
Accounting Standards Advisory Forum meeting

Date	March 2025
Project	Intangible Assets
Topic	Project direction
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Purpose of this session

- Provide an update on staff's research and outreach activities since April 2024
- Seek ASAF members' views on the project direction prior to the IASB making further decisions on the project

Background information

- | | |
|--|---------------------|
| • February 2025 IASB papers provide a summary of feedback and other evidence gathered at the initial stage of the project | slides 4–9 |
| • March 2025 IASB papers provide staff's analysis of the feedback and other evidence and staff's initial thoughts on possible objective(s) of the project and broad groups of topics the IASB could explore* | slides 10–20 |

*Notes before paragraphs 4 and 50 of March [Agenda Paper 17A](#) explain the terms used in the paper and in this slide deck

Questions for ASAF members

1. Do you have any questions or comments on our initial findings?
 2. Considering the initial findings and the staff's analysis, especially initial staff thoughts in relation to broad groups of topics in the [March Agenda Paper 17A](#):
 - is there anything missing in our analysis that you think the IASB needs to consider?
 - what would be your strategic advice on the project direction?
 - how would you balance need for timely improvements and lack of stakeholder consensus / reasonable support for most topics indicating need for comprehensive review?
-

Initial findings



Intangible Assets project

Objective

- Comprehensively review the accounting requirements for intangibles
- Assess if the requirements of IAS 38 *Intangible Assets* remain relevant and continue to fairly reflect current business models or whether the IASB should improve the requirements

Areas of focus

Initial research sought evidence on:

- the problem the project should seek to resolve
- the scope of the project
- how best to stage work to deliver timely improvements

Activities to date (1/2)



Outreach

IFRS Foundation bodies

- IFRS Interpretations Committee
- Global Preparers Forum
- Capital Markets Advisory Committee
- Accounting Standards Advisory Forum
- Emerging Economies Group

Preparers

- 16 meetings with preparer groups
- More than 60 preparers spoke
- Covered a range of sectors including media and entertainment, pharmaceuticals, software and retail
- Global reach (Africa, Asia-Oceania, Europe, Latin America and North America)

Users

- Two national standard-setter user advisory groups
- Five groups of users covering Asia-Oceania, Europe, North America and globally
- A group of global valuation specialists

Other stakeholder groups

- International Forum of Accounting Standard Setters
- Auditing standard-setter
- International and European groups of regulators
- Accountancy firms' technical partners

Activities to date (2/2)



Surveys

31 October – 30 November 2024

Investor survey

- Received 71 responses
- 15 follow-up meetings with respondents to discuss their responses

General survey

- Received 202 responses
- 112 preparers, 33 auditors, 8 regulators, 14 academics, 35 other (including 14 consultants, 7 stakeholders with interest in sustainability reporting or intangibles, 4 accountancy bodies, 3 valuation specialists and 3 standard-setters)



Other activities

Monitoring related projects

- ISSB's research project on human capital
- IASB's projects on Management Commentary and Business Combinations – Disclosures, Goodwill and Impairment, and horizon-scanning activities on pollutant pricing mechanisms

Other activities

- Monitoring national standard-setters' activities, notably FASB's projects related to intangibles
- Review of IFRS Interpretation Committee Agenda Decisions
- Review of ESMA enforcement decisions

High-level messages from outreach and surveys (1/2)

Problem

- No single overall problem
- Mixed views on whether fundamental changes to IAS 38 are needed
- Main themes:
 - IAS 38 is out of date and requires modernisation
 - financial statements are not providing users with enough information about intangibles
- Other common themes – but mixed views on whether these are problems for the IASB to solve:
 - lack of comparability between entities growing organically and through acquisitions – views on potential solutions also differ
 - the gap between an entity's market capitalisation and the book value of its net assets

Scope of the project and IAS 38

- Strong support for addressing intangible assets held for investment, such as cryptocurrencies and carbon credits – either as part of this project or as a separate project
- Less appetite for expanding the scope of IAS 38 to capture a broader range of intangibles or for reconsidering the scope exclusions

High-level messages from outreach and surveys (2/2)

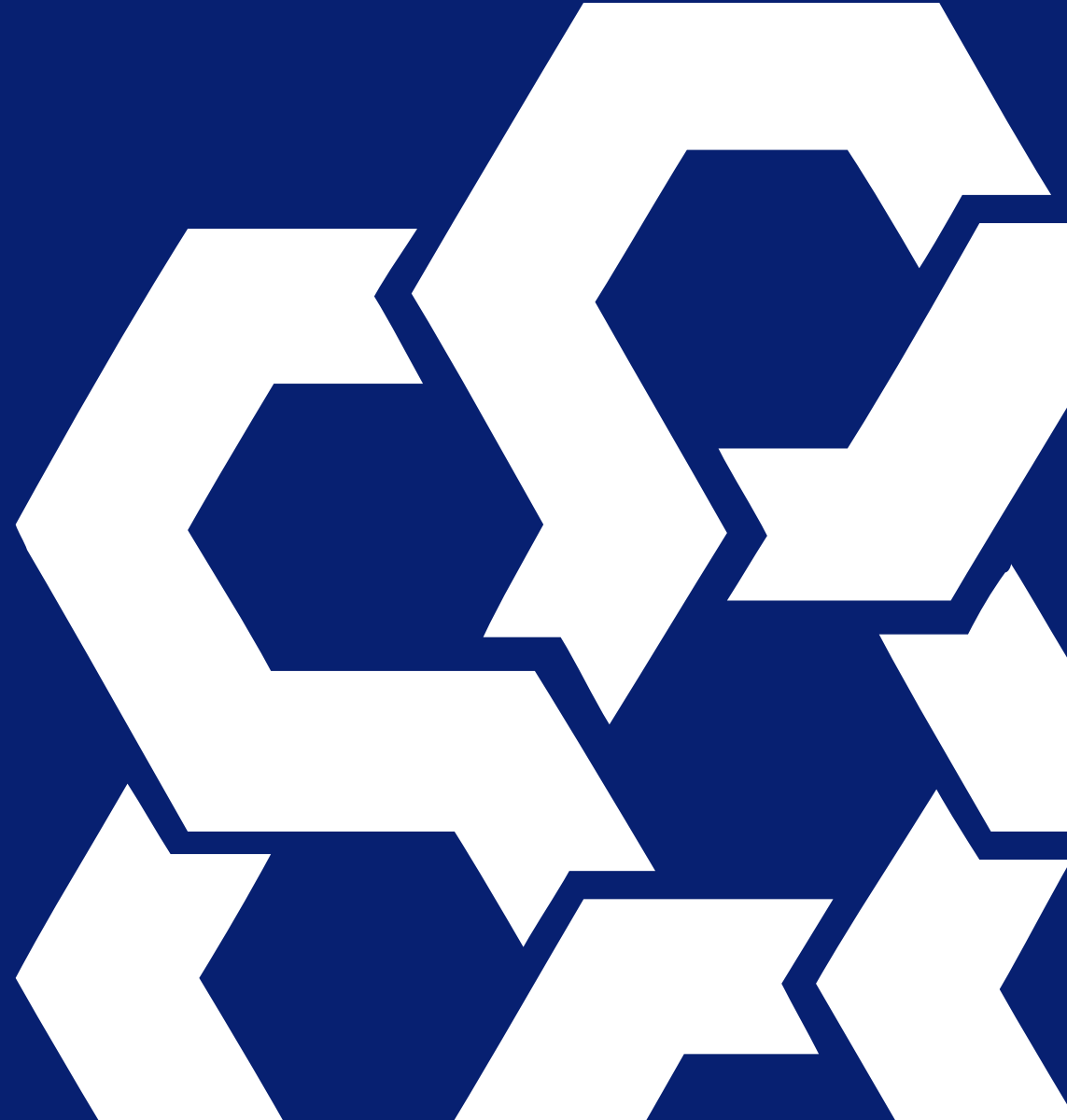
Priority topics

- Mixed views on topics to prioritise
 - most topics received reasonable support
- Overall, the strongest support for addressing:
 - application issues (such as cloud computing, agile software development and data resources)
 - presentation and disclosure topics (such as more disaggregated information about expenses and better information about unrecognised intangible assets)
- Users of financial statements expressed:
 - the most support for the same two groups of topics, with disclosure as the highest priority
 - mixed views on improving comparability between acquired and internally generated intangibles
 - little support for more recognition

Approach

- Overriding message – desire for timely improvements
- Feedback indicates preference for a prioritised approach (whether phased or early evaluation) compared to the all-in-one approach

Staff's initial analysis



How we performed our analysis (1/2)

Based on the feedback and other evidence the staff provided initial thoughts on:

- the objectives of the project
- broad groups of topics that the IASB could explore in the project to meet those objectives
 - the grouping is based on the grouping of topics in the surveys and includes three scope-related topics and six 'subject area' topics

Initial thoughts on possible objectives of the project

Suggested possible objectives of the project:

- Modernise IAS 38 to cope with newer types of intangible assets and new ways to use them
- Improve information entities provide about intangibles in their financial statements

The staff note that the second objective:

- is quite broad and could be met by reviewing the requirements for recognition or disclosure or both
- could be narrowed as the project progresses

How we performed our analysis (2/2)

Staff's initial thoughts on groups of topics take into consideration:

- **Feedback on stakeholder priorities**
 - demand from users of financial statements compared to demand from other stakeholders
- **Reasons for exploring a group of topics**, including:
 - potential to contribute to meeting possible objectives of the project
 - pervasiveness of issues and materiality of related information
 - evidence of deficiency in current reporting
- **Concerns about exploring a group of topics**, including:
 - complexity of potential solutions
 - learnings from the IASB's previous work on the topics
- **Other considerations**, including:
 - links to other groups of topics and to other IASB or ISSB projects
 - timing considerations
 - possible options for mitigating concerns about exploring a group of topics
 - ways to make the project more manageable
 - possibility to build on the IASB's or other standard-setters' latest thinking on the topics

Initial staff thoughts – scope topics (1/2)

1 Accounting for intangible assets held for investment, such as cryptocurrencies and carbon credits

- Strong support from stakeholders, particularly from preparers
 - but some think these assets should be outside the scope of IAS 38 and the project
- The IASB could decide to scope out of the project – both topics previously considered by the IASB:
 - in January 2025 the IASB decided to defer the decision on pollutant pricing mechanisms until the next agenda consultation
 - in the Third Agenda Consultation the IASB decided not to add accounting for cryptocurrencies to its work plan. IFRS Interpretations Committee published an agenda decision on accounting for cryptocurrencies
- If the IASB decided to address this group of topics in this project:
 - focusing on these items narrowly may bring only limited benefits, as will not address all related issues (such as accounting for carbon credit related liabilities)
 - but these types of assets:
 - could be a good test case for exploring modernisation of IAS 38 (slide 15); or
 - could be considered more broadly if the IASB explores accounting for intangibles based on their use in a principle-based way

Initial staff thoughts – scope topics (2/2)

2 Accounting for a broader range of intangibles

- Little support in outreach, stronger support in surveys
- Some feedback may be driven by desire for connectivity between financial statements and other reports
- To keep the project manageable, the IASB could start with the current scope of IAS 38 and focus on financial statement elements
- Some aspects may be considered when the IASB explores disclosure topics, including the boundary
- Later in the project, when the practice of applying IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* develops and the ISSB's work on human capital progresses, the IASB could reconsider whether and how to address this topic in this project

3 Accounting for intangible assets covered by other IFRS Accounting Standards

- Little support in outreach, stronger support for exploring in surveys – feedback focused on goodwill
- Many of the issues raised previously considered by the IASB in the Business Combinations – Disclosures, Goodwill and Impairment project
- To keep the project manageable, the IASB could start with the current scope of IAS 38
- Goodwill might be considered later in the project if decisions the IASB makes in the project significantly affect goodwill

Initial staff thoughts – subject area topics (1/5)

- 4 Updating the definition of an intangible asset and associated guidance to make them easier to apply, particularly for newer types of intangible assets**
 - Strong support from stakeholders, especially preparers
 - Exploring this group of topics directly supports the possible objective of modernising IAS 38
 - Could be explored using several ‘issues’ as test cases initially and then considering broader effects
 - Could be a good entrance point into the project:
 - explores fundamental aspects of IAS 38 (definition and some aspects of recognition criteria)
 - could help start the project in a focused way
 - considering underlying causes of application issues and developing potential solutions could help inform other aspects of the project, especially those related to broader definition and recognition criteria topics

Initial staff thoughts – subject area topics (2/5)

5 Investigating whether more intangible assets should be reported on the balance sheet

- Mixed views on whether more recognition is needed
- Limited appetite for more recognition from users (and preparers)
- Some stakeholders said it would be odd not to explore this fundamental aspect of IAS 38 as part of a comprehensive review
 - would not necessarily result in significant changes to recognition
- Some evidence of real effects of lack of recognition for entities (raising finance, paying dividends)
- Some aspects could be explored as part of the 4th group of topics
- Could be different ways to explore the topic of recognition:
 - a fundamental review—could be complex
 - a targeted review focusing on reviewing the robustness of the recognition principles and determining if the outcomes are fundamentally flawed—could be more manageable
- Could be beneficial to consider broader aspects of recognition later in the project once definition of an intangible asset determined

Initial staff thoughts – subject area topics (3/5)

6 Improving comparability of information about acquired and internally generated intangible assets

- Medium support for exploring this group of topics
- Concerns about feasibility of finding a potential solution
- Different views whether these transactions are different or not
- The IASB could consider whether any improvement could be achievable after:
 - completing its work on the disclosure topics (group 8) (to see if potential solutions for that group of topics could result in sufficient information to help comparisons for users)
 - investigating whether more recognition is needed (group 5)

7 Improving measurement of intangible assets

- Medium support, mostly from preparers – but probably not a priority topic
- Limited appetite to change the underlying measurement model in IAS 38
- Stakeholders raised various issues, some of which related to challenges in applying judgement
- Unlikely to bring significant improvements if explored as a group of topics
- Some aspects may be considered in exploring other groups, for example, reliability of cost when exploring recognition topics (group 5) or an appropriate measurement model when exploring accounting for intangible assets held for investment (group 1)

Initial staff thoughts – subject area topics (4/5)

8 Improving disclosure about capitalised and expensed intangibles

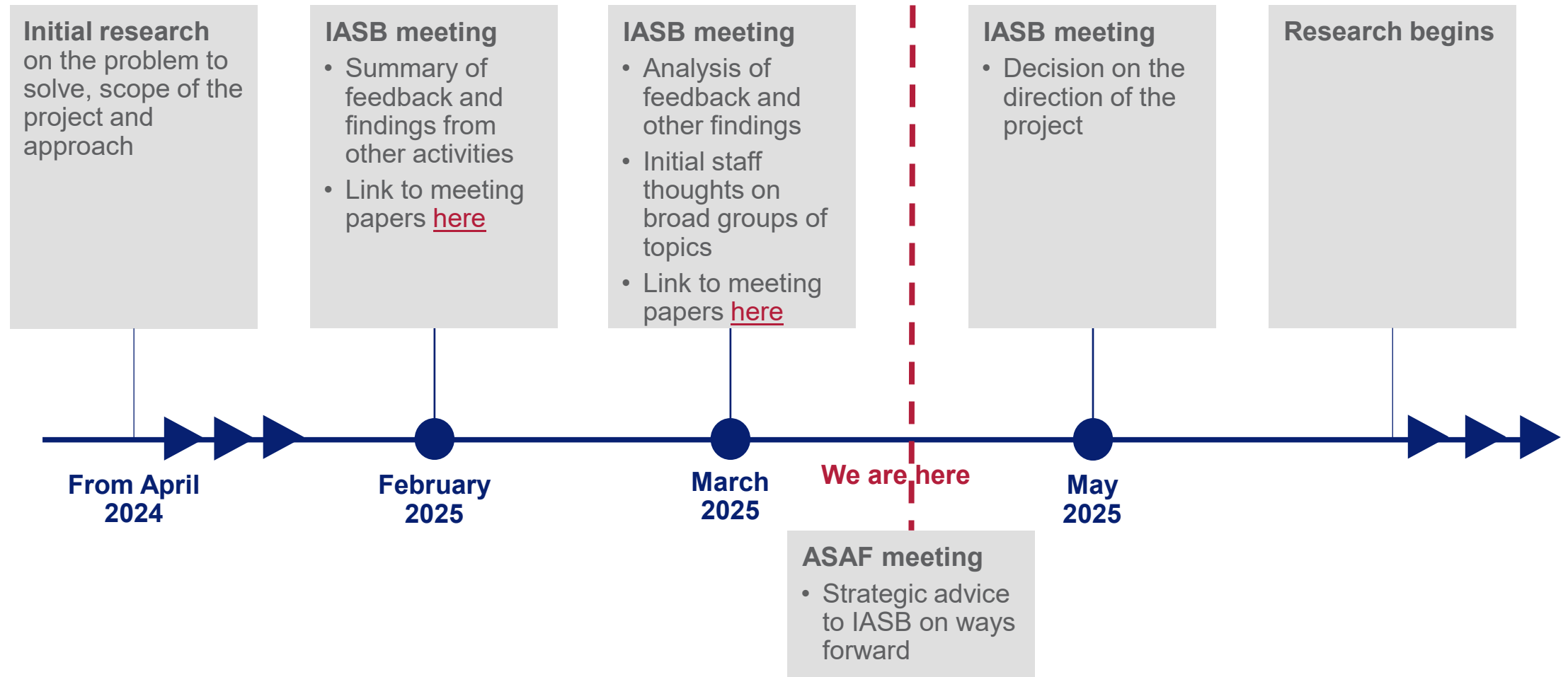
- Strong support, especially from users
- Directly contributes to the possible objective of improving information entities provide about intangibles
- Could be an expedient way to provide significant improvement in reporting. However:
 - some stakeholders would not consider this a comprehensive review
 - preparers expressed concerns about providing additional information about intangibles
 - later changes may be needed once the IASB explores other groups of topics
- Initial exploration of user information needs may be done earlier in the project to inform this and other topics
- It may be beneficial to explore this topic fully at a later stage to enable the IASB to consider:
 - the effects of the implementation of IFRS 18 *Presentation and Disclosure in Financial Statements*
 - the effects of the implementation of IFRS S1
 - the effects of the IASB's early work of other groups of topics

Initial staff thoughts – subject area topics (5/5)

9 Improving consistency of labels for different intangibles

- Least supported
- Exploring this topic is unlikely to bring significant improvement
- Some aspects may need to be considered when exploring other groups, for example, in considering potential disclosure requirements the IASB may need to consider the use of terms like ‘growth-oriented expenditure’

Project timeline



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