Staff paper

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IASB® meeting

Date	**February 2025**
Project	**Intangible Assets**
Topic	**Summary of feedback from general survey**
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Purpose and structure

1. In October 2024, alongside the survey for users of financial statements (users), the International Accounting Standards Board (IASB) launched a survey *Do financial statements provide sufficient information about intangibles?* for other stakeholders (general survey). The purpose of the general survey was to seek stakeholders' views on the information about intangibles currently provided in financial statements and on the problem to be solved in the Intangible Assets project, the scope of the project and the approach to work. Agenda Paper 17B provides further background information about the general survey.

2. This paper summarises responses received from other stakeholders. Users' responses to the user-oriented survey are summarised in Agenda Paper 17C.

3. This paper provides:
    (a) an overview of respondents' background;
    (b) a summary of respondents' feedback on:
        (i) information currently provided in financial statements;
        (ii) the problem to be solved in the project;
        (iii) the project scope and priority topics; and

(iv) approach to the project;

(c) question for the IASB; and

(d) Appendix A—Additional information about respondents.

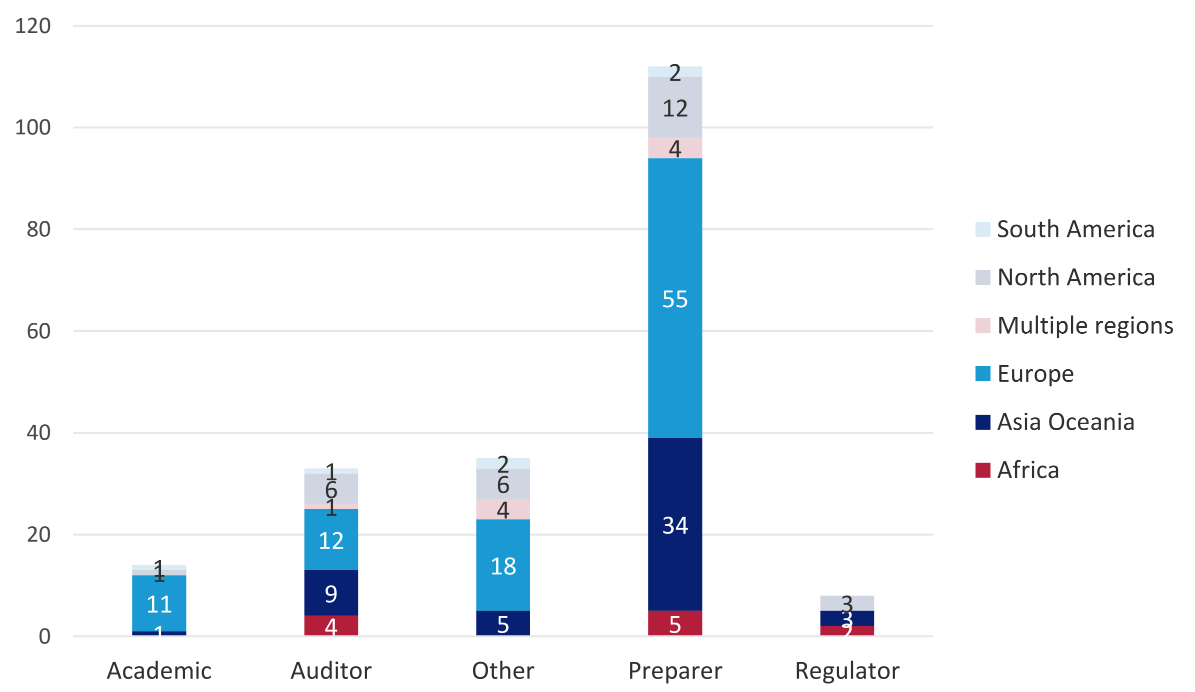
Respondents' background

4. The general survey was published on the IFRS Foundation's website and promoted to all stakeholders to encourage participation. In addition, the staff distributed the survey to the International Federation of Accounting Standard Setters members with a request to promote the survey among their groups and advertised it at several outreach events.

5. We received 203 responses (including one after the survey closed). After reviewing the responses, the staff identified a response submitted twice and eliminated the duplicate response from the analysis.

6. Respondents represented a mix of stakeholder types and geographies.

Figure 1. Respondents' distribution by type and geography

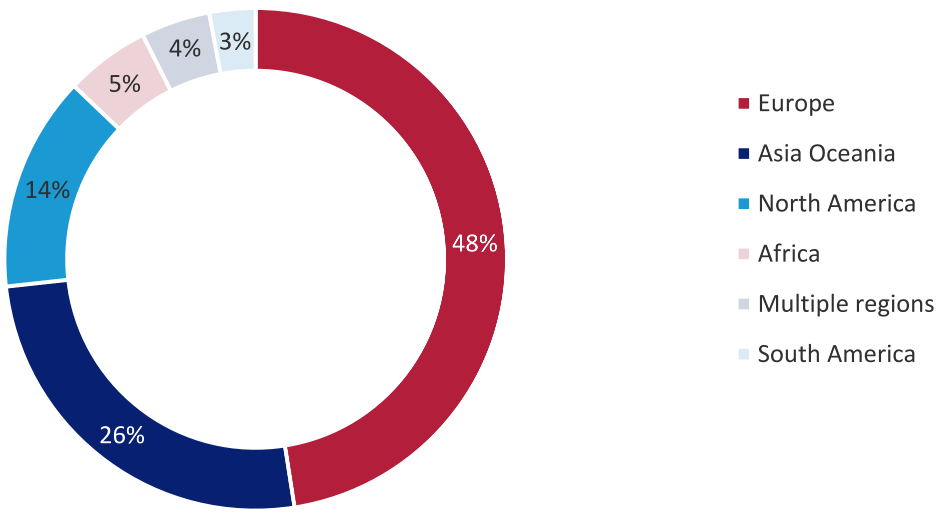


7. 56% of the responses came from preparers, 16% from auditors, 7% from academics, 4% from regulators and 17% from other stakeholders. Other stakeholders included 14 consultants, 7 stakeholders with an interest in sustainability or intangibles reporting, 4 accountancy bodies, 3 valuation specialists, 3 standard-setters and 4 respondents with other or mixed roles.

8. Preparers represented a wide range of sectors, with responses more commonly coming from preparers in financial services and technology sectors (see Table A1 in Appendix A).

9. In terms of geographical representation, almost half of the respondents said their job is based in Europe and around a quarter—in Asia Oceania. We had more limited participation from respondents based in Africa and South America.

Figure 2. Geographical representation



Summary of feedback

Information currently provided in financial statements

10. Several questions in the survey focused on stakeholders’ views on the information about intangibles currently provided in financial statements. Specifically, in the survey we asked respondents:

    (a) how they would rate sources of information based on the usefulness of information they provide about intangibles and whether they would consider information about intangibles more useful if it was provided in the financial statements compared to other sources (questions 6 and 10 in Appendix B of Agenda Paper 17B);

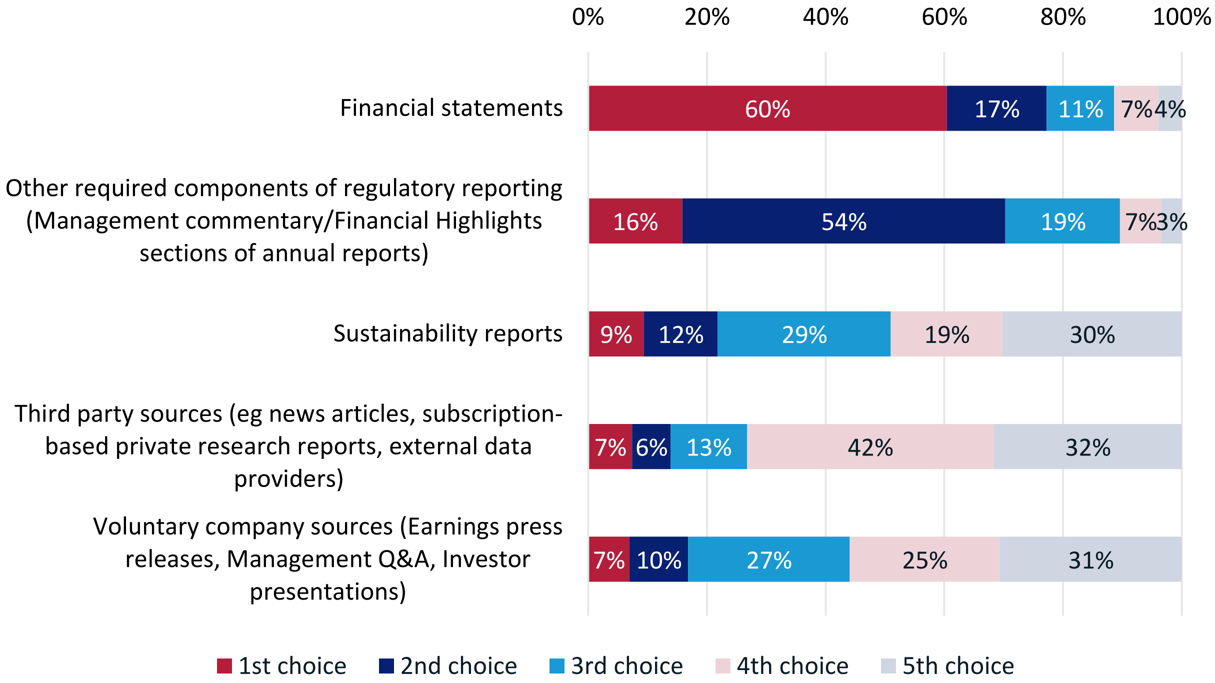
    (b) for what types of intangibles financial statements provide sufficient/insufficient information and what information is missing (questions 7–9 in Appendix B of Agenda Paper 17B); and

    (c) what is the biggest constraint on providing information on intangibles (questions 16–17 in Appendix B of Agenda Paper 17B).

Usefulness of financial statements as a source of information about intangibles

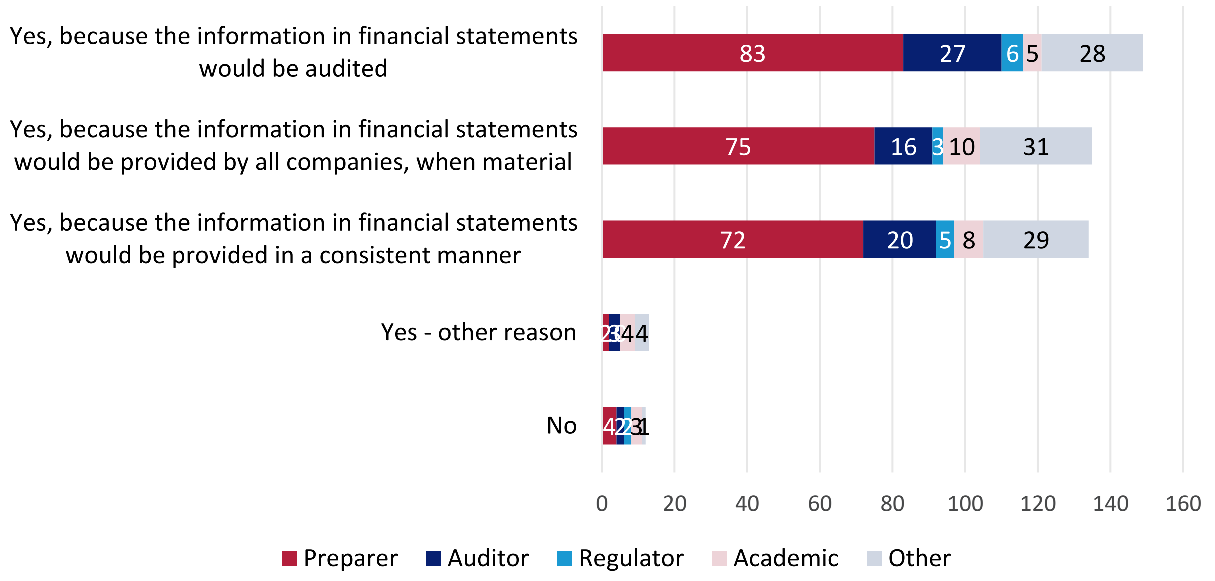
11. Most respondents (77%) said that financial statements were either the most useful or second most useful source of information related to intangibles, with 60% giving them the highest rating. Management commentary and other required components of regulatory reporting were also rated highly, but more commonly as the second most useful source of information.

Figure 3. Ranking of sources of information about intangibles by usefulness



12. Almost all respondents (94%) said that information about intangibles would be more useful if it was provided in the financial statements compared to other sources. Respondents could choose multiple reasons for their response. The most common reason for preferring financial statements as a source of information on intangibles was that the information in financial statements would be audited (74% of respondents). This reason was closely followed by reasons related to availability and comparability of information—that information in financial statements would be provided by all entities, when material (67%) and would be provided in a consistent manner (66%).

Figure 4. Respondents' views on whether information about intangibles would be more useful if it was provided in the financial statements



13. In response to the related open-ended question, some respondents provided additional reasons for preferring information about intangibles to be provided in the financial statements. The reasons included:

(a) information on intangibles would be included in one report that is easily available to all stakeholders;

(b) information in financial statements is seen as more reliable, verifiable and/or transparent;

(c) financial statements provide a better basis for accountability;

(d) information that is included in financial statements would be captured by entities' accounting systems, not just collected from various business departments; and

(e) financial statements should include narrative information to explain the amounts related to intangibles included in the financial statements.

14. In contrast, a few respondents (6%) said that information would not necessarily be more useful if it was provided in the financial statements. Many of them said that

some information—for example, information about broader intangibles or narrative information related to intangibles' contribution to value creation—belongs in other reports, for example, in management commentary or sustainability reports. Other comments included:

(a) a regulator said that financial statements should focus on the elements of financial statements;

(b) a preparer suggested there is no need to add to current disclosure requirements in IAS 38 *Intangible Assets* which in their view are sufficient for provision of material information;

(c) a few respondents encouraged the IASB to seek connectivity of disclosure requirements for financial statements, management reports and sustainability reports; and

(d) a few respondents suggested that information about intangibles should be included in reports that provide a comprehensive view of value creation, giving an example of an integrated report.

15. Respondents' other concerns about including information about intangibles in financial statements related to:

(a) uncertainly related to the recognition and measurement of intangibles;

(b) forward-looking nature of some information about intangibles; and

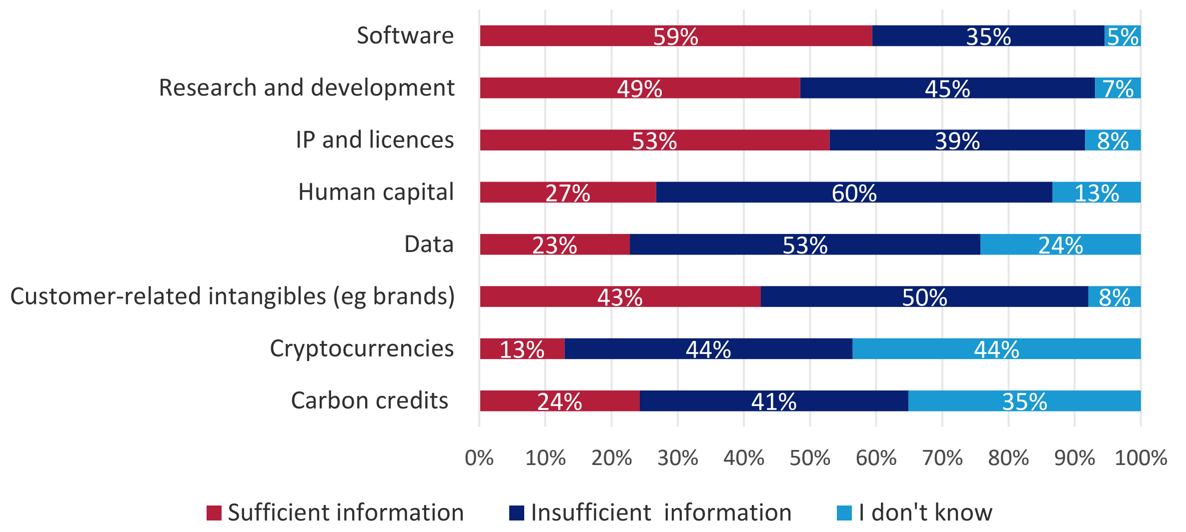
(c) commercial sensitivity related to disclosing internal information about intangibles (see also paragraphs 22–24 discussing feedback on constraints on providing information about intangibles).

16. A few respondents said that information in financial statements would be more useful if IAS 38 provided better guidance, for example, on recognition and measurement.

Sufficiency of information on specific types of intangibles

17. Even though financial statements were commonly rated as the most useful source of information related to intangibles compared to other sources, many respondents indicated that financial statements do not provide sufficient information about some types of intangibles.

Figure 5. Sufficient / insufficient information by type of intangibles



18. More commonly, respondents said that financial statements provide insufficient information on human capital (60%) and data (53%). The views on research and development and customer-related intangibles were more evenly spread. Many respondents said that information on software and intellectual property (IP) and licences is sufficient (59% and 53% respectively).

19. Many respondents did not provide a view on cryptocurrencies and carbon credits. Those that did more commonly said that the information of these types of intangibles is insufficient (44% and 41% respectively).

20. In response to an open-ended question, many respondents suggested one or more other type of intangibles for which information in financial statements is insufficient, including:

(a) assets acquired in a business combination, for example, assembled workforce or goodwill.

(b) indefinite life intangible assets.

(c) intangibles arising from an entity's contracts such as non-compete agreements, franchise agreements or agreements for which no compensation has been made.

(d) intangibles related to cloud computing arrangements including software as a service (SaaS), infrastructure as a service (IaaS) or platform as a service (PaaS).

(e) intangibles related to an entity's internal knowledge and systems. Respondents gave various examples and used various terms to describe such intangibles, including know-how, organisational capital, corporate culture, knowledge and technology, trade secrets, innovation capacity and internal processes.

(f) relationships-related intangibles, including relationships with customers, suppliers, government agencies or regulators.

(g) an entity's digital presence.

21. Many respondents also explained what information about intangibles is missing. Respondents more commonly highlighted the lack of qualitative information about an entity's key intangible assets—for example, how they are used and how they are expected to contribute to an entity's value creation, what are the key projects driven by intangibles and what are the risks and opportunities related to intangibles. Other comments on information missing from financial statements related to:

(a) disaggregated information about the amount of intangible assets on the balance sheet, for example, a detailed breakdown by type of intangible, returns attributable to various intangible assets and breakdown into active and obsolete assets.

(b) information about judgements related to recognition / non-recognition decisions, for example, how an entity determines that a project has entered a development stage.

(c) information related to the value of intangibles, for example:

    (i) valuation methodology used by an entity;

    (ii) explanation of expected future benefits;

    (iii) explanation of how useful life was estimated;

    (iv) assumptions used in impairment testing; and

    (v) estimates of what respondents referred to as the 'real value' of intangibles that reflects their value creation ability.

(d) information related to expenditure on intangibles, for example:

    (i) growth- and maintenance-oriented portions of expenditures on intangibles;

    (ii) breakdown of advertising expenditure to help users determine how management are investing funds;

    (iii) explanation of research and development expenses such as which operating segment is conducting research and development, what is the stage of the project, the cumulative expenditure, estimated costs of completion and the link to current and anticipated benefits; and

    (iv) information about significant unrecognised intangibles such as brands or data.

(e) information about specific intangible assets, for example, about:

    (i) cryptocurrencies, including how they are used and how it affects an entity's operations. Some respondents said that the current requirements for accounting for cryptocurrencies are insufficient or unsuitable, with many of them suggesting that measurement at fair value could be more suitable (see also paragraphs 32–35).

(ii) carbon credits, including a breakdown of carbon credits holding, measurement basis and related assumptions. Some respondents said that the current requirements for accounting for carbon credits are insufficient and suggested the IASB address this shortcoming in the Intangible Assets project (see also paragraphs 32–35).

(iii) data assets, including a description of significant unrecognised data assets and how they are expected to be monetised.

(iv) cloud arrangements and new ways of developing software. Some respondents said that the current requirements in IAS 38 are insufficient or unsuitable for accounting for these items. For example, they mentioned challenges related to accounting for expenditure relating to agile software development and to applying the definition of an intangible asset and the concept of control to SaaS, IaaS and PaaS arrangements.

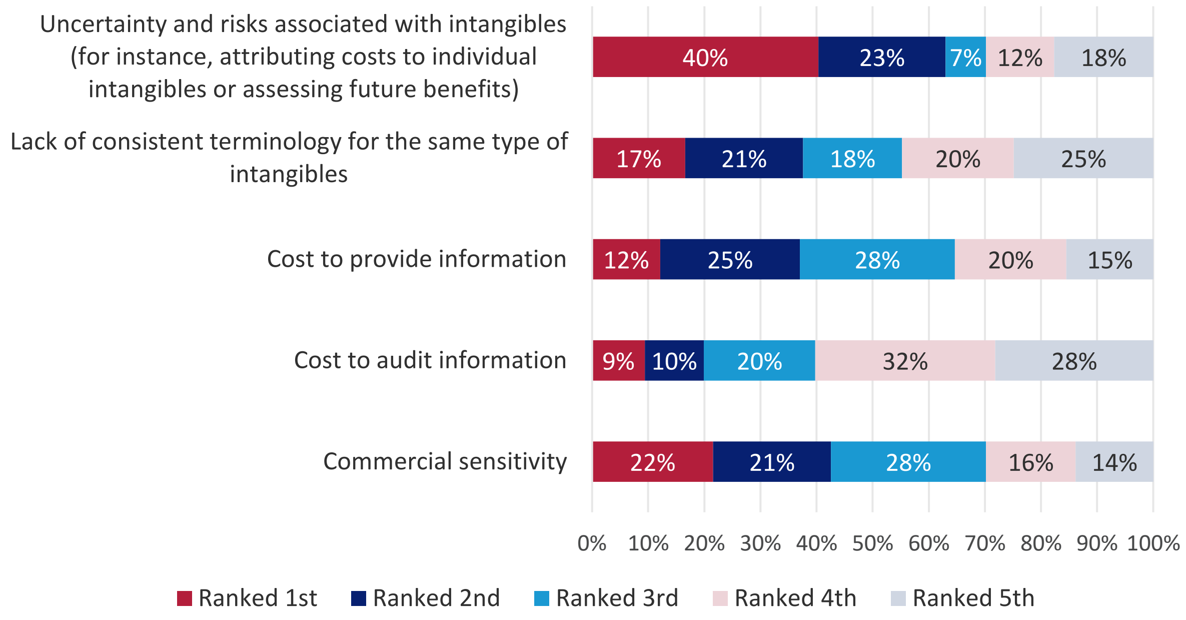
(v) non-compete and franchise agreements, including a description of the nature of the transaction, its purpose and potential future benefits.

(vi) broader intangibles such as human capital, relationships-related intangibles, know-how and organisational capital. A few respondents provided detailed suggestions about information needed for such types of intangibles. For example, a respondent said that for human capital missing information includes a detailed breakdown of workforce skills and capabilities, employee satisfaction and engagement metrics, turnover rates and associated costs and investment in employee training and development. In addition, a few respondents said financial statements provide insufficient information about environmental, social and governance factors affecting an entity.

Constraints on providing information on intangibles

22. The survey asked respondents to rank the constraints on providing information on intangibles.

Figure 6. Constraints on providing information on intangibles



23. Many respondents (63%) ranked uncertainty and risks associated with intangibles as the biggest or the second biggest constraint. Commercial sensitivity, lack of consistent terminology and cost to provide information were also highly rated with around 40% of respondents ranking them as the biggest or the second biggest constraint.

24. In response to the related open-ended question many respondents provided further explanations. Most commonly, respondents mentioned factors related to complexity and uncertainty of measurement, including insufficient guidance on and subjectivity in valuing intangibles, difficulties estimating fair value and useful life and lack of market comparables. Other constraints mentioned by respondents included:

(a) the breadth of the intangibles spectrum, their nature and rapid emergence of new intangibles, which can make it difficult for entities to identify and explain their intangibles and create challenges for developing and keeping up to date accounting requirements for such a wide range of items.

(b) availability of information or internal systems limitations.

(c) respondents' concerns that some aspects of the guidance in IAS 38 are either insufficient or lead to outcomes not reflecting economic substance. For example, a few respondents mentioned the lack of guidance for newer intangibles such as cryptocurrencies, issues related to the definition and recognition criteria, including the requirement for control, or outdated disclosure requirements.

(d) the lack of clarity regarding the boundary between information to be disclosed in financial statements and in other reports.

(e) the need to improve trust in the objectivity of information about intangibles.

(f) established practice of not providing sufficient information about intangibles.

(g) regulatory limitations, for example, no safe harbour provisions for forward-looking information provided in financial statements.

(h) differences in the requirements related to intangibles in IFRS Accounting Standards and US GAAP.

Problem to be solved

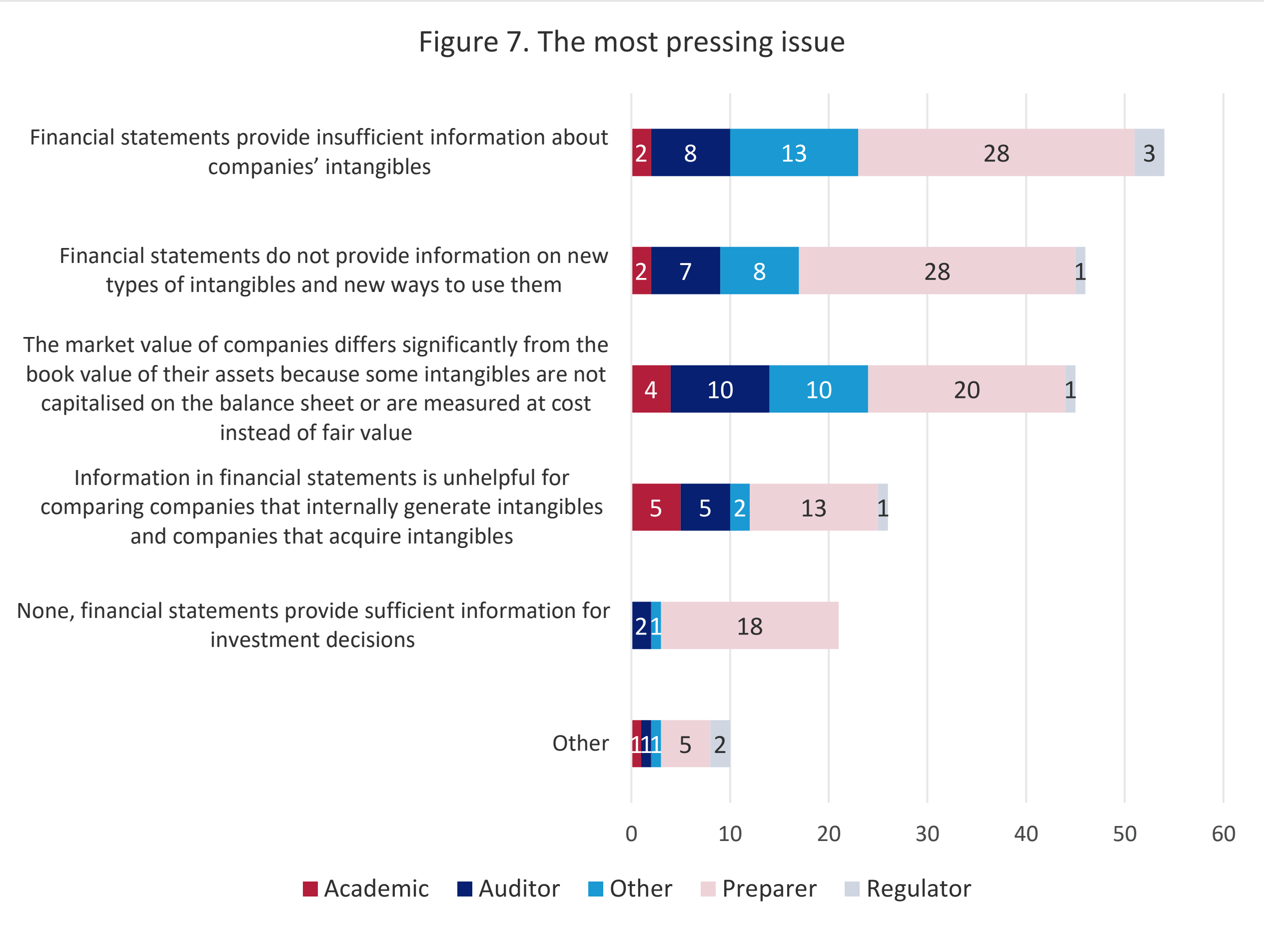
25. Respondents to the survey were asked to select the most pressing issue in relation to information about intangibles reported in the financial statements (question 12 in Appendix B of Agenda Paper 17B).

26. Around a quarter of respondents selected one of the following three issues as the most pressing one:

(a) financial statements provide insufficient information about entities' intangibles—they should provide better information about intangibles (for example, by capitalising more intangibles on the balance sheet or improving disclosures about capitalised and expensed intangibles) (27%). This was a joint top issue for preparers (25%), and the most common issue for regulators (38%) and other stakeholders (37%). This issue was most commonly selected by respondents in Africa (45%) and Asia Oceania (38%).

(b) financial statements do not provide information on new types of intangibles and new ways to use them—they should be modernised to provide information on these new intangibles (23%). This was a joint top issue for preparers (25%0 and a joint top issue for respondents in South America (33%).

(c) the market value of entities differs significantly from the book value of their assets because some intangibles are not capitalised on the balance sheet or are measured at cost instead of fair value—financial statements should reflect the value of all intangibles (22%). This was the most common issue for auditors (30%). This issue was most commonly selected by respondents in North America (36%) and in multiple regions (56%).



27. 13% of respondents selected comparability of entities that internally generate intangibles and entities that acquire intangibles as the most pressing issue. This was the most common issue for academics (35%).

28. 10% of respondents said that financial statements provide sufficient information for investment decisions. Selecting this option ended the survey for these respondents.

29. A few respondents (5%) provided their description of the most pressing issue, including:

    (a) diversity in practice resulting from the current requirements in IAS 38, for example, in accounting for research and development, cryptocurrencies and emission allowances;

    (b) lack of clarity related to the definition of an intangible asset, including the concept of control, and the need for the definition to reflect the economics of these assets; and

    (c) the insufficient recognition of separately identifiable intangible assets in business combinations that results in overstated goodwill which is not always impaired adequately or on a timely basis.

30. In responses to other open-ended questions, a few respondents made observations related to the problem to be solved in the project, including:

    (a) IAS 38 is trying to cover a population that is too broad, with many types of intangibles having little in common; and

    (b) prioritisation of reliability over relevance makes information about intangibles in financial statements irrelevant.

Project scope and priority topics

31. Several questions in the survey focused on respondents' views on the scope of the project and IAS 38 (question 14 in Appendix B of Agenda Paper 17B) and priority topics (question 15 in Appendix B of Agenda Paper 17B).

Project scope

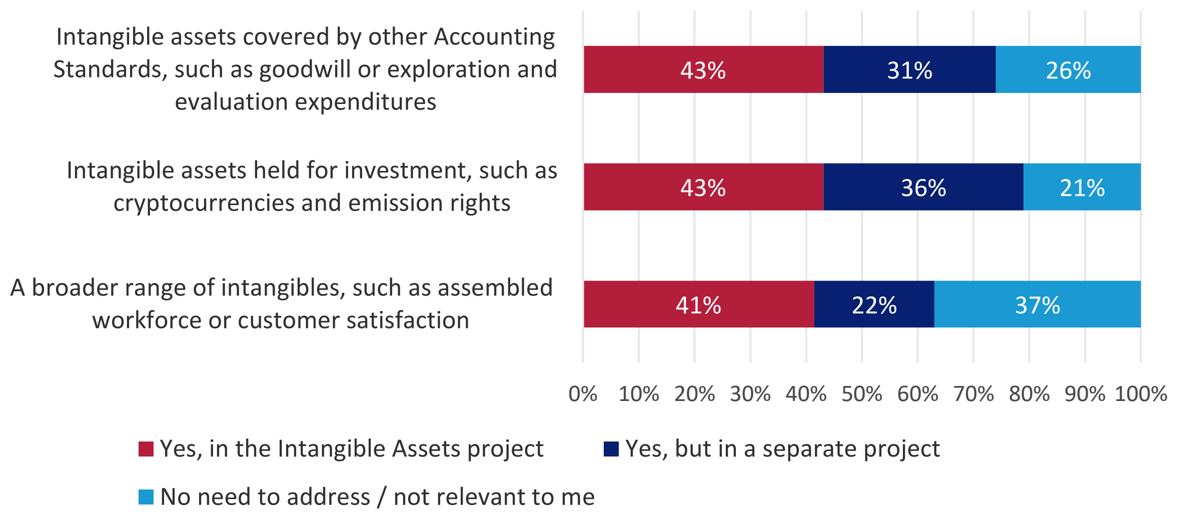
32. Around 40% of respondents said the IASB should aim to address in the Intangible Assets project:

(a) intangible assets covered by other IFRS Accounting Standards, such as goodwill or exploration and evaluation expenditures (43%). In response to an open-ended question, a few respondents commented that they would prefer goodwill to be amortised.

(b) intangible assets held for investment, such as cryptocurrencies and emission rights (43%).

(c) a broader range of intangibles, such as assembled workforce or customer satisfaction (41%).

Figure 8. Summary of responses on including specified types of intangibles in the scope of the project



33. In addition, around a third of respondents said the IASB should aim to address intangible assets covered by other Standards and intangible assets held for investment, but in a separate project.

34. Looking at respondent types, preparers equally supported including in the scope of the project intangible assets covered by other Standards (40%), intangible assets held for investment (41%) and intangible assets covered by other Standards (40%). The strongest support for addressing intangible assets covered by other Standards came from academics (64%), regulators (63%) and auditors (58%); for addressing intangible assets held for investment—from auditors (74%); and for addressing a broader range of intangibles—from other stakeholders (47%), especially from consultants and valuation specialists.

35. Looking at geographical representation, the strongest support for including in the scope of the project:

    (a) intangibles assets covered by other Standards came from Africa (64%), Asia-Oceania (57%) and South America (50%);

    (b) intangibles assets held for investment—from Africa (82%), South America (50%), North America (44%) and multiple regions (44%); and

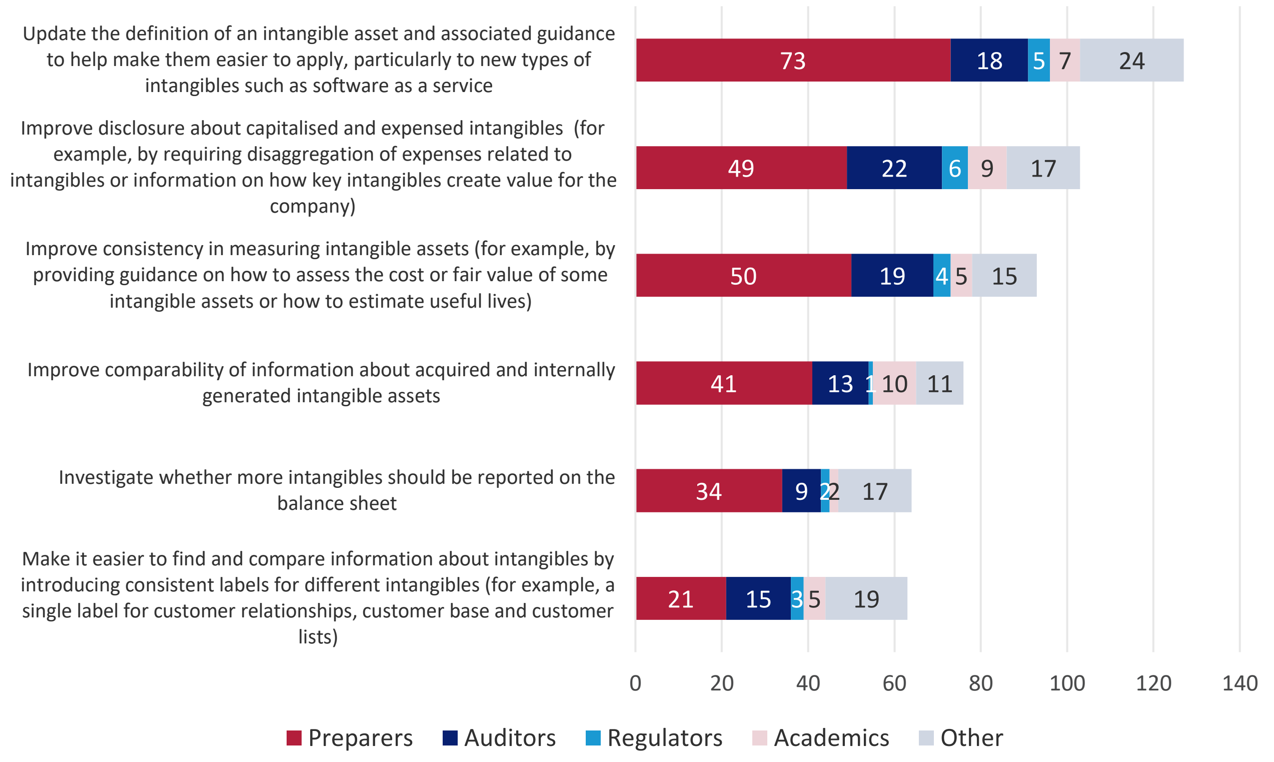
    (c) a broader range of intangibles—from respondents working in multiple regions (78%), Africa (55%) and South America (50%).[1]

Priority topics

36. Respondents were asked to select up to three topics that in their view would help improve information on intangibles in the financial statements the most. The respondents expressed the strongest support for updating the definition of an intangible asset and associated guidance (70% of all respondents, especially preparers (78%), other stakeholders (71%) and auditors (63%)).

[1] Respondents from Europe showed stronger support for including in the scope of the project intangibles held for investment (43%), compared to intangibles covered by other Standards (35%) and a broader range of intangibles (31%).

Figure 9. Respondents' views on the most pressing problem



37. More than half of the respondents also supported:

(a) improving disclosure about capitalised and expensed intangibles (57% of all respondents)—with the strongest support coming from regulators (75%), auditors (71%) and academics (64%); and

(b) improving consistency in measuring intangible assets (51% of all respondents)—with the strongest support coming from auditors (61%), preparers (53%) and regulators (50%).

38. More than a third of respondents supported addressing the other three topics. The strongest support for improving comparability of information about acquired and internally generated intangible assets came from academics (71%); for investigating whether more intangibles should be reported on the balance sheet and for introducing consistent labels for different intangibles—from other stakeholders (50% and 56% respectively).

39. In most regions, the largest proportion of respondents (ranging from 23% to 29%) indicated that the IASB should prioritise updating the definition of an intangible asset. However, the largest proportion of respondents in South America (24%) suggested prioritising disclosure and the largest proportion of respondents in multiple regions (23%) suggested that the IASB should prioritise making it easier to find and compare information about intangibles by introducing consistent labels.

40. As summarised in paragraph 21, in response to open-ended questions many respondents commented what information about intangibles is missing in financial statements. In addition, in response to open-ended questions respondents commented on:

    (a) the definition of an intangible asset—a respondent suggested the IASB clarify what is a contractual intangible right compared to a right to the underlying asset (which may be tangible).

    (b) the recognition requirements. Comments from a few respondents included:

        (i) the requirements are too restrictive, for example, for research and development and software or for expenditures that contribute to the core value of intangibles;

        (ii) recognition should be limited to third-party licences and IP costs;

        (iii) intangibles acquired in a business combination should be capitalised as goodwill;

        (iv) capitalising more intangibles on the balance sheet would require burdensome procedures to gather information on eligible expenditures and could trigger more volatility related to unreliable measurement and subsequent impairment;

        (v) if more recognition is envisaged, reporting at fair value would not provide useful information; and

        (vi) in reviewing the recognition criteria, the IASB should also consider the other side of the transaction, that is whether IAS 37 *Provisions,* *Contingent Liabilities and Contingent Assets* ensures recognition of intangible obligations.

Approach to the project

41. The survey asked for respondents' views on the project approach—that is whether the IASB should:

    (a) address all the aspects in a single project; or

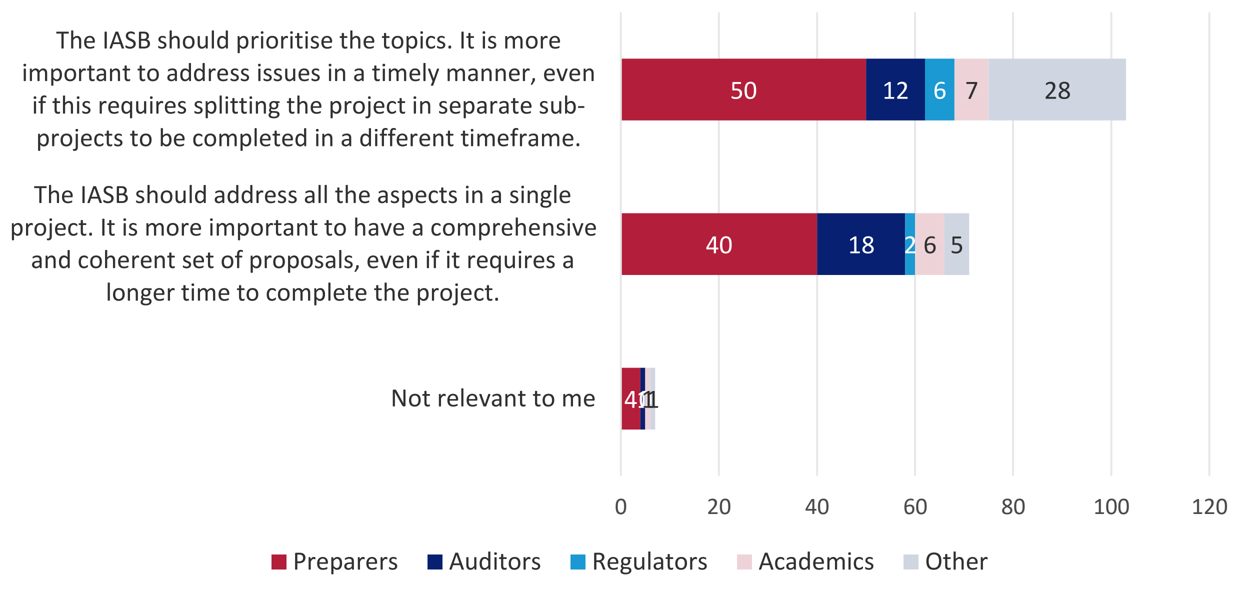
    (b) prioritise the topics (question 18 in Appendix B of Agenda Paper 17B).

42. The respondents' views were mixed:

    (a) 57% would prefer the IASB to prioritise topics—with the strongest support for this approach coming from other stakeholders (82%) and regulators (75%); and

    (b) 39% would prefer the IASB to address all the aspects in a single project—with the strongest support from auditors (58%).

Figure 10. Respondents' preferred project approach



43. In response to an open-ended question:

(a) a few respondents provided their views on what the IASB should prioritise in the project, including:

(i) disclosure;

(ii) guidance for new types of intangibles such as data, artificial intelligence and cryptocurrencies;

(iii) developing recognition and valuation requirements by type of intangible asset;

(iv) accounting for internally generated intangibles; or

(v) reviewing the definition of an intangible asset;

(b) a few respondents asked the IASB to consider connectivity of this project with its other projects and the International Sustainability Standards Board's work, or the connectivity of information about intangibles in financial statements and other reports;

(c) a few respondents advised the IASB to consider other standard-setters' and other organisations' work on intangibles;

(d) a respondent highlighted the need for the requirements for intangibles to be principles-based to avoid them becoming outdated with technological advancements; and

(e) a respondent suggested that updates to the requirements in IAS 38 could be considered in phases but should become effective at the same time.

44. A few respondents suggested the IASB should be open to an adaptive or iterative approach and flexibility for future changes.

Question for the IASB

Question for the IASB
Does the IASB have any comments or questions on the feedback from the general survey summarised in this paper?

Appendix A—Additional information about respondents

Table A1. Predominant sector in which preparers responding to the survey work in

Sector	Frequency for each sector
Financial services	33
Technology	13
Manufacturing; multiple	5
Aviation; public sector; real estate; retail and consumer goods; telecommunications; other services	4
Healthcare; utilities; leisure and hospitality	3
Automotive; chemicals; energy; oil and gas; renewables; wholesale	2
Agriculture; betting and gaming; concessions; construction; food; logistics; luxury goods; mining; pharmaceuticals; transportation; not specified	1