IFRS Accounting

Meeting summary

Accounting Standards Advisory Forum

Date **5–6 December 2024**
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This document summarises a meeting of the Accounting Standards Advisory Forum (ASAF), a group of nominated members from national organisations and regional bodies involved with accounting standard-setting. The ASAF supports the IFRS Foundation and the International Accounting Standards Board (IASB) in their objectives, and contributes towards the development, in the public interest, of high-quality, understandable, enforceable and globally accepted IFRS Accounting Standards.

ASAF members who attended the meeting*

Region	Members
Africa	Pan African Federation of Accountants (PAFA)
Asia-Oceania (including one at large)	Accounting Regulatory Department, Ministry of Finance PRC (ARD) Accounting Standards Board of Japan (ASBJ) Asian-Oceanian Standard-Setters Group (AOSSG) Korea Accounting Standards Board (KASB)
Europe (including one at large)	Accounting Standards Committee of Germany (ASCG) Autorité des normes comptables (ANC) EFRAG UK Endorsement Board (UKEB)
The Americas	Canadian Accounting Standards Board (AcSB) Financial Accounting Standards Board, United States (FASB) Group of Latin American Accounting Standard-Setters (GLASS)

* All members participated via videoconference.

Rate-regulated Activities

Purpose of the session

1. The purpose of this session was to update ASAF members on the Q3 2024 redeliberations of the Exposure Draft *Regulatory Assets and Regulatory Liabilities* and seek ASAF members' views on the IASB's tentative decisions regarding:

   (a) requests from stakeholders to extend the measurement and presentation proposals in paragraphs 61 and 69 of the Exposure Draft; and

   (b) stakeholders' feedback on the transition and effective date proposals.

Summary of the feedback

Extending the measurement and presentation proposals in paragraphs 61 and 69 of the Exposure Draft

2. ASAF discussed the IASB's tentative decisions on requests to extend the measurement proposals in paragraph 61 of the Exposure Draft. These included tentative decisions:

   (a) not to extend the application of the measurement requirement proposed in paragraph 61 of the Exposure Draft for items affecting regulated rates on a cash basis to items affecting regulated rates on other bases; and

   (b) to exempt an entity from discounting the estimates of future cash flows arising from a regulatory asset or regulatory liability if:

      (i) the regulatory asset or regulatory liability arises from an item of expense or income that relates to liabilities or assets measured on a present value basis and that affects regulated rates on an accrual basis; and

      (ii) the entity, having considered all reasonable and supportable information that is available without undue cost or effort, is unable to estimate the amount and timing of those future cash flows.

3. ASAF members generally agreed with the tentative decisions on extending the measurement requirements, including the decision not to extend the application of

the measurement requirement proposed in paragraph 61 of the Exposure Draft to items affecting regulated rates on other bases.

4. Some ASAF members discussed the tentative decision to exempt an entity from discounting the estimates of future cash flows in some circumstances:
   (a) the EFRAG representative queried whether the exemption from discounting is required. They suggested that if an entity lacks the information required to discount cash flows it would be unable to discount cash flows, regardless of whether the prospective Standard included an exemption.
   (b) the FASB representative highlighted concerns about the phrase 'available without undue cost and effort'. The representative suggested that it might be difficult for preparers to apply this term and they might face similar challenges to those faced when applying the term 'impracticable’.
5. The IASB tentatively decided to create the exemption in response to stakeholders’ concerns and intentionally limited it to specific cases—the staff explained. The phrase ‘undue cost and effort’ should be familiar to preparers because it is used in IFRS 9 *Financial Instruments*.
6. Staff presented the IASB's tentative decision to extend the presentation proposals in paragraph 69 of the Exposure Draft for items affecting regulated rates on a cash basis to items affecting regulated rates on other bases.
7. The KASB representative disagreed with the tentative decision to extend the presentation requirement. They queried whether the decision is consistent with the objective of the rate-regulated project—that is, to supplement the revenue information provided in accordance with IFRS 15 *Revenue from Contracts with Customers*.
8. However, other ASAF members generally agreed with this tentative decision and discussed their observations:
   (a) the ANC representative acknowledged that stakeholders might perceive a conflict between the model, which focuses on adjustments to revenue, and the tentative decision to extend the presentation requirements. However,

the representative said the extension could align the presentation requirements in the prospective Standard with the presentation requirements in other IFRS Accounting Standards.

(b) the AcSB representative commented that the tentative decision to extend the presentation proposals would be well-received by preparers and users of financial statements in Canada where regulatory deferral accounts can have a significant effect on net income. They acknowledged the conceptual concerns raised but stressed the importance of providing useful information to users.

(c) the EFRAG representative agreed with extending the presentation requirement and said it makes sense because it would help reduce volatility in reported income.

9. Other ASAF members shared these matters:

(a) the EFRAG representative reiterated comments made at previous meetings encouraging the IASB to finalise the Standard as soon as possible.

(b) the UKEB representative commented that some items the IASB considered when making these tentative decisions are uncommon in UK regulatory agreements, making it difficult to form a view on the tentative decisions.

Transition and effective date

10. Staff presented the IASB's tentative decisions on transition and effective date.[1]

11. ASAF members generally agreed with the IASB’s tentative decisions on transition and effective date. They said that:

(a) the transition reliefs will help entities apply the new requirements.

(b) the effective date will provide sufficient time for jurisdictions to complete their endorsement and translation processes and for entities to prepare for the implementation of the new Standard.

[1] See Agenda Paper AP1: Redeliberations during Q3 2024

12. The EFRAG representative welcomed the IASB's tentative decision to simplify the accounting for regulatory assets and regulatory liabilities acquired or assumed in past business combinations. However, the representative raised two issues regarding the tentative decision to require an entity to take the net adjustment on transition to retained earnings even if that net adjustment includes regulatory assets acquired and regulatory liabilities assumed in a past business combination. The two issues were:

    (a) the effect on the statement of profit or loss of recognising a regulatory asset acquired in a previous business combination—the representative cited concerns that the recovery of the regulatory asset would lead to the recognition of regulatory expense which, in some cases, could be significant.

    (b) the recognition of a regulatory asset without a corresponding adjustment to goodwill for amounts already included in goodwill—the representative cited concerns that without an adjustment for goodwill the recognition could lead to double counting of assets.

13. The UKEB representative also cited stakeholders' concerns about the proposed treatment of regulatory assets acquired in a past business combination.

14. In response to concerns about the tentative decisions for regulatory assets acquired and regulatory liabilities assumed in a past business combination, the IASB Chair noted that the issues are not unique to this project. They also arise in other situations if a Standard introduces requirements that affect assets acquired or liabilities assumed in a past business combination. The Chair suggested that any discussion of these issues with stakeholders should acknowledge these issues.

15. Some representatives noted that their comments at the meeting reflect their understanding of the IASB's tentative decisions. However, they emphasised that they would only be able to conclude whether the tentative decisions help address their stakeholders' feedback after seeing the final requirements.

Next steps

16. The IASB will consider feedback from ASAF members as it drafts and ballots the prospective Standard.

17. The IASB expects to issue the prospective Standard during the second half of 2025, as stated in the work plan.

Management Commentary

Purpose of the session

18. The purpose of this session was:

    (a) to provide an update on the targeted refinements the IASB decided to make when it finalises the revised Management Commentary Practice Statement, and

    (b) to ask whether ASAF members had any questions and comments on the IASB's tentative decisions.

Summary of the feedback

19. Several ASAF members agreed with the IASB's decision to finalise the revised Practice Statement and noted that IFRS Practice Statement 1 *Management Commentary* is not currently required in their jurisdictions:

    (a) the ASCG representative reported stakeholder interest in the project, even though management commentary is regulated by European and German frameworks;

    (b) the GLASS and UKEB representatives said they foresaw no regulatory challenges to the voluntary adoption of the Practice Statement, although the GLASS representative expressed a concern that requirements to describe the basis of preparation of other general purpose financial reports in a management commentary might lead to duplication

(c) the EFRAG representative endorsed the timely completion of the project and cited feedback from securities regulators that they would find inspiration from a revised Practice Statement, even if not adopted in full;

(d) the FASB representative observed that the targeted refinements respond to feedback on the proposals in the Exposure Draft *Management Commentary*;

(e) the EFRAG and UKEB representatives agreed with the targeted refinements designed to increase connectivity between management commentary and other general purpose financial reports;

(f) the EFRAG, FASB and UKEB representatives agreed with the IASB's alignment of terminology in the prospective practice statement with other IFRS Accounting Requirements; and

(g) the EFRAG and FASB representatives agreed the IASB should simplify the structure of the disclosure objectives; and

(h) the EFRAG representative agreed that the IASB should clarify the relationship between key matters and material information.

20. The EFRAG representative endorsed the IASB's tentative decision to finalise the practice statement with targeted refinements; however, the representative, noted that some areas of feedback fell outside the scope of targeted refinements: for example, creating a separate area of content for information on governance-related matters and reconsidering the requirements around for qualified and unqualified statements of compliance.

21. Some ASAF members asked clarifying questions on the IASB's tentative decisions. ASAF members also suggested areas where more guidance would be useful:

(a) the ARD representative suggested further guidance on the information that needs to be disclosed regarding disclosure objectives, key matters and material information;

(b) the KASB representative suggested further guidance on the scope and location of sustainability-related information; and this representative also expressed scepticism about whether the IASB's tentative change to assessment objectives is an effective simplification of the requirements; and

(c) the EFRAG and KASB representatives suggested the IASB provide more examples and the EFRAG representative suggested the IASB add more examples relating to intangible resources and relationships;

22. Some ASAF members made suggestions for the IASB to consider in future:

(a) The EFRAG representative suggested reconsidering whether the requirements relating to Management Commentary should be made an IFRS Standard rather than a Practice Statement. The EFRAG representative also expressed support for developing taxonomy requirements in due course.

(b) the FASB representative suggested that the IASB monitor whether publishing the revised Practice Statement brings about the sought-after improvements in the quality of management commentary.

Next steps

23. The IASB will consider comments from ASAF members in finalising the revised Practice Statement.

Amortised Cost Measurement

Purpose of the session

24. The purpose of this session was to obtain ASAF members' input on the direction of the Amortised Cost Measurement project. Specifically, the session sought input on whether:

(a) the objective and the approach for the project, as discussed by the IASB, adequately respond to stakeholders' concerns; and

(b) the initial list of topics, identified by the IASB for the scope of this project, is broadly complete.

Summary of the feedback

Project objective and approach

25. All ASAF members agreed with the project objective. They said that the objective of exploring solutions for widespread issues arising from application of amortised cost measurement requirements in IFRS 9 *Financial Instruments* adequately responds to stakeholders' concerns about significant diversity in practice.

26. Some ASAF members also commented on the objective of reducing diversity in practice. Notably:

    (a) the UKEB, AcSB, ANC and ASBJ representatives said that not all diversity in practice must be resolved. They said that gathering evidence about the root cause of diversity in practice for each topic is important. The IASB can resolve the diversity arising from unclear requirements in IFRS 9, but it cannot reduce diversity caused by other reasons (for example, varied contractual terms or the effect of various jurisdictional laws and regulations).

    (b) the UKEB, AcSB, ASBJ and KASB representatives emphasised that the IASB should solve issues for which the benefits to investors from the resulting information exceeds the implementation costs for preparers. These members said that the IASB should focus on reducing diversity in practice in areas for which users of financial statements are not currently receiving useful information. These members also emphasised that potential solutions should be practical.

27. ASAF members also agreed with the IASB's standard-setting approach—that is, the targeted improvements approach. However, the AcSB representative suggested that the IASB should aim to clarify the difference in due process between targeted improvements and narrow-scope amendments approach.

Project scope

28. Most ASAF members said that the list of topics included in scope of the project is complete. However, some of these members expressed the view that the list of

topics is ambitious, suggesting that the IASB prioritises some topics to expedite the project.

29. These ASAF members suggested that the IASB prioritise:

(a) **calculating effective interest rate (EIR) at initial recognition**—that is, clarifying how to calculate the EIR for a financial instrument that has conditions attached to the contractual interest rate.

(b) **application of paragraph B5.4.5 versus paragraph B5.4.6 of IFRS 9**—that is, clarifying what changes in estimated future cash flows are accounted for applying paragraph B5.4.5 versus paragraph B5.4.6 of IFRS 9.

(c) **modification versus derecognition of a financial instrument**—that is, clarifying which modifications lead to derecognition of a financial instrument measured at amortised cost, what represents a 'modification' of a financial instrument and how a partial derecognition differs from a modification of a financial instrument.

(d) **the boundaries between modification, derecognition and impairment**—that is, clarifying the accounting for changes in expected cash flows as a modification, a derecognition or an impairment of a financial instrument. This topic includes clarification of the required order of applying the pertinent requirements in IFRS 9.

30. In contrast, some members said the IASB should add topics to the scope of this project. Notably:

(a) the EFRAG and KASB representatives suggested the IASB also consider topics related to the intersection between IFRS 9 and other IFRS Accounting Standards, such as IFRS 16 *Leases* or IFRS 17 *Insurance Contracts*.

(b) the GLASS representative suggested the IASB add new requirements or illustrative examples in IFRS 9 for various topics—for example, requirements on accounting for receivables from or payables to a foreign operation.

(c) the AASB representative suggested the IASB add several topics to the scope of this project—for example, clarify the modification and derecognition requirements for financial instruments measured at fair value through profit or loss and clarify the intersection between the amortised cost measurement requirements in IFRS 9 and the requirements in paragraph 23 of IAS 32 *Financial Instruments: Presentation* for measuring an entity's obligation to purchase its own equity instruments.

Other comments

31. Some ASAF members noted that many of the requirements in IFRS 9 relating amortised cost measurement were carried forward from IAS 39 *Financial Instruments: Recognition and Measurement* and therefore, entities have long-established practices relating application of these requirements. They suggested that the IASB, supported by national standard-setters, maintain continuous dialogue with stakeholders to assess the practicality of potential solutions.

Next steps

32. The IASB will consider the ASAF members' views in deciding on a plan for this project.

Statement of Cash Flows and Related Matters

Purpose of the session

33. The purpose of this session was:

(a) to provide ASAF members with an overview of the IASB's initial research activities regarding Statement of Cash Flows and Related Matters project; and

(b) to ask ASAF members for their views on the potential issues with the statement of cash flows and related information identified in the IASB's initial research.

Summary of the feedback

34. Most ASAF members agreed that feedback from stakeholders in their jurisdictions were consistent with the potential issues identified in the initial research phase of the project. Some ASAF members also discussed initial research findings and observations from research projects in their jurisdictions on the statement of cash flows.

35. The ANC, ARD, EFRAG, PAFA, KASB and AOSSG representatives commented that the application of the definition of cash and cash equivalents is diverse. These representatives suggested that more guidance would be useful. However, the FASB representative said the definition of cash and cash equivalents is not a significant issue for their stakeholders.

36. The GLASS representative suggested the IASB consider whether the project should address topics such as cryptocurrencies and carbon credits. However, the UKEB representative said that cash and cash equivalents should be considered in a broader context. They suggested the IASB consider whether the statement of cash flows should only present the movement of cash of cash and cash equivalents or whether it should focus on a different measure instead of cash.

37. The ANC representative said entities' classification of cash flows from some transactions, is diverse, which might result from the absence of specific guidance in IAS 7. For example, entities vary in the way they classify cash flows from factoring and reverse factoring transactions if the party who is involved in the cash transaction is acting as an agent for the reporting entity. The ARD, ASCG and PAFA representatives also commented that sometimes it is challenging to classify some transactions, such as supplier finance arrangements, accounts receivable factoring, leases, business combinations and foreign exchange.

38. The ARD, ASBJ and ASCG representatives suggested it would be useful if the statement of cash flows was more closely aligned with the statement of profit or loss

when entities apply the requirements of IFRS 18 *Presentation and Disclosure in Financial Statements.* For example, the representatives suggested that income taxes be presented as a separate category.

39. The EFRAG and ANC representatives said stakeholders from their jurisdictions prefer the indirect method for presenting operating cash flows and use of the direct method is not common. The ARD and AOSSG representatives said that some stakeholders suggested presenting or disclosing information using both the direct and indirect methods would be useful. However other stakeholders said implementing the direct method would be complex.

40. The ANC and UKEB representatives said the statement of cash flows is of limited use to financial institutions. They said disclosure requirements that replicate regulatory reporting might provide more useful insights into banks' cash and liquidity management. They also said insurers suggested the distinction between operating and investing categories in the statement of cash flows is not meaningful.

41. However, ARD and ACSG representatives said there isn't sufficient evidence to suggest that, for financial institutions, the statement of cash flows should be removed or replaced. The ACSG representative also said it is important to understand the potential uses of a statement of cash flows for a financial institution. The UKEB and AcSB representatives suggested that if the IASB considers making improvements to the statement of cash flows for financial institutions, those changes should reflect only significant improvements that investors find highly informative.

42. The ANC representative said that the requirements on aggregation and disaggregation in IFRS 18 are expected to provide significant improvements to the way entities disaggregate information in the statement of cash flows. Furthermore, the FASB and AOSSG representatives said stakeholders suggested requiring information about capital expenditures be disaggregated between expenditures for growth and expenditures for maintenance.

43. The ANC, UKEB and FASB representatives said entities calculate 'free cash flows' in varied ways. The UKEB representative suggested the IASB could create requirements for free cash flows that are similar to the management-defined

performance measures in IFRS 18. The representative said some stakeholders preferred having a standardised definition of 'free cash flows' while others said more transparent cash flow information about how individual measures were calculated would be sufficient.

44. The AOSSG and KASB representatives requested guidance on how entities disclose non-cash transactions. The EFRAG representative suggested supplemental disclosures including about entities' classification choices, intercompany transactions, restrictions on cash and non-recurring transactions. The EFRAG representative also suggested entities disclose in which subsidiary entity cash is held in a group.

45. Many meeting participants said the IASB should consider a phased approach to issues relating to statement of cash flows and related matters. They suggested the IASB first consider resolving the most prevalent issues that might not require significant time and effort.

Next steps

46. The IASB will consider feedback from ASAF members in deciding what topics to explore further during the project.

Updating IFRS 19 Subsidiaries without Public Accountability: Disclosures

Purpose of the session

47. The purpose of this session was:

    (a) to ask ASAF members for their views on the proposals in Exposure Draft *Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures* published in July 2024; and

    (b) to provide ASAF members an overview of feedback on the Exposure Draft.

Summary of the feedback

48. ASAF members generally agreed with the proposals in the Exposure Draft.

49. Although they generally agreed with proposals in the Exposure Draft, representatives of UKEB, GLASS, PAFA and AcSB recommended that the IASB consider whether the proposed reduced disclosure requirements as a whole are proportionate, considering that subsidiaries eligible to apply IFRS 19 do not have public accountability.

50. ASAF members views on the proposals in the Exposure Draft relating to regulatory assets and regulatory liabilities diverged. Representatives of EFRAG and ANC agreed with the IASB's proposal to develop no reduced disclosure requirements relating to regulatory assets and regulatory liabilities at this stage. Representatives of UKEB, AcSB and AOSSG expressed concerns about the proposal. These representatives said that reducing disclosures in the future rather than now could create a precedent for disclosure requirements relating to any new accounting model. Allowing reductions only after a period of requiring full disclosures might not be acceptable to users of financial statements who would have become accustomed to receiving information from all disclosure requirements.

51. Other comments related to the Exposure Draft included:

    (a) ARD representative suggested including in IFRS 19 examples illustrating the disclosure requirements related to Pillar Two model rules in IAS 12 *Income Taxes*;

    (b) AOSSG representative disagreed with the proposal to include the description of supplier finance arrangements from paragraph 44G of IAS 7 *Statement of Cash Flows*; and

    (c) representatives of EFRAG and UKEB asked that the IASB finalise the amendments as soon as possible, taking into account their endorsement processes and the effective date of IFRS 19.

52. A few ASAF members commented on other aspects of IFRS 19:

    (a) the GLASS representative suggested the IASB widen the scope of the Standard so that more entities are eligible to apply it.

(b) the EFRAG representative suggested the IASB consider reassessing disclosure requirements in the Standard at a later stage (for instance after 3 years of introduction or as part of the PIR) for new standards or accounting models (like IFRS 18 *Presentation and Disclosure in Financial Statements)* for which for which no or few reductions were initially established.

(c) representatives of EFRAG and AcSB viewed the level of feedback received on the proposed amendments to IFRS 19 during the recent consultations as low and suggested establishing a dedicated consultative group to ensure sufficient feedback for the forthcoming amendments to IFRS 19. An IASB member and a technical staff member responded that the IASB has made use of the SME Implementation Group and the Global Preparers Forum in developing the Standard and the Exposure Draft.

Next steps

53. The IASB will consider the feedback from ASAF members in finalising the proposed amendments to IFRS 19.

Agenda planning and feedback from previous ASAF meetings

54. This session discussed topics for the next ASAF meeting, which is scheduled for 24–25 March 2025. Participants agreed the meeting should include discussion of projects on:

(a) Equity Method;

(b) Intangible Assets;

(c) Climate-related and Other Uncertainties in the Financial Statements;

(d) Financial Instruments with Characteristics of Equity;

(e) Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard; and

(f) Statement of Cash Flows and Related Matters.