are not required to be expense amounts and to require an entity to provide a qualitative explanation if part of the amount disclosed has been included in the carrying amount of assets.

Disclosure of operating expenses by nature in the notes

Statement of profit or loss	202X ¹	IASB's tentative decision (illustrating depreciation and employee benefits) ²	202X ¹
Revenue	3000	Depreciation	(500)
Cost of goods sold	(600)	<i>Cost of goods sold</i>	(250)
Gross profit	2400	<i>Selling expenses</i>	(150)
Other income	500	<i>Research and development expenses</i>	(50)
Selling expenses	(400)	<i>General and administrative expenses</i>	(50)
Research and development expenses	(300)	Employee benefits	(400)
General and administrative expenses	(200)	<i>Cost of goods sold</i>	(200)
Impairment losses on trade receivables	(100)	<i>Selling expenses</i>	(100)
Operating profit (loss)	1900	<i>Research and development expenses</i>	(50)
		<i>General and administrative expenses</i>	(50)





¹ Comparative reporting period not depicted in example for simplification purposes

² Amortisation, impairments and write-downs of inventory not illustrated.

Limited amendments to the statement of cash flows

Changes to the statement of cash flows

Operating profit or loss subtotal to be the starting point for the indirect method of reporting cash flows from operating activities

Dividends received ★		Investing category ★
Dividends paid		Financing category
Interest paid		Financing category ★
Interest received		Investing category ★

★ Classified in a single category (either as operating, investing or financing activities) in the statement of cash flows by an entity with specified main business activities

★ *Classification of dividends received from associates and joint ventures accounted for using the equity method to be discussed in a future IASB meeting*

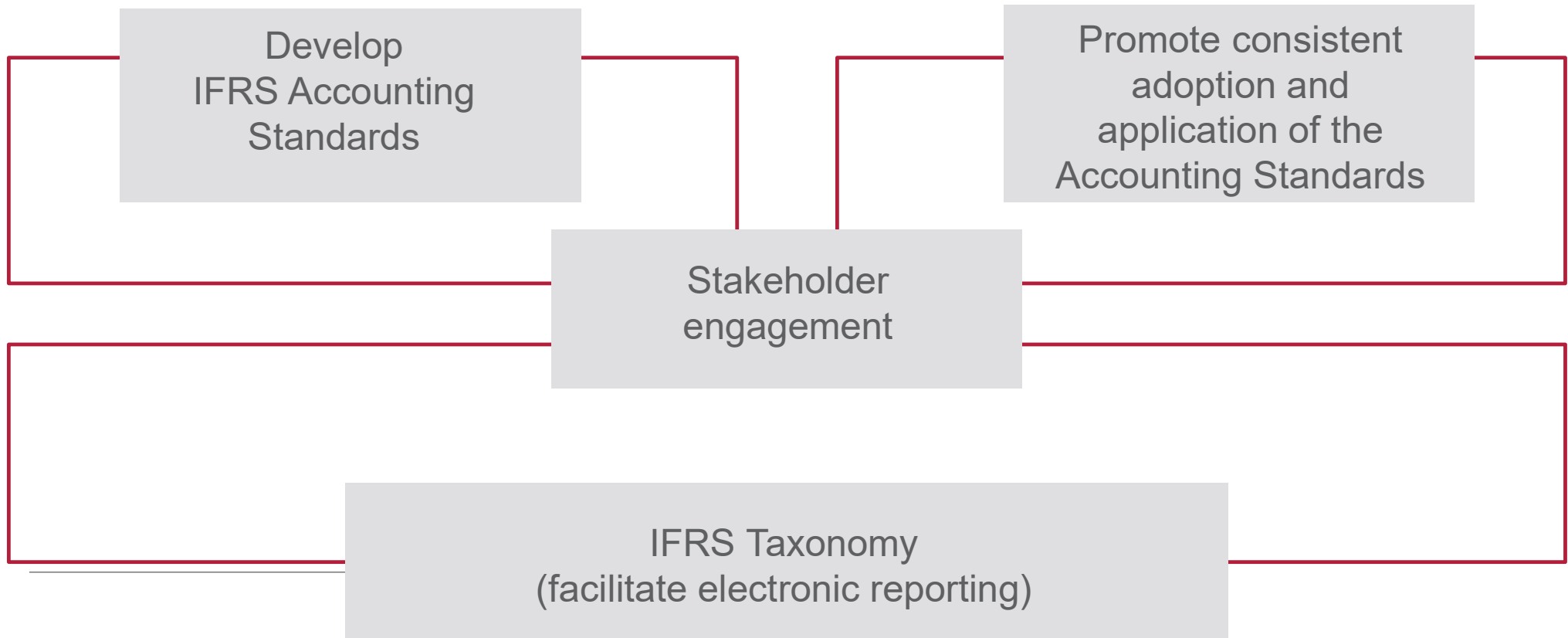
Research Opportunities in relation to the IASB's standard-setting agenda



Evidence-based standard-setting



IASB work



Develop IFRS Accounting Standards








Research and consultation



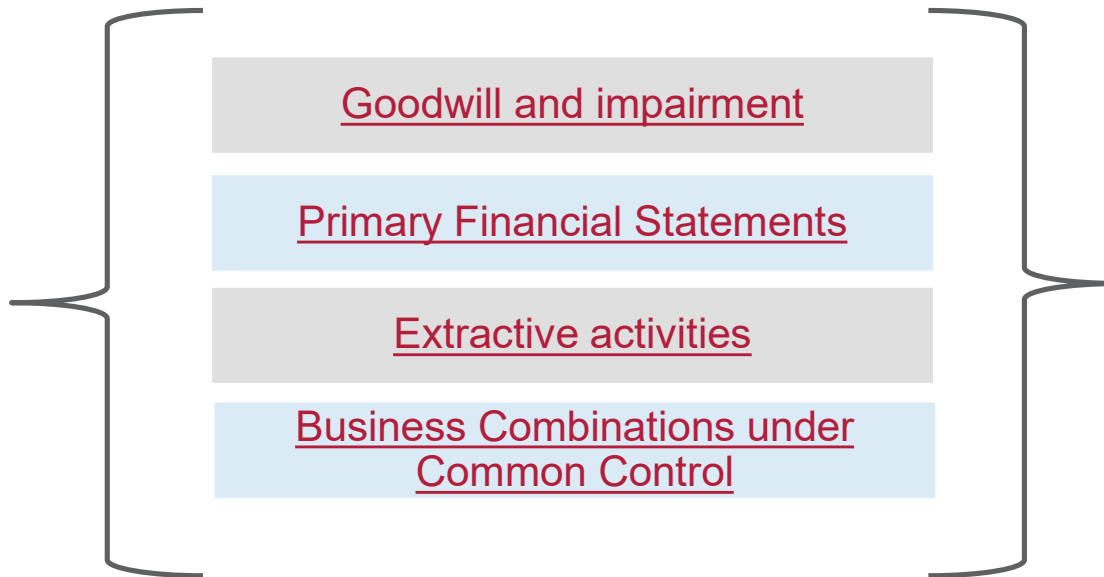
How does the IASB use academic research?
When is academic evidence considered??

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 <i>Intangible Assets</i> 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 <i>Statement of Cash Flows</i> 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:



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

2004	2013–2015	2015–present	March 2020
IFRS 3 issued*	PIR of IFRS 3	Goodwill and Impairment project	Discussion Paper

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

Agenda ref 18F

May 2021

STAFF PAPER

IASB® meeting

Project	Goodwill and Impairment		
Paper topic	Academic evidence		
CONTACT(S)	Ana Simpson	asimpson@ifrs.org	+44 (0)20 7246 6410

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® Update.

Purpose and structure of this paper

- 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:
 - an academic literature review that provides an overview of academic papers on empirical goodwill research published in the last 20 years;¹
 - additional published and working papers, which were located via Google Scholar, Social Science Research Network (SSRN) and other databases of academic studies;²
 - 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 UK Evidence', *Journal of Business Finance & Accounting*, 46 (2), 204.

Hares, O. M., and Haddad, B. (2019), 'The UK Evidence', *International Journal of Accounting*, 54 (1), 1-15.

Zero: Determinants and the Impact of the Impairment Assessment', *SSRN Electronic Journal*, 2019.

and Falk, H. (2010), 'The Impact of Goodwill on Accounting Numbers for Securities Analysts', *Journal of Accounting, Management, and Information Technology*, 17 (3), 377-400.

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

et al. (2009), 'The Value-Relevance of Goodwill: Evidence from Goodwill Impairment', *Journal of Business Finance & Accounting*, 36 (1), 1-20.

eks, G. (2019), 'Bidder Earnings Persistence', *Corporate Finance*, 58, 1-15.

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

M., and Sellhorn, T. (2020), 'The Impact of Goodwill on Earnings Persistence: Evidence from Germany', *Journal of Business Finance & Accounting*, 47 (1), 1-15.

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

Academic engagement - Conferences



IFRS Foundation events at EAA Congress 2023
IFRS update session, IFRS breakfast session (25 May)
Panels: Intangible assets (25 May), Connectivity (26 May)



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



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



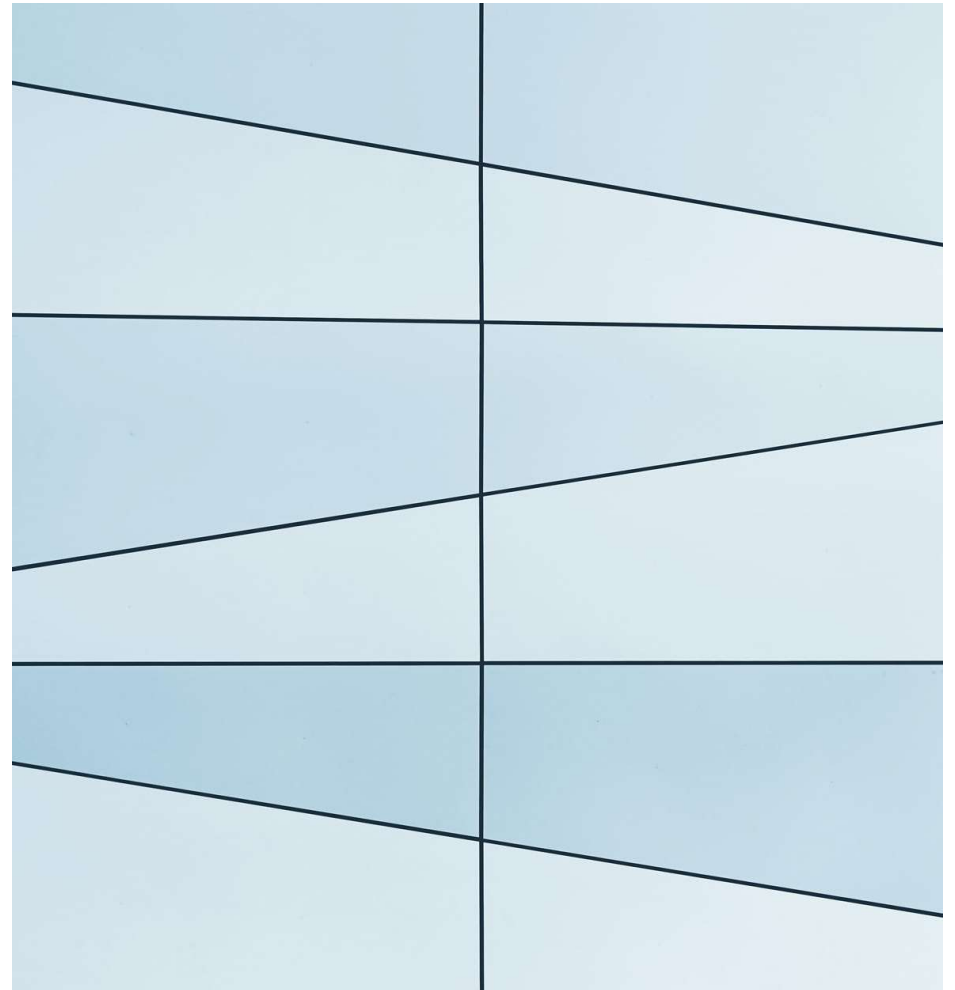
2024 IASB Research Forum with *Abacus* – 4-5 November at University of Sydney, Australia

Academic engagement – Special Issue

Application and impact of hedge
accounting requirements with
Accounting & Finance

Deadline 1 Sep 2023

[Watch our webinar for academics
on this topic](#)



Stakeholder engagement - Academia

Staying in touch:

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

Subscribe to
<https://www.ifrs.org/academics>

Send us your research (to
academics@ifrs.org)



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



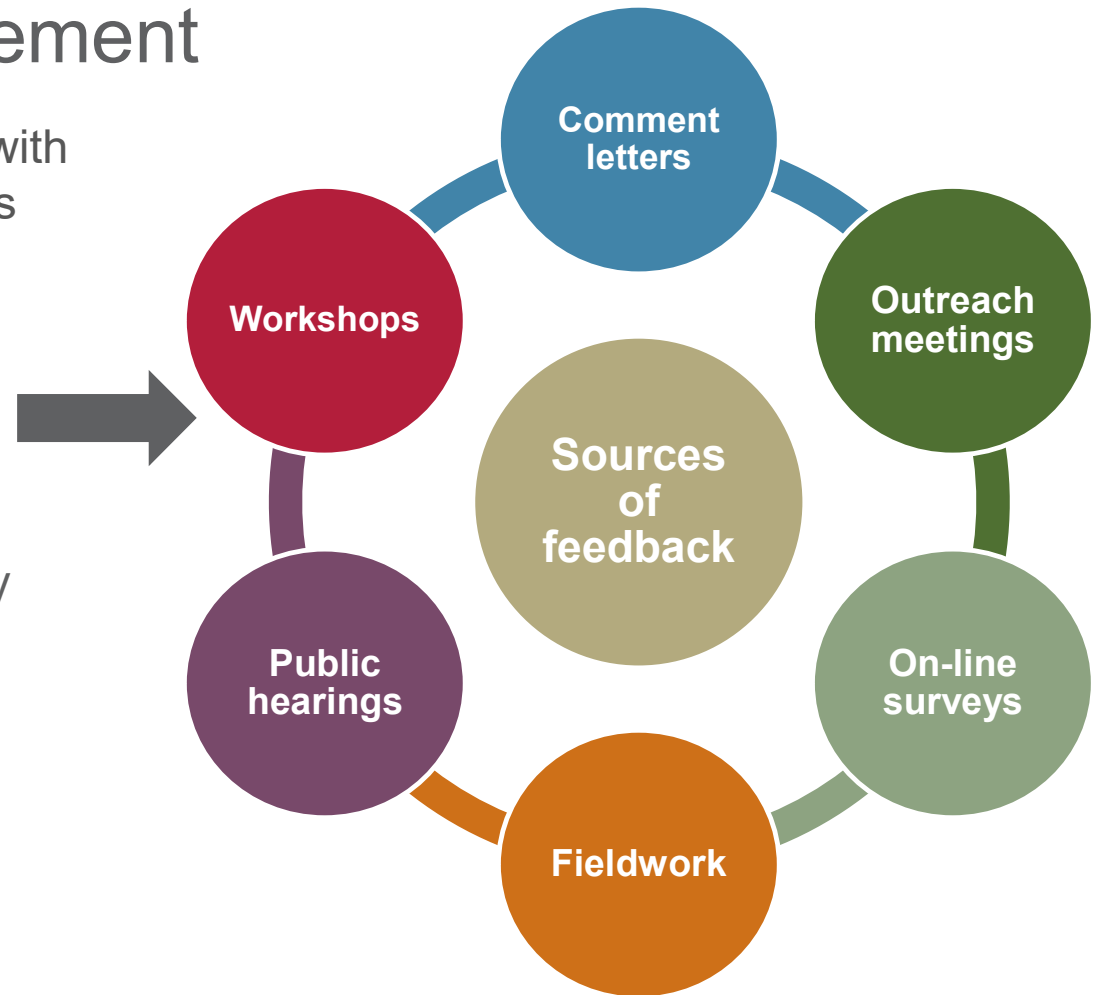
Wide, transparent consultation with informed stakeholders enhances the quality of IFRS Standards



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.



The comment letter process

Comment letter: a letter received by the IASB in response to a consultation document. All comment letters are made public and can be viewed on the Foundation's website*

- Required by our due process
 - important that the process is transparent and global
 - normally a minimum comment period of 120 days for DPs & EDs, 90 days for draft Annual Improvements & draft IFRIC Interpretations and 60 days for IFRS Interpretation Committee tentative agenda decisions
- Strength of analysis, quality of arguments and evidence given are important
- Messages are reported to, and deliberated by, the IASB and/or the IFRS Interpretations Committee in public meetings

*IFRS Foundation *Due Process Handbook*, Glossary of terms

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.

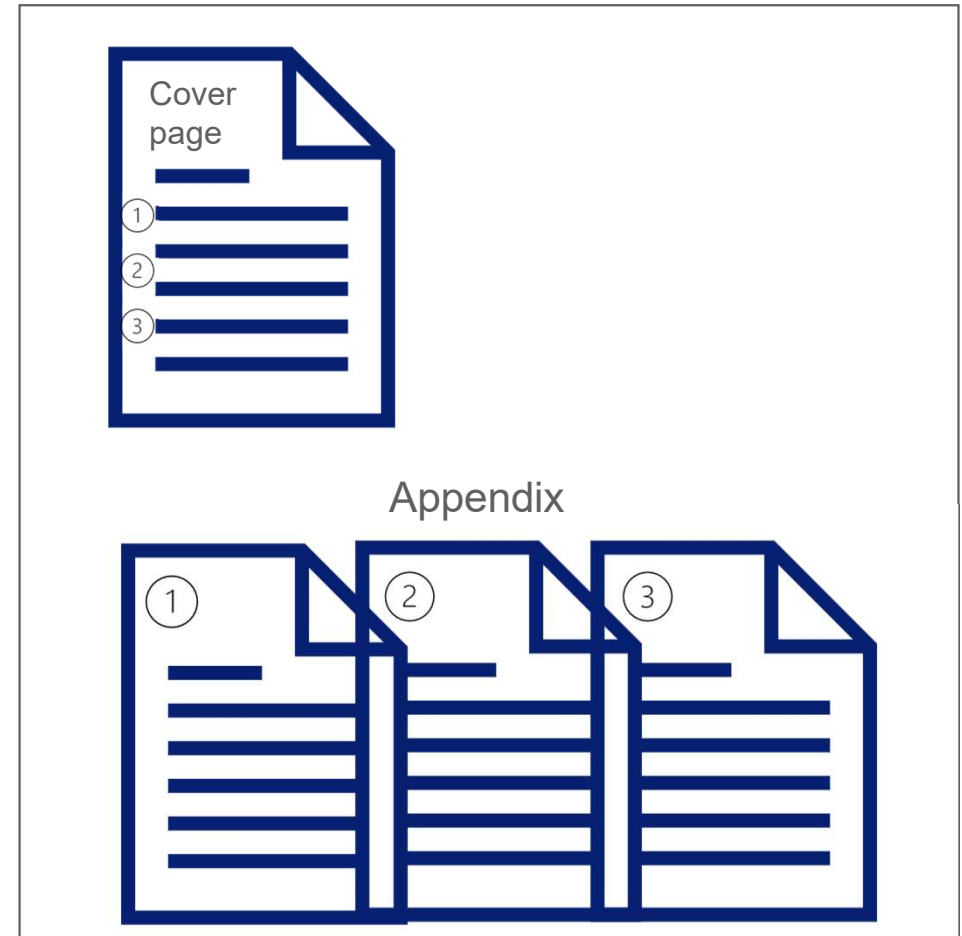
Good comment letters by academics include

- 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*

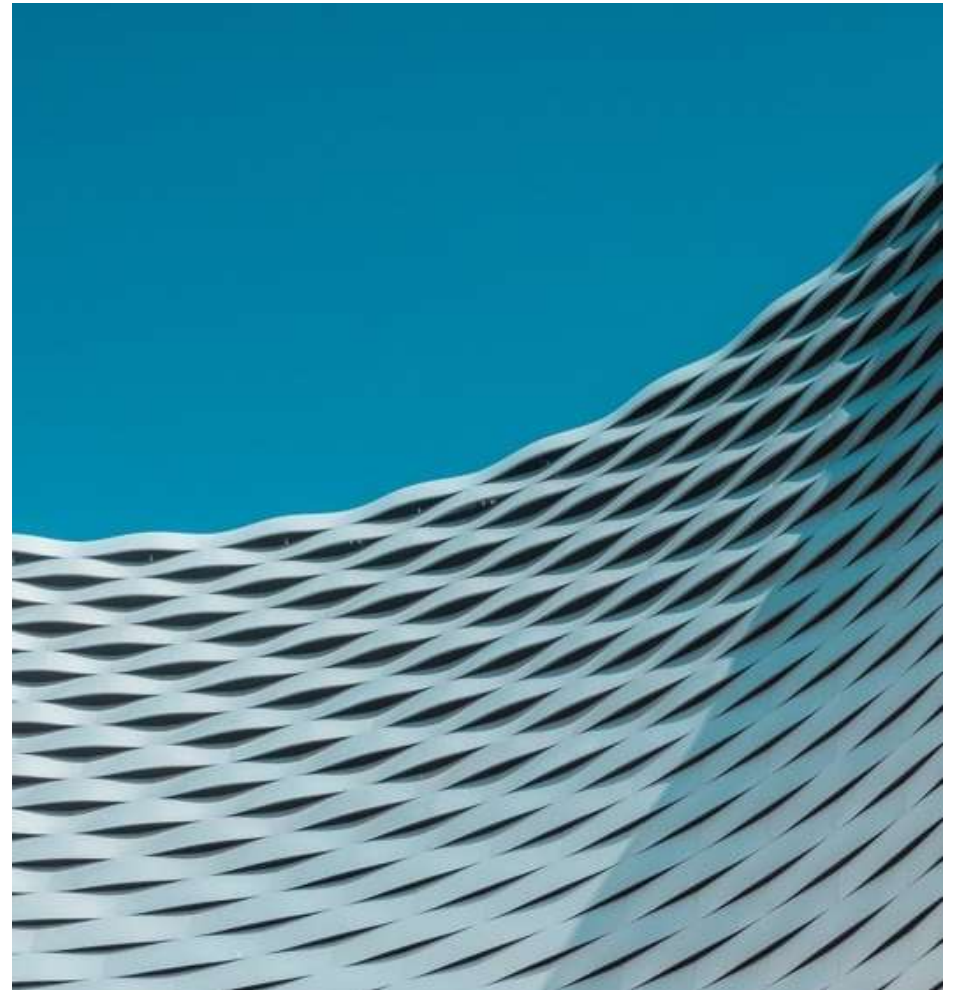
Good comment letters are structured well

- 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.



Characteristics of effective feedback

- Broad representation
- High quality feedback
- Transparent feedback
- Earlier in the process



Broad representation

- It is important to hear from different types of stakeholders from around the world.
- We get comment letters from many respondents but some groups remain under-represented.



High quality feedback includes

- ✓ Overview of key messages
- ✓ Prioritisation of comments and explanation of relative strength of conviction (ie distinguish comments that are a 'must have' from those that are a 'nice to have')
- ✓ Clear explanation of disagreement, concerns or potential problems with the proposals
- ✓ Explicit agreement with the proposals (we often hear only from those who disagree)
- ✓ Analysis, evidence and examples of stated positions
- ✓ Explicit recommendation(s) or advice to the IASB, including descriptions of any divergent views in letters that set out consensus views of a group
- ✓ Direct responses to the questions asked (but respondents need not answer all questions)

High quality feedback does not include

- ✗ Unclear, unexplained or unsubstantiated positions, including statements that are not accompanied by analysis, examples or evidence of the positions taken
- ✗ Duplicated or form letters
- ✗ Commentary that is unrelated to the proposals or the questions asked, without an explanation of relevance
- ✗ Feedback that is unsuitable for the stage of the project

Transparent feedback

- Public comment letters provide transparency
- A key element of the credibility and global acceptance of our work
- Summaries of feedback received during non-public outreach are discussed in public IASB meetings
- But some may think this reflects ‘our words’ rather than the wording from participants...may reduce credibility

Earlier in the process

We seek feedback from stakeholders throughout the project lifecycle



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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 International Accounting
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