IFRS Accounting

# Staff paper

Agenda reference: 17A

**IASB® meeting**

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| Date | **March 2025** |
| Project | **Intangible Assets** |
| Topic | **Project direction—initial staff thoughts** |
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## Purpose of paper

1. This paper provides staff analysis of the feedback and other evidence gathered in the initial phase of the Intangible Assets project and staff's initial thoughts on:

   (a) possible objective(s) of the project; and

   (b) broad groups of topics that the International Accounting Standards Board (IASB) could explore in the project.

2. The paper identifies key information that the IASB might need to consider when deciding the project direction but does not ask the IASB to make any decisions in this meeting.

## Structure of the paper

3. This paper is structured as follows:

   (a) how we performed our analysis;

   (b) key information the IASB might need to consider and the staff's initial thoughts about:

(i) possible objective(s) of the project;

(ii) broad groups of topics the IASB could explore; and

(c) question for the IASB.

## How we performed our analysis

*Note on terminology:*

***Intangible assets and intangibles***

*In this paper we used the terms:*

- *'intangible assets' to refer to items that meet the definition of an 'intangible asset' in IAS 38* Intangible Assets *regardless of whether they meet the criteria to be recognised.*
- *'intangibles' to refer to all intangible items, irrespective of whether they are capitalised, expensed or disclosed. We have sometimes previously referred to these items as 'intangible items', and we will consider which term is more appropriate as the IASB continues with this project.*

4. Our analysis is based on all feedback and evidence collected to date. This feedback and evidence includes:

(a) feedback received in the Third Agenda Consultation;

(b) findings of the research of several national standard-setters (NSS);

(c) findings of academic research;

(d) feedback from meetings with stakeholders (outreach activities);

(e) responses to IASB surveys for users of financial statements (user survey) and other stakeholders (general survey); and

(f) evidence from other research and activities, including connections between the Intangible Assets project and other activities of the IFRS Foundation.

5. We looked at the feedback and evidence on:

(a) the problem for the IASB to solve. During our outreach activities, we asked our stakeholders an open question about the overall problem that, in their view, the IASB should solve in the project. We then reflected the main themes from stakeholder feedback summarised in October 2024 Agenda Paper 17 in the survey question on the problem to be solved in the project. The main themes related to the problem (see paragraphs 10–20 of the February 2025 Agenda Paper 17A) form the basis for our discussion of possible objective(s) of the project.

(b) broad groups of topics. During outreach activities, we provided stakeholders with an initial list of eighteen topics that the IASB could explore in the project—this list was developed using feedback on the Third Agenda Consultation and other research.[1] We asked stakeholders which topics were the highest priority, whether any topics were missing from the initial list, and whether any topics should be excluded from the project's scope. For the surveys, we separated topics related to the scope from other topics. We also reduced the number of topics by grouping some of them (largely based on how they were discussed by stakeholders in outreach) to make it easier for respondents to choose their top three topics. The three scope topics and six 'subject area' topics included in the surveys form the basis for our discussion of the broad groups of topics the IASB could explore in the project.

(c) the IASB's approach to the work. To facilitate discussion in outreach activities we developed three possible approaches to the project: all-in-one approach, early evaluation approach and phased approach.[2] In our initial consultations stakeholders often commented on the early evaluation and phased approaches together in comparison to the all-in-one approach, so for the surveys we asked stakeholders whether they would prefer to address all the aspects in a single project or to prioritise the topics and split the project into separate sub-

[1] See Appendix A of the February 2025 Agenda Paper 17A.

[2] See Appendix B of the February 2025 Agenda Paper 17A.

projects. In this paper we do not discuss approach to the project separately. Instead, we incorporated relevant feedback—including on the need to provide timely improvements and on potential starting points for the project—in our discussion of the broad groups of topics.

(d) the usefulness of information currently provided in the financial statements. The surveys sought to obtain more granular information on how information about intangibles is currently provided and used, including how useful stakeholders see that information, whether and how users of financial statements (users) adjust financial statements in relation to intangibles, and what the constraints on providing information on intangibles are. We incorporated relevant feedback in the discussion of possible objective(s) and broad groups of topics. In a future paper we will also provide further detail about the reasons for, and types of, adjustments made by users as requested by some IASB members at the February 2025 meeting.

6. We used this feedback and other evidence to form our initial thoughts on:

(a) possible objective(s) of the project; and

(b) groups of topics that the IASB could explore.

7. We considered the following factors, where applicable, when performing this analysis and identifying key information that the IASB might need to consider when deciding the project direction:

(a) feedback on stakeholder priorities, including demand from users compared to demand from other stakeholders;

(b) reasons for exploring a group of topics, including:

(i) the potential for a group of topics to contribute to meeting possible objectives of the project;

(ii) pervasiveness of issues and materiality of related information; and

(iii) evidence of deficiency in current reporting;

(c) concerns about exploring a group of topics, including:

(i) complexity of solutions; and

(ii) learnings from the IASB's previous work on the topics; and

(d) other considerations, including:

(i) links to other groups of topics and to other IASB projects, International Sustainability Standards Board (ISSB) projects and IFRS Foundation activities;

(ii) timing considerations;

(iii) possible options for mitigating concerns about exploring a group of topics;

(iv) ways to make the project more manageable; and

(v) possibility to build on the IASB's or other standard-setters' latest thinking about the topics.

## Possible objective(s) of the project

8. In this section, we set out the main problems identified by our stakeholders and other research and provide our initial thoughts on whether solving them should be objectives of the Intangible Assets project.

### *IAS 38 is out of date*

9. In April 2001 the IASB adopted IAS 38, which had originally been issued by the International Accounting Standards Committee in September 1998. In March 2004 and January 2008, the IASB revised IAS 38 as part of the first and second phases of its Business Combinations project. In May 2014, the IASB amended IAS 38 to clarify when the use of a revenue-based amortisation method is appropriate. Other IFRS Accounting Standards have made minor consequential amendments to IAS 38.

10. In March 2018 the IASB issued the revised *Conceptual Framework for Financial Reporting (Conceptual Framework*) that—among other changes—amended the definition of an asset and the recognition criteria. Changes to the *Conceptual Framework* did not automatically lead to changes in existing IFRS Accounting Standards, including IAS 38.[3] Updates to the *Conceptual Framework*, for example, defining an asset as an economic resource (which is a right that has the potential to produce economic benefits) or the updated definition and guidance on control could help resolve some of the application issues in accounting for intangible assets (see paragraph 75(a)).

11. One of the two main themes getting the strongest support during our Third Agenda Consultation, in NSS research and outreach activities was that IAS 38 is out of date and in need of modernising and futureproofing. For example, we heard that IAS 38 requirements do not work well for new types of assets not envisaged when it was developed (such as cryptocurrencies and carbon credits) and new ways of operating (such as cloud computing, new ways of conducting research and development (R&D) activities or agile approaches to developing software).

12. This view was supported by responses to the surveys. The second most common response to the question on the most pressing issue (chosen by 15% of users and 23% of other respondents) was that financial statements do not provide sufficient information on newer types of intangible assets and new ways of using them. This was a joint top issue for preparers (along with financial statements providing insufficient information about entities' intangibles). In addition, a few respondents to the general survey provided their descriptions of the most pressing issue which may indicate that IAS 38 needs updating. These descriptions included:

    (a) diversity in practice resulting from the current requirements in IAS 38, for example, in accounting for R&D, cryptocurrencies and carbon credits; and

[3] See paragraphs BC0.25 and BC0.28 of the Basis for Conclusions on the *Conceptual Framework*.

(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 those assets.

13. The problem of modernisation was also a theme in NSS research. For example, the UK Endorsement Board (UKEB) research report *Accounting for Intangibles: UK Stakeholders' Views* reported that UK stakeholders highlighted that IAS 38 is an old Accounting Standard—it is not aligned with the revised *Conceptual Framework* and does not reflect advances that have given rise to newer types of intangibles.

14. This feedback on the overall problem was supported by the stakeholders' feedback on specific topics, including Topic 1 on intangible assets held for investment and Topic 4 on newer types of intangible assets.

15. Based on the strength of feedback we received from our stakeholders and support for specific topics that would help address this objective, the staff's initial thinking is that modernising IAS 38 could be an appropriate objective of the Intangible Assets project. Setting modernisation of IAS 38 as an objective of the project could help meet stakeholders' expectations of a comprehensive review that would assess whether the Standard's requirements remain relevant.

### *Financial statements provide insufficient information about intangibles*

16. The second of two main themes from our outreach activities was that financial statements are not providing users with enough information about intangible assets or expenditure on intangibles—for example, users need more information about how intangible assets (including unrecognised intangible assets) create value and more disaggregation of expenses to help identify costs expected to generate future benefits.

17. This theme received particularly strong support in the user survey—many respondents (45%) said that financial statements provide insufficient information about entities' intangibles and should provide better information about intangibles (for example, by capitalising more intangibles on the balance sheet or improving disclosures about

capitalised and expensed intangibles). Only a few users (4%) said that financial statements provide sufficient information for investment decisions.

18. In follow-up discussions almost all users said that financial statements providing insufficient information about entities' intangibles is a problem. A few users suggested there is more than one problem for the IASB to solve, most commonly saying that information in financial statements is insufficient and that it is unhelpful in comparing entities with different growth strategies.

19. The problem of insufficient information in financial statements was also the second most pressing issue for the respondents to the general survey (27%). This was a joint top issue for preparers (alongside IAS 38 being out of date) and the most common issue for regulators and other stakeholders.

20. In addition, when asked whether there is sufficient information in financial statements for particular types of intangibles, many respondents to both surveys said that information is insufficient at least for some types of intangibles. Most commonly information was seen as insufficient for data, human capital and customer-related intangibles.

21. Some NSS research also highlighted a concern that financial statements do not provide sufficient information about intangibles and hence do not reflect key value drivers of the business (see paragraph 5 of April 2024 Agenda Paper 17A). However, there were mixed views on the best way to remedy this concern, with improving disclosure requirements often the suggested starting point.

22. Likewise, some academic research suggested that users and preparers think that financial statements do not fully capture the information on intangible assets that they find useful. For example, in a global survey conducted by academics, preparers said that financial statements provide the least useful information compared to 'modified' financial statements including, for example, internally generated intangible assets measured at fair value and recognised on the balance sheet or including broader non-

financial information.[4] However, another academic study emphasised the role of the income statement in providing information about unrecognised intangible assets—although this study also cautioned that for start-up entities, the income statement might be less informative.[5]

23. The feedback on the overall problem was supported by stakeholders' feedback on specific topics, including strong support for exploring Topic 8 on improving disclosure.

24. Despite stakeholders' comments on insufficiency of information about intangibles in the financial statements, most users (76%) and most other respondents (77%) said that financial statements were either the most useful or the second most useful source of information related to intangibles. Almost all respondents (94%) to the surveys also said that information about intangibles would be more useful if it was provided in the financial statements compared to other sources.

25. Based on the evidence about financial statements providing insufficient information about intangibles and the importance of financial statements as a source of information about intangibles in paragraphs 16–24, the staff's initial thinking is that improving the information entities provide about intangibles in their financial statements could be an appropriate objective of the Intangible Assets project. We acknowledge that this objective is quite broad, and could be met by looking at recognition requirements, disclosure requirements or both. However, this objective could be narrowed as the project progresses and the IASB makes decisions on the various topics explored.

[4] Zambon, S., Marzo, G., Bonnini, S. and Girella, L. (2023), 'The Production and Consumption of Information on Intangibles', *ICAS Research Report*.

[5] Penman, S.H. (2009), 'Accounting for Intangible Assets: There Is Also an Income Statement', *Abacus*, 45 (3), 358-371.

### *Gap between market value and book value*

26. During our outreach activities, some stakeholders commented on the gap between an entity's market capitalisation and the book value of its net assets. These stakeholders' views on whether this gap is a problem were split:

    (a) many of these stakeholders said the gap was a problem for the IASB to tackle in the project. For example, some said that the growing gap makes it difficult for users to compare entities that have grown differently and to determine an entity's competitive advantage and drivers of an entity's value.

    (b) many other stakeholders (including some users but mostly preparers) said that the project should *not* aim to reduce that gap. For example, they said financial statements are not designed to show the value of an entity, as explained in the *Conceptual Framework*[6]—the project should instead aim to provide better information to help users to understand the gap.

27. In the user survey, the difference between the market value of entities and the book value of their assets was least commonly chosen as the most pressing issue (10% of respondents). In follow-up discussions, none of the users we interviewed were concerned about this gap or said that the IASB should seek to close it. Users said that financial statements should not be viewed as the only source of information for investment decisions, and that the role of financial statements is not to show the value of an entity—in their view, valuing entities is an analyst's job.

28. Support for tackling the gap was stronger in the general survey, with 22% of respondents choosing this problem as the most pressing issue. This was the most common issue for auditors (30%), the second most common issue for academics (28%) and other stakeholders (30%) and the third most common issue for preparers (18%).

[6] See paragraph 1.7 of the *Conceptual Framework*.

29. Similarly to our findings, Australian Accounting Standards Board (AASB) research indicates that most users were not concerned with the 'book value/market capitalisation gap' for listed entities (see paragraphs 11–20 of April 2024 Agenda Paper 17A). However, most preparers and auditors (that had involvement with listed entities) said the gap between market capitalisation and book values justified amendments to require more internally generated intangible assets to be recognised.

30. The findings of our academic literature review were also mixed:[7]

(a) some academic papers showed that financial statements do not capture the full value of internally generated intangible assets, suggesting a need for modification of accounting standards; and

(b) other academics countered that changes to current accounting standards may not be necessary because the income statement provides information about unrecognised internally generated intangible assets.

31. As noted in paragraph 1.7 of the *Conceptual Framework*, general purpose financial reports are not designed to show the value of a reporting entity. Given that showing the value of an entity is not the objective of general purpose financial reporting and the lack of concern about this problem from users, the staff's initial thinking is that reducing the difference between market value and book value might not be an appropriate objective of the Intangible Assets project.

### *Lack of comparability of information about internally generated and acquired intangible assets*

32. During our outreach activities, the difference between the accounting requirements for internally generated and acquired intangible assets, and the resulting effect on comparability, was commonly mentioned as a problem. However, stakeholders expressed mixed views about whether the project should aim to solve this problem

[7] See paragraphs 28–40 of April 2024 Agenda Paper 17B.

and about potential solutions. For example, one user said internally generated and acquired intangible assets should be treated in the same way, whereas another user said it would not be feasible to do so because of difficulties with measuring internally generated intangible assets. A few NSSs and preparers said that the transactions to internally generate intangible assets and to acquire intangible assets are economically different and therefore should be accounted for differently.

33. Information in the financial statements being unhelpful for comparing entities that internally generate intangible assets and entities that acquire intangible assets was the third most commonly selected problem in user surveys (chosen by 13%). In addition, many users (48%) chose improving comparability of information about acquired and internally generated intangible assets as one of their three priority topics to explore in the project. When asked in follow-up meetings whether the IASB should seek to improve information in the financial statements through more recognition or improving disclosure, most users expressed preference for improving disclosure. Users' views on whether more recognition of internally generated intangible assets would provide useful information were mixed (see paragraph 84).

34. In the general survey, the lack of comparability was least commonly selected as the most pressing issue (13% of respondents), including by preparers (12%) and auditors (15%). However, this was the most common issue for academics (33%).

35. Due to the mixed support for addressing this issue, the staff's initial thinking is that it may not be appropriate to set improving comparability of information about internally generated and acquired intangible assets as a separate objective of the project. However, the IASB could still explore the group of topics related to comparability with the aim of meeting the possible objective of improving information entities provide about intangibles in the financial statements (see Topic 6).

### *Lack of recognition of internally generated intangible assets*

36. Related to the point made in paragraph 32, some stakeholders said the overall problem is the general lack of recognition of intangible assets, such as brands, R&D costs and

cloud computing arrangements. For example, some preparers said that the current accounting does not reflect the economic reality of some transactions, or that the inability to recognise more internally generated intangible assets (such as brands) on the balance sheet creates real effects for entities, such as difficulties in obtaining financing or meeting regulatory requirements for paying dividends. However, some other preparers emphasised the difficulties that would arise from identifying the expenditure associated with and estimating the value of additionally recognised intangible assets and related auditing challenges.

37. Survey responses on prioritising the topic of investigating whether more intangibles should be reported on the balance sheet could indicate how strongly the respondents feel about the related problem of the lack of recognition. This was the least commonly selected topic in the user survey (27% of users) and the joint least commonly selected topic in the general survey (35% of respondents).

38. Due to the limited support for addressing this issue, the staff's initial thinking is that addressing lack of recognition might not warrant being a separate objective of the project. However, as discussed in paragraph 25, an objective of improving information entities provide about intangibles in the financial statements could be met by looking at recognition requirements or disclosure requirements or both and hence this problem could, for the time being, be covered by that broader objective.

### *IAS 38 is a residual standard*

39. During our outreach activities, a few stakeholders said the problem is that IAS 38 is a residual standard—it applies to intangible assets that are not within the scope of another IFRS Accounting Standard—and therefore it captures some assets for which its requirements are not well-suited, for example, intangible assets used for investment such as cryptocurrencies and carbon credits.

40. However, this problem did not emerge in the user survey. In the general survey, a few respondents said that IAS 38 is trying to cover a population that is too broad, with many types of intangibles having little in common.

41. As this problem was raised by only a few stakeholders, the staff's initial thinking is that addressing this problem might not be an appropriate separate objective of this project. However, the IASB may consider this problem at least partly if it chooses to explore groups of topics such as Topic 1 on intangible assets held for investment or Topic 4 on newer intangible assets.

### *Difference in IFRS Accounting Standards and US GAAP*

42. During our outreach activities, a few preparers were concerned about challenges to multinationals and reduced comparability of financial statements caused by differences in IFRS Accounting Standards and US GAAP requirements for intangible assets. They suggested the IASB should consider aligning these requirements where practicable.

43. In the user survey, one respondent suggested aligning the requirements on goodwill accounting with US GAAP.

44. As this problem was raised by only a few stakeholders, the staff's initial thinking is that addressing this objective might not be an appropriate separate objective of the project. However, the IASB could still consider any differences in requirements when exploring specific topics in the project.

### *Staff's initial thoughts*

45. Based on our analysis in paragraphs 9–44, the staff's initial thinking is that the objectives of the Intangible Assets project could be to:

    (a) modernise IAS 38 so that it copes with newer types of intangibles and new ways to use them; and

(b) improve information entities provide about intangibles in their financial statements.[8]

46. The staff think that having two objectives could be appropriate as these objectives are unlikely to conflict with each other—in fact, they could complement each other.

47. We also note that overall stakeholders expressed mixed views about the extent to which there are significant problems with the requirements in IAS 38—some stakeholders said that IAS 38 needs fundamental changes to its principles, whereas others said that it does not. The staff think that setting the objectives in paragraph 45 would not necessarily commit the IASB to making fundamental changes to IAS 38.

48. The assessment in paragraph 45 is a preliminary one and enables the staff to discuss to the potential for a group of topics to contribute to meeting these possible objectives of the project when no decision on these objectives has been made by the IASB.

## Groups of topics for the IASB to explore

49. This section sets out key information the IASB might need to consider and staff's initial thoughts on groups of topics that the IASB could explore in the project:

    (a) scoping topics, including:

        (i) Topic 1: intangible assets held for investment, such as cryptocurrencies and carbon credits;

        (ii) Topic 2: accounting for a broader range of intangibles; and

        (iii) Topic 3: accounting for intangible assets covered by other IFRS Accounting Standards.

    (b) 'subject area' topics, including:

[8] The IASB could improve information entities provide about intangibles by, for example, requiring more capitalisation of intangibles on the balance sheet or improving disclosures about capitalised and expensed intangibles (see paragraph 25).

(i) Topic 4: updating the definition of an intangible asset and associated guidance to make them easier to apply for newer types of intangible assets;

(ii) Topic 5: investigating whether more intangibles should be reported on the balance sheet;

(iii) Topic 6: improving comparability of information about acquired and internally generated intangible assets;

(iv) Topic 7: improving measurement of intangible assets;

(v) Topic 8: improving disclosure about capitalised and expensed intangibles; and

(vi) Topic 9: improving consistency of labels for different intangibles.

## Scoping topics

### *Topic 1: Intangible assets held for investment, such as cryptocurrencies and carbon credits*

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| *Note on terminology:*<br><br>***Intangible assets held for investment***<br><br>*In the initial research on the project, we used the term 'intangible assets held for investment' (that was originally used in the Third Agenda Consultation) to describe intangible assets other than those used in the production or supply of goods or services or held for sale in the ordinary course of business.*<br><br>*We acknowledge that the term might be interpreted differently, and we will consider whether another term may be more appropriate if the IASB decides to explore this group of topics in the project.* |

***Carbon credits***

*In our initial outreach on the project stakeholders used 'emission rights', 'carbon credits' and similar terms to describe assets generated by pollutant pricing mechanisms (PPMs). At this stage, we have not attempted to explore whether there would be any differences in the underlying items. In this paper, we used 'carbon credits' to describe all types of assets arising in PPMs. We will consider whether another term may be more appropriate if the IASB decides to explore this topic in the project.*

***Cryptocurrencies***

*In the outreach materials and surveys, we used the term 'cryptocurrencies' (that was originally used in the Third Agenda Consultation), and this term was used most commonly by our stakeholders. However, our stakeholders may have been using the term to refer to a broader range of cryptoassets. We will consider the exact term to use and what it captures if the IASB decides to explore this topic in the project.*

### *Feedback on stakeholder priorities*

50. Overall, the level of support for exploring the accounting for intangible assets held for investment was **strong,** particularly from preparers. Specifically:

(a) during our outreach activities, most stakeholders wanted the IASB to explore the accounting requirements for intangible assets held for investment (such as cryptocurrencies and carbon credits). This was a prevalent topic, especially among preparers, although only a few preparers said that information about these types of assets is currently material. Opinions differed on whether intangible assets held for investment should be addressed as a separate project or within IAS 38 and the Intangible Assets project.

(b) in the user survey, there was strong support (73%) for the IASB exploring intangible assets held for investment but mixed views on whether to do this in the Intangible Assets project (44%) or in a separate project (29%). In addition, many respondents said that information in financial statements on cryptocurrencies and carbon credits is insufficient (34% and 46% respectively). However, many others said they did not know whether financial statements provide sufficient information on cryptocurrencies and carbon credits (48% and 35% respectively, which were significantly higher percentages than the percentages for other types of intangibles)—this could be for different reasons, including that information about these items might not be material to users at the moment. Some users advocated for a separate, quicker project on cryptocurrencies and carbon credits.

(c) in the general survey, there was strong support (79%) for the IASB exploring intangible assets held for investment but mixed views on whether to do this in the Intangible Assets project (43%) or in a separate project (36%). Similarly to the user survey, many respondents did not provide a view on whether financial statements provide sufficient information on cryptocurrencies and carbon credits (44% and 35% respectively, which were significantly higher percentages than the percentages for other types of intangibles). Those who provided a view tended to find information insufficient (44% and 41% respectively).

(d) our academic literature review showed that some studies proposed measuring cryptocurrencies at fair value, including as intangible assets using a revaluation model.[9] The UKEB user survey suggested that the most preferred option for both cryptocurrencies and carbon credits was for recognition on the balance sheet at fair value.

*Reasons for exploring this group of topics*

51. The IASB may consider exploring this group of topics because:

(a) feedback from stakeholders and other evidence indicates that there is strong support for exploring this group of topics and it is a growing area of concern

[9] See paragraphs 73–75 of April 2024 Agenda Paper 17B.

for stakeholders. For example, in outreach a few preparers said that, although information about these types of assets is not material currently, their prevalence is increasing. Horizon-scanning activities during the IASB's work on PPMs suggested that the prevalence of carbon credit schemes is projected to increase as carbon prices increase and compliance schemes reduce or phase out free carbon allowances (see January 2025 Agenda Paper 10).

(b) exploring accounting for these newer intangibles could help meet the potential objective of the project of modernising IAS 38.

(c) some stakeholders expressed a view that IAS 38 requirements are insufficient or unsuitable for these items. For example, some respondents to the general survey suggested that measurement at fair value would be more suitable for cryptocurrencies and some respondents said that the current IAS 38 requirements are insufficient for accounting for carbon credits. In outreach and user follow-up meetings, some stakeholders said that these items have different properties or are used in different ways compared to intangible assets used in an entity's operations. Some users said it might be more suitable to treat some tradeable cryptocurrencies and carbon credits as financial instruments. Some stakeholders suggested the IASB use a similar approach to that used in IFRS 9 *Financial Instruments*, in which requirements are based on the entity's business model or purpose for holding an asset.

(d) there are some indications of diversity in accounting for carbon credits identified in the IASB's horizon-scanning work on PPMs (see January 2025 Agenda Paper 10). In the absence of the IASB addressing the accounting for these items, NSSs may develop accounting requirements in response to demand from their stakeholders. If inconsistent requirements emerge, this may make the IASB's future standard-setting more difficult.

### *Concerns about exploring this group of topics*

52. As mentioned in paragraph 50, although there was a strong support for exploring accounting for intangible assets held for investment, the views on whether it should be

done in the Intangible Assets project or separately were mixed. Some of those who wanted a separate project argued that cryptocurrencies and carbon credits have different economic characteristics to intangible assets, with some saying that they are more akin to financial assets. This could raise the question as to whether the IASB should be considering these particular assets within the Intangible Assets project and whether they should remain in the scope of IAS 38. The IASB could either:

(a) scope them out of IAS 38 (which would require some work to support that) and either do a separate project or projects to deal with cryptocurrencies and carbon credits or let entities develop policies under IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

(b) leave them in the scope of IAS 38 and either let entities continue with their current accounting practices or explore accounting for these items in this project.

53. We also did not get a clear message on whether stakeholders' concerns were specific to accounting for cryptocurrencies, carbon credits or both or whether they related to accounting for intangible assets held for investment more broadly. Specifically:

(a) many stakeholders raised specific issues related to accounting for either cryptocurrencies or carbon credits. Resolving specific issues related to cryptocurrencies may be easier than for carbon credits. Addressing carbon credits in the Intangible Assets project is likely to be complex but may bring only limited benefits because it would not address all related issues for PPMs such as accounting for related liabilities.

(b) some stakeholders commented on the different use of such assets. A few stakeholders suggested that focusing on a principle-based approach based on use of an intangible asset would help futureproof IAS 38.

54. There was also limited feedback on the materiality of information about cryptocurrencies and carbon credits. In outreach a few preparers said this information is not material currently. The high proportion of 'I don't know' answers in relation to the question on sufficiency of information about these intangible assets from both

users and other stakeholders may also suggest that many stakeholders have not had to deal with significant amounts related to these items. This feedback is corroborated by the IASB's horizon-scanning activities on PPMs, which noted that there is insufficient evidence to suggest that PPMs are currently material to a significant number of IFRS reporters (see January 2025 Agenda Paper 10).

*Other considerations*

55. This group of topics has a link to Topic 4 on newer types of intangible assets—some respondents were using cryptocurrencies and carbon credits as examples of newer assets for which improvements are needed. Therefore, instead of exploring them as a separate topic, the IASB could use either or both of them as 'test cases' if it decided to explore the application of IAS 38 to newer intangible assets.

56. In considering whether and if so when to explore this topic in this project, the IASB would also need to consider its previous decisions on cryptocurrencies and PPMs:

(a) during its Third Agenda Consultation, the IASB decided not to add a project on cryptocurrencies to its work plan. It noted questions about these assets' prevalence and pervasiveness, the prematurity of considering the accounting for these types of assets, and the agenda decision published by the IFRS Interpretations Committee (Committee) on cryptocurrencies. However, the IASB did note that the project on Intangible Assets will review the scope of IAS 38, including whether cryptocurrencies should remain within it.

(b) in January 2025, the IASB decided to defer a decision on adding PPMs to the work plan until the next agenda consultation.

57. Given its previous decisions, the IASB might find it more appropriate to defer the decision on whether and how best to address accounting for cryptocurrencies and carbon credits until the next agenda consultation. This would not necessarily preclude the IASB from exploring accounting for intangible assets held for investment in a principle-based approach in the Intangible Assets project.

58. The staff also note that if the IASB decided to explore accounting for intangible assets held for investment in this project, the IASB could consider the FASB's work on these topics, including:

(a) Accounting Standards Update 2023-08, *Intangibles—Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets* (Update 2023-08); and

(b) proposed Accounting Standards Update, *Environmental Credits and Environmental Credit Obligations* (Topic 818). The due date for comment letters is 15 April 2025.

### *Staff's initial thoughts*

59. Exploring accounting for intangible assets held for investment received strong support from our stakeholders, particularly preparers. However, as mentioned in paragraphs 52–53, this support could be for various things—for exploring accounting based on use of an intangible asset, for having clear requirements on PPMs, for scoping cryptocurrencies (and carbon credits) out of IAS 38 because they are not intangible assets or for broader modernisation of accounting for newer intangible assets.

60. The IASB's previous decisions on PPMs do not suggest exploring carbon credits separately in the Intangible Assets project. However, for both cryptocurrencies and carbon credits, in this project the IASB could:

(a) apply a principle-based approach and explore accounting for intangible assets based on their use; or

(b) use cryptocurrencies or carbon credits or both as 'test cases' in exploring application challenges for newer intangible assets.

61. Depending on this work and the IASB's future decisions in the next agenda consultation, the IASB might later review whether these items need to be scoped out of IAS 38.

### *Topic 2: Accounting for a broader range of intangibles*

*Feedback on stakeholder priorities*

62. Overall, the level of support for exploring a broader range of intangibles in the Intangible Assets project was **medium**. Specifically:

    (a) during our outreach activities, only a few stakeholders expressed an appetite for expanding the scope of IAS 38 beyond requirements relating to financial statement elements to encompass intangibles more broadly. However, International Forum of Accounting Standard Setters participants more commonly rated this topic as high priority.

    (b) many respondents to the user survey (50%) said that a broader range of intangibles, such as assembled workforce or customer satisfaction, should be included in the Intangible Assets project. Also, many respondents said that financial statements provide insufficient information on human capital (69%) and customer-related intangibles (which may include some broader intangibles) (58%). However, some respondents (18%) said a broader range of intangibles should be explored in a separate project and many respondents (32%) did not agree with considering a broader range of intangibles. In follow-up meetings, there was less appetite for addressing a broader range of intangibles in the Intangible Assets project, with users expressing scepticism about subjectivity of measurement of these assets or the location for this information.

    (c) many respondents to the general survey (41%) said the IASB should explore a broader range of intangibles in the Intangible Assets project. In addition, many respondents said that financial statements provide insufficient information on human capital (60%) and customer-related intangibles (50%). In response to an open-ended question, many respondents suggested one or more types of intangibles for which information in financial statements is insufficient, including broader intangibles such as intangibles related to an entity's internal knowledge and systems and relationship-related intangibles. A few respondents said financial statements provide insufficient information about environmental, social and governance factors affecting an entity.

*Reasons for exploring this group of topics*

63. Feedback suggests that there is demand for information about a broader range of intangibles, and that information in the financial statements about these items is currently insufficient. Many academic papers have shown that unrecognised intangible assets (for example, internally generated brands) and other intangibles (for example, reputation) are linked to future benefits.[10] Feedback from outreach suggests that including information about a broader range of intangibles in the financial statements could result in more assurance over this information. Exploring this group of topics could contribute to the possible objective of improving information entities provide about intangibles in their financial statements.

*Concerns about exploring this group of topics*

64. There were mixed views as to whether broader intangibles should be addressed in the Intangible Assets project, and on whether information about these items belongs in the financial statements. Some users said that more information on a broader range of intangibles can be useful, but in their view such information is complementary to the information in the financial statements and belongs in management commentary or another report (see also comments in paragraph 131 about the location of information and boundary between the reports in Topic 8 on improving disclosure).

65. There were also concerns from users and academics that recognising these items could inflate the balance sheet and cause measurement issues. One academic study suggested that there must be an investment expenditure for balance sheet recognition—recognising intangible assets that do not require explicit cash

[10] See paragraphs42–43 of April 2024 Agenda Paper 17B.

expenditure, such as organisational capital, social capital, market share, geographical positioning, network externalities, and political connections, would be challenging.[11]

66. It is possible the definition of an asset in the *Conceptual Framework* might need to change to enable recognition of these types of items on the balance sheet. We do not think there is sufficient appetite to change the definition.

### *Other considerations*

67. Other projects and activities of the IFRS Foundation are considering users' needs for information on a broader range of intangibles and the connectivity between this information and information in the financial statements. These projects and activities include the ISSB's completed project on IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, the ISSB's research project on Human Capital, the IASB's project on Management Commentary, and the IFRS Foundation's activities on connectivity and integrated reporting. The IASB would need to consider how developments in these other projects and activities effect the user need for information about broader intangibles in the financial statements.

68. Furthermore, in the Intangible Assets project the IASB could explore disclosure topics as described in Topic 8, including the boundary between the financial statements and other reports. The IASB could therefore decide to wait for the outcome and effects of these activities to become apparent before exploring accounting for a broader range of intangibles.

### *Staff's initial thoughts*

69. To keep the project manageable, the IASB could consider if it would be best to initially keep the scope of the Intangible Assets project narrow given the large

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[11] Barker, R., Lennard, A., Penman, S., and Teixeira, A. (2022), 'Accounting for Intangible Assets: Suggested Solutions', *Accounting and Business Research*, 52 (6), 601-630.

spectrum of intangibles. For example, the IASB could begin with the current scope of IAS 38 and focus on financial statement elements (such as assets and expenses) only. Furthermore, if the IASB were to explore Topic 8 on improving disclosure, this might involve considering the boundary between the financial statements and other reports and also user information needs. The IASB could consider whether and how to address a broader range of intangibles in the Intangible Assets project once the work on Topic 8 progresses sufficiently.

### *Topic 3: Accounting for intangible assets covered by other IFRS Accounting Standards*

#### *Feedback on stakeholder priorities*

70. Overall, the level of support for considering intangible assets covered by other Accounting Standards was **medium**. Stakeholders' feedback focused on goodwill; we did not get many comments on other intangible assets scoped out of IAS 38. Specifically:

(a) during our outreach activities, most stakeholders did not express support for the IASB reconsidering the scope exclusions from IAS 38. For example, some stakeholders said accounting for goodwill should not be considered in the project. On the other hand, a few preparers from Europe and Asia-Oceania said that accounting for goodwill should be considered in the project—these preparers said that goodwill and the accounting for intangible assets (particularly those acquired in a business combination) are inherently intertwined or were concerned about the requirements for the subsequent measurement of goodwill.

(b) in the user survey, some respondents said that financial statements provide insufficient information about goodwill. Responses indicated strong support (84%) for the IASB to address the reporting of assets covered by other Accounting Standards—either in this project (66%) or separately (18%). Many users we talked to in follow-ups were in favour of addressing the reporting of goodwill. When we asked users to explain their reasons, a lot of the comments related more closely to issues the IASB previously discussed in the Business Combinations—Disclosures, Goodwill and Impairment (BCDGI) project, such as switching to an amortisation model for subsequent measurement of goodwill and concerns about impairment testing. Some users said they do not expect the proposals in the BCDGI project to address all their concerns.

(c) in the general survey, many respondents (43%) said the IASB should aim to address in the Intangible Assets project intangible assets covered by other Accounting Standards. In response to an open-ended question, a few respondents commented that they would prefer goodwill to be amortised.

### *Reasons for exploring this group of topics*

71. As in the IASB's projects on BCDGI and the Post-Implementation Review (PIR) of IFRS 3 *Business Combinations*, accounting for goodwill was raised by stakeholders as a topic to consider. Some feedback from users and academics[12] and NSS research indicates that goodwill is often a large amount on the balance sheet. Considering the importance of this item and users' dissatisfaction with information currently provided on goodwill, the IASB could explore whether there is any new information to warrant a fundamental review of accounting on goodwill. Furthermore, the recognition of separate intangible assets and the recognition of goodwill in a business combination are linked.

### *Concerns about exploring this group of topics*

72. In November 2022, the IASB considered stakeholder feedback from the PIR of IFRS 3, the March 2020 Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* and subsequent research. The IASB concluded that extensive evidence collected did not demonstrate a compelling case to change its

[12] Mehnaz, L., Scott, T., and Zang, Z. (2023), 'The Disclosure of Recognised and Unrecognised Intangibles: Evidence from a Mid-Sized Market', *Working Paper*.

previous decision about accounting for goodwill (in which the IASB explicitly decided not to allow amortisation of goodwill). To date, we have not heard anything new to challenge that conclusion.

*Other considerations*

73. Should the IASB consider changes to separate recognition of intangible assets in a business combination in Topic 6 (see paragraph 112(b)), it is possible that the accounting for goodwill will be affected by those decisions because goodwill is measured as a residual. If significant changes were made, that might mean the accounting for goodwill would need to also be considered.

*Staff's initial thoughts*

74. To keep the project manageable (and considering the broad spectrum of intangible assets in scope of IAS 38), 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.

## 'Subject area' topics

### *Topic 4: Updating the definition of an intangible asset and associated guidance to make them easier to apply, particularly to newer types of intangible assets*

*Feedback on stakeholder priorities*

75. Overall, the level of support for considering the accounting for newer intangibles and new ways of creating intangibles was **strong,** particularly among preparers. Specifically:

(a) during our outreach activities, many stakeholders, especially preparers and accountancy firms, suggested the IASB explore specific application issues, which may involve consideration of the definition of an intangible asset and/or the recognition criteria. For example, many suggested exploring issues related to cloud computing by improving guidance on the definition of an intangible asset (including alignment with the *Conceptual Framework*, considering the nature of the underlying items, control, and the difference between an intangible asset and a service contract). Concerns also arose about new software development methods (agile development) and accounting for data resources, AI and AI-generated intangibles, emphasising the need to futureproof IAS 38. There was much lower demand for a conceptual exploration of properties of intangible assets or updating the definition for the revisions to the *Conceptual Framework* without linking this work to application issues for newer intangibles.

(b) in the user survey, updating the definition of an intangible asset and associated guidance to help make them easier to apply to newer types of intangibles was the second most chosen priority topic (selected by 54% of respondents). 73% of respondents said financial statements provide insufficient information about data, while the responses on software were mixed with 51% indicating that information is sufficient and 41% that information is insufficient.

(c) in the general survey, updating the intangible asset definition and associated guidance had strong support (70% overall), especially among preparers (78%), other stakeholders (71%) and auditors (63%). In addition, 54% of respondents said financial statements provide insufficient information about data, whilst on software 59% found information sufficient compared to 35% who said it was insufficient. Some respondents suggested that the financial statements should provide more information about cloud computing arrangements and new software development methods.

*Reasons for exploring this group of topics*

76. Our evidence and feedback suggest that, due to the increasing digitalisation of the global economy, the nature of intangibles has expanded from more traditional

intangible assets, such as intellectual property (IP) and patents, to now include newer types of intangible assets, such as cloud computing and data resources. These types of intangible assets, along with intangible assets held for investment (see Topic 1), were the most talked about in our outreach and addressing these groups of topics were among the most favoured responses in the surveys. The feedback indicates newer types of intangible assets' growing prevalence and materiality. For example:

(a) all software providers we spoke to mentioned the shift from software-on-premises models to cloud computing arrangements (including software as a service, infrastructure as a service and platform as a service);

(b) a few preparers said the shift to cloud computing has resulted in a significant expense in the income statement; and

(c) some users highlighted the importance of addressing newer types of intangibles such as cloud computing arrangements and software developed using agile methods because they are becoming more common and increasingly significant for businesses.

77. A few stakeholders said that the Committee agenda decisions relating to cloud computing in March 2019 and March 2021 were not helpful for making accounting judgements or led to outcomes not reflecting the economics of the arrangement.

78. Exploring the accounting for newer types of intangibles, determining why IAS 38 is difficult to apply to these intangibles and exploring possible solutions to improve the application of IAS 38 to these intangibles would likely include exploring the definition of an intangible asset and some aspects of the recognition criteria. This is likely to be cross-cutting, could provide meaningful improvements to reporting and contribute to meeting the possible objective of modernising the Standard.

### *Concerns about exploring this group of topics*

79. Developing a comprehensive solution for newer intangible assets could be complex. The level of complexity would depend on the option chosen for exploring this group of topics:

(a) exploring the definition and some aspects of the recognition criteria, including alignment with the *Conceptual Framework*, for all intangible assets using a principle-based approach would be complex because of the broad spectrum of intangible assets in the scope of IAS 38. Also, this option may not be supported by stakeholders as in our initial research there was limited support for a comprehensive conceptual review of the requirements.

(b) exploring whether IAS 38 requirements provide a clear and sufficient basis for accounting for newer intangible assets—using selected intangible assets associated with application issues stakeholders raised as 'test cases' and then considering how any potential solutions would affect other intangible assets—could be more manageable. This option would likely involve consideration of the definition of an intangible asset and the related guidance (for example, on the nature of an underlying economic resource and on assessing whether an entity controls the resource) and some aspects of the recognition criteria. It may also involve considering the revisions to the *Conceptual Framework*.

(c) focusing on resolving selected issues raised by respondents might involve more limited work depending on the issues selected. For example, addressing cloud computing issues is likely to focus on consideration of the definition of an intangible asset and the related guidance, and addressing accounting for assets developed using an agile approach is likely to consider the recognition criteria. However, any proposed solution would not necessarily be suitable for other intangible assets, so the benefits of any improvements would be limited and without full consideration could have unintended consequences. Focusing on specific application issues may also not significantly address user needs.

### *Other considerations*

80. For all options mentioned in paragraph 79, the IASB could build on its previous work on the *Conceptual Framework*, the Committee's decisions, as well as the FASB's work on software costs.[13]

81. As mentioned in paragraph 79(b), the IASB could reduce the complexity of exploring this group of topics by using a few newer intangible assets as 'test cases'. In terms of timing, exploring this group of topics, particularly using the option outlined in paragraph 79(b), could be a good entrance point for starting the project in a manageable and targeted way. Approaching the project in this manner does not necessarily have to be solely about application issues. The IASB could, for example, include a more traditional intangible asset in the 'test cases' it uses to reduce the risk that potential solutions developed for newer intangible assets create unintended consequences for traditional intangible assets.

82. If the IASB's focus is on newer types of intangible assets, the IASB would need to consider whether cryptocurrencies should be included in the 'test cases' explored in this group of topics. However, the considerations (and concerns) we analysed in Topic 1 on intangible assets held for investment would also need to be considered.

### *Staff's initial thoughts*

83. This group of topics received strong support from our stakeholders, especially most preparers and many users. It directly addresses one of our possible objectives of modernising IAS 38. The IASB could decide to explore this group of topics using several 'issues' as 'test cases' initially and then considering broader effects on intangible assets as a whole. This could be a good entrance point into the project because:

[13] In October 2024, the FASB issued a proposed Accounting Standards Update, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*.

(a) it explores fundamental aspects of IAS 38, such as the definition and some aspects of the recognition criteria;

(b) exploring this group of topics could help the IASB start the project in a more focused way; and

(c) considering the underlying causes of application issues and developing potential solutions could inform other aspects of the project, especially those related to broader definition and recognition criteria topics.

### *Topic 5: Investigating whether more intangibles should be reported on the balance sheet*

#### *Feedback on stakeholder priorities*

84. Overall, the level of support for investigating whether more intangibles should be reported on the balance sheet was **low**, with limited appetite for more recognition from users and preparers. Specifically:

(a) during our outreach activities, the IASB received mixed views on whether to investigate more recognition of intangibles on the balance sheet. Some users said that having more intangible assets on the balance sheet may result in useful information, whereas others said they disregard balance sheet items and are more interested in information about the flow of economic benefits. Many preparers said there is no need to review the recognition criteria because they are able to communicate additional useful information about unrecognised intangible assets through non-IFRS key performance indicators, management commentary, and the income statement and statement of cash flows. A few preparers said that they like the restrictive (prudent) nature of the criteria. However, many NSSs supported the IASB revisiting the recognition criteria in IAS 38, and some preparers said the IASB should relax the criteria for at least some assets that are easily measurable. A few preparers highlighted the real effects of not recognising some intangible assets, such as difficulties in obtaining financing and paying dividends.

(b) investigating whether more intangible assets should be reported on entities' balance sheets was the least commonly selected priority topic in the user survey (27%). In follow-up meetings many users said they were more interested in overall business performance and cash flows enabled by intangibles rather than in the value of individual intangible assets on the balance sheet. Some users, especially credit analysts who focus on the short term, preferred the restrictive nature of the current recognition criteria in IAS 38. However, a few users were in support of exploring more recognition because in their view it could achieve better representation of entities' invested capital and sources of value and it could, in their view, help to hold management accountable for expenditure on these items.

(c) this topic was the joint least commonly selected priority topic in the general survey—it was selected by 35% of stakeholders, primarily other stakeholders (50%). Comments from a few respondents indicated that the recognition requirements are too restrictive for some assets, for example, R&D costs, but also that recognition should be restricted to third-party licences and IP costs. Respondents also said that capitalising more intangibles would increase costs to preparers in identifying eligible expenses and subsequent measurement and impairment, and that the IASB should also consider the credit side to the transaction (for example, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*).

(d) NSS research indicates that there are mixed views on how to remedy concerns that financial statements do not provide sufficient information about unrecognised internally generated intangible assets and hence do not reflect key value drivers of the business—including whether to recognise more internally generated intangible assets or to improve requirements to disclose information about unrecognised internally generated intangible assets (see paragraphs 5–9 of April 2024 Agenda Paper 17A). Research conducted by the UKEB suggests that the amount of these unrecognised assets could be material (see paragraph 10 of February 2025 Agenda Paper 17E).

*Reasons for exploring this group of topics*

85. Addressing this group of topics received support from some stakeholders, including some users and a few preparers.

86. Exploring this group of topics could help meet the possible objective of improving information that entities provide about intangibles. For example:

(a) in our outreach we heard about some diversity in practice related to capitalisation of R&D costs in the software industry. Reviewing the recognition criteria could improve consistency in recognition of R&D expenditure.

(b) some stakeholders were concerned about the comparability of information about acquired and internally generated intangible assets (see Topic 6 on improving comparability). Exploring recognition of more internally generated intangible assets or relaxing the prohibitions in IAS 38 from recognising many internally generated intangible assets may help address this concern.

(c) a few preparers said that recognising more assets on the balance sheet would improve access to finance, particularly for start-ups performing brand-building or early R&D activities. Providing improved balance sheet information about these assets could help users make capital allocation decisions.

(d) a few buy-side analysts and individual investors that we spoke to were in support of exploring more recognition of intangible assets on the balance sheet because in their view it could achieve better representation of entities' invested capital and sources of value creation.

(e) a number of academic papers provided evidence that the recognition of R&D costs as intangible assets was associated with economic benefits, such as lower cost of capital.[14] The academic literature has shown that acquired identifiable intangible assets are value relevant and have predictive ability for future

[14] See paragraph 53 of April 2024 Agenda Paper 17B.

operating profits and cash flows. In addition, research found that identifiable intangible assets provided incremental information to investors beyond information provided by goodwill.[15]

87. A few respondents to the user survey were not necessarily arguing for more recognition, but said the IASB should explore whether the recognition criteria in IAS 38 need to be reviewed. This is because the recognition criteria:

(a) may be the underlying cause of many issues related to reporting on intangibles, and it would be odd not to explore the question of recognition in this project;

(b) may need to be reviewed to consider whether it is appropriate that they are more restrictive than those for tangible assets—do the properties of intangibles justify specific recognition criteria; and

(c) were developed more than 20 years ago—the IASB could test the robustness of the criteria and either confirm their suitability or make improvements.

88. Our feedback and other research suggest that the effects of the recognition criteria, and the prohibitions on recognising certain intangible assets, are pervasive. For example:

(a) paragraph 63 of IAS 38 prohibits an entity from recognising internally generated brands, mastheads, publishing titles, customer lists and items similar in substance to intangible assets. This list covers a broad range of intangible assets. Research conducted by the UKEB suggests that the amount of unrecognised intangible assets could be material (see paragraph 10 of February 2025 Agenda Paper 17E).

(b) a large number of academic papers identified in the academic literature review have shown that unrecognised internally generated intangible assets, such as brands, are linked to future benefits (see paragraph 42 of April 2024 Agenda Paper 17B).

[15] See paragraph 66 of April 2024 Agenda Paper 17B.

89. Feedback from UKEB research and our Third Agenda Consultation suggested that the recognition criteria in IAS 38 appear rule driven and are too strict, with blanket prohibitions on the capitalisation of particular expenditure and a high threshold for recognition of development expenditure. Feedback suggested that this rule-driven approach leads to limited recognition of intangible assets, which could be preventing financial statements from providing users with the information they need and seems at odds with the IASB's principle-based approach to standard-setting.

*Concerns about exploring this group of topics*

90. There was only mixed support for investigating whether more intangibles should be reported on the balance sheet—in surveys both preparers and users prioritised this topic less commonly than other topics. Preparers suggested that users can detect unrecognised intangibles in the income statement and users said their priority is to assess how intangibles (both recognised and unrecognised) help the entity create value. Many users also expressed concerns that management's capitalisation decisions could be subjective and discretionary. NSS research and discussions during our outreach activities indicated that some stakeholders support retaining the current approach to accounting for intangibles, concerned that changes to the recognition requirements could lead to over capitalisation in the financial statements. Some academics also said there was no compelling argument for modifying accounting standards related to intangible assets because the value of intangible assets not recognised in the balance sheet can be detected in the income statement.[16]

91. A fundamental review of the recognition criteria may be complex due to the wide variety of intangibles across different industries. There are also concerns that increased recognition of internally generated intangible assets could distort the income statement with subsequent impairment and amortisation of those assets resulting in mismatched revenues and expenses. Furthermore, we have identified some increased

[16] Penman, S.H. (2009), 'Accounting for Intangible Assets: There Is Also an Income Statement', *Abacus*, 45 (3), 358-371.

complexity and cost for preparers and auditors as a result of more recognition, including:

(a) identifiability of costs—challenges in identifying the expenditure related to a particular intangible asset (for example, how to distinguish expenditure to establish a brand from general expenditure to develop the business) or when capitalisation of expenditure should stop (for example, how to distinguish between expenditure that is creating a brand and expenditure that is maintaining the brand). These challenges could result in arbitrary capitalisation decisions.

(b) subsequent measurement of these assets and auditing challenges (for example, determining the useful life of an internally generated brand, more indefinite-lived intangible assets subject to an annual impairment test, or the cost of a brand not reflecting its fair value or future economic benefits). Academic research indicates that initial cost of an intangible asset is value-relevant, whereas subsequent measurement is less so.[17] Furthermore, our research into ESMA enforcement cases indicates that common accounting issues raised by regulators relate to recognition, useful life and amortisation method, the frequency of which could increase if more assets are recognised (see paragraph 40 of the February 2025 Agenda Paper 17E).

(c) the appropriateness of relaxing the recognition criteria might be dependent on the type of intangible assets, how they are used and the industry.

92. The FASB's previous experience in attempting to expand the recognition criteria for software costs may serve as a warning. The FASB considered a variety of recognition models in their project that would have resulted in more extensive changes to US GAAP and the extent of capitalisation. However, feedback from users generally indicated that they were not interested in significant increases in the level of capitalisation since users are striving to normalise earnings across entities and any capitalisation can make comparisons across entities challenging. Additionally,

[17] See paragraph 49 of the April 2024 Agenda Paper 17B.

preparers indicated that more extensive changes to the recognition of software assets could be costly to implement, initially and on an ongoing basis. Given the lack of demand for change from both users and preparers, the IASB may struggle to get support for any future proposals on recognition.

### *Other considerations*

93. We think the IASB could consider two approaches to exploring the recognition criteria and the prohibitions on recognition:

    (a) the IASB could start with a blank piece of paper and consider recognition as if the current requirements did not exist; or

    (b) the IASB could look at the current requirements and determine if the outcomes from these requirements are fundamentally flawed and require amendment.

94. For the first option, we think this approach is likely to be more extensive, take longer and may be complex due to the broad spectrum of intangible assets.

95. We think the second option could be more manageable. The IASB could explore how widespread specific concerns about recognition are to determine whether they indicate that there are fundamental flaws with the recognition criteria in IAS 38. For example, we heard concerns about newer intangibles, diversity in practice in applying the six criteria in paragraph 57 of IAS 38, and concerns that some accounting outcomes do not reflect economic reality. Investigating the concerns could help the IASB assess the continued suitability and robustness of the criteria.

96. Regardless of what approach the IASB takes, in exploring recognition the IASB could consider one or both of:

    (a) the prohibitions in paragraph 63 of IAS 38—for example, should the IASB adopt a more principle-based approach applying the revised *Conceptual Framework*; or

(b) the recognition criteria—for example, do properties of intangible assets justify specific recognition criteria, and do the recognition criteria need to be updated for the revised *Conceptual Framework*.

97. In looking at this group of topics, the IASB may leverage the work of the FASB, who have issued an Invitation to Comment (ITC) *Recognition of Intangibles* and proposed Accounting Standards Update, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*. The IASB could also consider broader concerns expressed by a few preparers regarding the difference between IFRS Accounting Standards and US GAAP.

98. In terms of timing its work on recognition, the IASB may consider updating the definition of an intangible asset first before exploring the recognition criteria. The IASB could also use the outcomes from reviewing the definition and recognition criteria for newer types of intangibles (see Topic 4), as well as outcomes from the FASB's work, as a basis for reviewing recognition more broadly.

### *Staff's initial thoughts*

99. There were mixed views on whether the IASB should explore more recognition of intangible assets on the balance sheet, with limited appetite for more recognition from users and preparers. However, some stakeholders said it would be odd not to explore this fundamental aspect of IAS 38 as part of a comprehensive review—and exploring recognition would not necessarily result in significant changes to recognition. Furthermore, there is some evidence of real effects for entities as a result of lack of recognition, such as difficulties in raising finance or paying dividends, which could justify exploring this topic.

100. Some aspects of the recognition may be explored as part of the IASB's work on newer types of intangible assets (see Topic 4).

101. It could be beneficial to consider broader aspects of recognition once the definition of an intangible asset has been determined, especially if the IASB decided to perform a more fundamental review of recognition requirements.

102. Overall, we think the key decision for the IASB on this group of topics is to weigh up the rationale for exploring these topics against the difficulties that the IASB would likely face in tackling these topics given the apparent lack of enthusiasm from users and preparers for extensive changes to the amount of intangible assets recognised on entities' balance sheets.

### *Topic 6: Improving comparability of information about acquired and internally generated intangible assets*

#### *Feedback on stakeholder priorities*

103. Overall, the level of support for exploring improvements to comparability of information about acquired and internally generated intangible assets was **medium**. Specifically:

(a) during our outreach activities, only some stakeholders, including some users and a few preparers, supported the IASB reviewing the difference between the accounting requirements for internally generated and acquired intangible assets and the resulting effect on comparability. Although the difference was commonly identified as a problem, there were mixed views about whether the project should seek to solve this and about potential solutions. For example, there were concerns whether this problem could be solved. There were also stakeholders who said that the transactions to internally generate intangible assets and transactions to acquire intangible assets are economically different and therefore should be accounted for differently.

(b) many respondents to the user survey (48%) supported improving the comparability of information about acquired and internally generated intangible assets. However, during follow-up meetings users did not express a strong concern about the lack of comparability between entities growing organically and through acquisitions, and most users did not think that recognising more internally generated assets would improve comparability.

(c) more than a third of respondents to the general survey supported exploring this topic, with the strongest support coming from academics (71%).

104. Feedback on the Third Agenda Consultation suggested that it is difficult to compare entities that grow organically and those that grow through acquisitions. Some NSS research considered comparability of information between acquired and internally generated intangible assets. For example:

(a) in research performed by the UKEB:

(i) the amount of intangible assets recognised on the balance sheet was found to be strongly correlated with the value of business combinations.

(ii) stakeholders had mixed views on how to address the inconsistency of accounting requirements for acquired and internally generated intangible assets and the effect this inconsistency has on comparability.

(b) many users who responded to an AASB study agreed with IAS 38's prohibition on recognition of many internally generated intangible assets and with the asymmetry arising from non-recognition of many internally generated intangible assets compared with recognition of the same kinds of intangible assets acquired in a business combination.

105. Some feedback and evidence we collected related to recognition of identifiable intangible assets acquired in business combinations. For example:

(a) there is some academic evidence that identifiable intangible assets are more value relevant and have stronger predictive ability for future operation and financial performance than goodwill.[18] However, as noted in paragraph 91(b),

[18] See paragraph 66 of April 2024 Agenda Paper 17B.

subsequent measurement of intangible assets was found to be less value relevant.

(b) the BCDGI project considered whether to change the range of identifiable intangible assets recognised separately from goodwill (see paragraphs 52–57 of February 2025 Agenda Paper 17E). Feedback was mixed. Most respondents to the Discussion Paper *Business Combinations—Disclosures, Goodwill and Impairment* said that goodwill and other intangible assets acquired in a business combination are different in nature and recognising these assets separately provides better and more useful information. However, some respondents, including some users, thought that recognising acquired intangible assets does not provide useful information and the costs of doing so outweigh the benefits.

(c) a review of ESMA enforcement cases identified three enforcement cases related to applying the requirements in IAS 38 and IFRS 3 on recognising identifiable intangible assets separately from goodwill in a business combination (see paragraphs 39–43 of February 2025 Agenda Paper 17E). All cases resulted in the enforcer asking the entity to recognise additional intangible assets.

(d) in outreach, some stakeholders, mainly NSSs, supported the IASB reviewing the recognition criteria for intangible assets acquired in a business combination—they expressed concerns about inconsistent application of the criteria and too many (or not enough) intangible assets recognised separately from goodwill.

(e) in follow-ups with users, some questioned the usefulness of recognising intangible assets separately from goodwill, saying they do not use information on separately identified assets in their analysis.

*Reasons for exploring this group of topics*

106. Improving comparability of information about entities that have grown organically and those that have grown via acquisition might contribute to meeting the possible objective of improving information that entities provide about intangibles in their financial statements.

107. Research from the UKEB suggests that the balance sheet amounts of assets acquired via business combinations are material. This may result in a material difference between the balance sheet values of those entities that have grown organically and those that have grown via acquisition.

108. The feedback on the recognition of intangible assets in a business combination, particularly in the IASB's BCDGI project and our follow-ups with users, indicates some dissatisfaction with the requirements and concerns about whether the requirements result in useful information. The IASB could explore this topic, regardless of whether it decides to explore improving the comparability between acquired and internally generated intangible assets.

*Concerns about exploring this group of topics*

109. Support for improving comparability of information about acquired and internally generated intangible assets was mixed. Some stakeholders thought this problem could not be solved. Some others said it should not be solved because in their view the accounting for these assets should be different as they have different economic characteristics.

110. The same concerns related to looking at the recognition criteria more broadly (see paragraph 91) would apply to improving comparability of information about acquired and internally generated intangible assets because one of the solutions could be to recognise more internally generated intangible assets. Expensing acquired intangible assets (or increasing goodwill recognised in a business combination by not recognising separate intangible assets) also has its challenges.

111. With these concerns in mind, addressing this topic may be complex, take a long time and may not result in a feasible solution.

*Other considerations*

112. The IASB may seek to make financial statements of entities that have grown organically and those that have grown via acquisition more comparable by either:

(a) recognising more internally generated intangible assets on the balance sheet (see discussion in Topic 5);

(b) recognising fewer separable intangible assets arising from business combinations; or

(c) improving disclosure to enable users to understand the differences between entities that have grown organically and those that have grown via acquisition (see Topic 8).

113. Although the BCDGI project found no compelling feedback that the IASB should change the amount of intangible assets recognised, our initial feedback suggests that stakeholders, in general, are dissatisfied with the accounting for business combinations and intangible assets recognised. This topic could be explored independently of the broader question about the difference between acquired and internally generated intangible assets. However, this dissatisfaction could be driven by users' dislike for purchase price allocations and fair value adjustments, questioning one of the fundamental principles of business combination accounting in IFRS 3, and this is a wider issue affecting not just intangible assets.

*Staff's initial thoughts*

114. Although there was some support for addressing this group of topics, there are concerns about the feasibility of finding a potential solution and different views as to whether these transactions are different or not.

115. The IASB could wait until it completes (or makes significant progress in) its work exploring:

(a) disclosure group of topics—to see if potential solutions for that group of topics could result in sufficient information to enable users to make comparisons; and

(b) whether more recognition is needed—to see if as a result more internally generated intangible assets are to be recognised thus reducing the difference between acquired and internally generated intangible assets.

116. The IASB would need to consider whether it is appropriate to explore the recognition of intangible assets in a business combination in this project. To make that assessment the IASB would likely need to do some initial work to understand the root cause of the feedback on this topic. The timing of that work would need to be considered in light of the priority of other topics.

### *Topic 7: Improving measurement of intangible assets*

#### *Feedback on stakeholder priorities*

117. Overall, the level of support for improving measurement of intangible assets was **medium**, and support came mostly from preparers. Support for exploring measurement varied depending on the aspect of measurement discussed, with the least support for exploring measurement of more intangible assets at fair value (especially when more recognition was discussed). Specifically:

(a) during our outreach activities exploring measurement issues received reasonable support, particularly guidance on the determination of amortisation methods and useful lives, when capitalisation of costs should stop and impairment testing of intangible assets. A few stakeholders suggested reviewing the revaluation model, including whether to keep the reference to an active market but also whether to make revaluation easier. A few stakeholders suggested the IASB explore accounting for contingent and variable consideration on purchase of an intangible asset as an additional measurement-related topic. However, most preparers and users who commented on measuring more intangible assets at fair value did not support including this as a topic, citing concerns about subjectivity, cost and income statement volatility.

(b) many respondents to the user survey (48%) chose improving consistency in measuring intangible assets as one of their three priority topics. In follow-up meetings there was little interest in the balance sheet values of intangible assets. Many users expressed concerns—often in the context of discussing more recognition of intangible assets—about lack of reliability in measuring some intangibles and determining their useful life and the lack of clarity in how entities perform impairment testing.

(c) many respondents to the general survey (51%) supported improving consistency in measuring intangible assets—with the strongest support coming from auditors (61%), preparers (53%) and regulators (50%).

(d) feedback from the Third Agenda Consultation, academic research and NSS research indicate some support for reconsidering whether the revaluation model should refer to the active market.

### *Reasons for exploring this group of topics*

118. Preparer feedback indicated that it is a challenging area of accounting for intangible assets. Our review of ESMA enforcement cases also indicated that determination of useful lives, applicable amortisation method and determination of fair value of an acquired asset were among the five most common accounting issues discussed. Improving measurement of intangible assets received some support from stakeholders and could help address the possible objective of improving information that entities provide about recognised intangible assets.

119. Some respondents supported introducing a different measurement model for intangible assets held for investment, such as fair value through profit or loss, because in their view it would better reflect their economic substance (see paragraph 51(c)).

*Concerns about exploring this group of topics*

120. Support for addressing measurement issues varied, with the topic of fair value accounting receiving the least support. Some users were sceptical about fair valuing intangible assets unless there is an active market for the intangible asset. This feedback does not seem to warrant reviewing the measurement model in IAS 38 comprehensively.

121. Many concerns raised by stakeholders relate to areas of significant judgement. We are unsure whether providing further guidance on determining amortisation methods and useful lives or providing more illustrative examples would be of significant benefit. We also think that there is already a lot of guidance in our literature on impairment testing and it is unclear what further guidance stakeholders are seeking. Addressing measurement topics that require significant judgement could affect more than just intangible assets, for example, it could affect property, plant and equipment.

*Other considerations*

122. Some of the measurement topics are likely to need to be considered if the IASB decides to explore other groups of topics, such as investigating more recognition in Topic 5, exploring accounting for intangible assets held for investment in Topic 1 or application issues related to newer intangible assets in Topic 4.

123. A few stakeholders suggested the IASB should consider the accounting for variable and contingent consideration on purchase of an intangible asset. Exploring this topic previously received limited support and could be challenging (as discussed in the March 2016 Committee agenda decision). However, the IASB might need to consider some aspects related to accounting for variable consideration if it decides to explore other groups of topics—for example, when considering what rights have been delivered to the entity and what obligations arise from the delivery of those rights in the exploration of application issues related to newer intangible assets.

*Staff's initial thoughts*

124. Although there was some support for exploring measurement issues, mostly from preparers, it does not appear to be a priority topic for stakeholders. Stakeholders who did comment on measurement raised various issues, some of which related to challenges in applying judgement. Therefore, exploring measurement issues as a separate group of topics might not bring significant improvements. Some aspects of the measurement requirements may be considered in exploring other groups of topics—for example, reliability of cost if exploring recognition topics in Topic 5, or an appropriate measurement model if exploring accounting for intangible assets held for investment in Topic 1. Therefore, the IASB could focus on resolving measurement issues when those other topics are explored.

### *Topic 8: Improving disclosure about capitalised and expensed intangibles*

*Feedback on stakeholder priorities*

125. Much of the feedback relevant to this group of topics has been included in our discussion on potential objectives for the project and information in the financial statements about intangibles being insufficient (see paragraphs 16–25) and this has not been repeated in this section. The feedback included in this section is specific to disclosure-related topics. Overall, the strength of support for exploring disclosure was **strong**, especially from users. Specifically:

(a) during our outreach activities, many stakeholders said that presentation and disclosure topics are a high priority, particularly disaggregated information about expenses expected to result in future benefits, better information about unrecognised intangible assets, and qualitative information about intangibles that reflects how an entity creates value. However, some stakeholders cautioned against using disclosure as a substitute for recognition and measurement. Furthermore, preparers were concerned about determining what expenditure is 'building the business' versus 'maintaining operations' and about the commercial sensitivity of qualitative information. A few stakeholders said that the guidance in IFRS 18 *Presentation and Disclosure in Financial Statements* may help entities disaggregate information. Some stakeholders stressed the importance of clarifying boundaries between financial and other reports, considering intersections with IFRS Sustainability Disclosure Standards and the IASB's work on Management Commentary.

(b) in the user survey, improving disclosures on capitalised and expensed intangibles was the most popular topic (61%). Users' requests included qualitative disclosures about an entity's key intangibles, detailed information on intangible assets acquired in a business combination and on entities' capitalisation decisions, information on expenditure on intangibles and disclosures about broader intangibles like human capital. When asked in follow-up interviews whether the IASB should seek to improve information in the financial statements through more recognition or improving disclosure requirements, most users expressed a preference for improving disclosure requirements. However, a few users questioned the necessity for additional disclosure requirements, citing existing information in the public domain and the potential effects of IFRS 18 implementation.

(c) in the general survey, improving disclosure requirements was the second most popular priority topic (57%)—particularly for regulators, auditors and academics.

126. Research conducted by NSSs indicates that:

(a) there are mixed views on how to remedy concerns that financial statements do not provide sufficient information about unrecognised internally generated intangible assets and hence do not reflect key value drivers of the business—including whether to recognise more internally generated intangible assets or to improve requirements to disclose information about unrecognised internally generated intangible assets[19];

[19] See paragraphs 5–7 of April 2024 Agenda Paper 17A summarising the key messages from NSS research.

(b) users who responded to an AASB study do not consider financial statements prepared in accordance with IAS 38 to be useful relative to other sources of information about unrecognised internally generated intangible assets; and

(c) UKEB research shows there was a clear call for enhanced disclosure requirements about intangible assets (recognised or unrecognised), with users in particular calling for more granular reporting of expenditure related to individual intangible assets.

127. Our academic literature review (see paragraphs 76–92 of April 2024 Agenda Paper 17B) indicated that:

(a) high-quality information disclosed about intangible assets and intangibles can have a positive effect on an entity's market value;

(b) recognition and disclosure complement each other; and

(c) there is mixed evidence on the benefits of expense disaggregation in the income statement with concerns over revealing commercially sensitive information. However, an academic paper highlighted the income statement's supplemental role to the balance sheet and argued for minimisation of mismatched revenues and expenses resulting from impairments and amortisation. It recommended establishing ex ante amortisation schedules for recognised assets and separate presentation of future-oriented expenditure.[20]

*Reasons for exploring this group of topics*

128. We think that improving information that entities provide about intangibles (for example, by capitalising more intangibles on the balance sheet or improving disclosures about capitalised and expensed intangibles) could be an appropriate objective of the Intangible Assets project, given its importance to users (see paragraphs 16–25). Therefore, the IASB could conclude that improving disclosure

[20] Barker, R., Lennard, A., Penman, S., and Teixeira, A. (2022), 'Accounting for Intangible Assets: Suggested Solutions', *Accounting and Business Research*, 52 (6), 601-630.

requirements is an expedient way to meet user needs and that objective and has strong support.

*Concerns about addressing this group of topics*

129. Preparers seem more hesitant to further disaggregate information or to disclose information about how an entity creates value, citing concerns about commercial sensitivity, the subjective nature of distinguishing between different types of expenditure (especially across different industries), and cost concerns. These views were also reflected in other NSS research. There is a fear that these risks may lead to boilerplate disclosures.

130. Some feedback from preparers and users and academic research suggests that capital markets are informationally efficient—for example, capital markets perform well in financing investments in innovative, high-technology and knowledge-based activities if these investments are capable of generating cash flows.[21] This evidence calls into question the need to focus on disclosure topics, especially as a substitute for recognition criteria. As mentioned in paragraph 125(a), some stakeholders cautioned against using disclosure as a substitute for recognition and measurement—those stakeholders are unlikely to consider the review of IAS 38 comprehensive if it focused on exploring disclosure.

*Other considerations*

131. Some stakeholders were concerned about the boundaries between financial statements and other reports. They suggested that the IASB would need to consider whether information requested by users belongs in financial statements and that it would be important to have a clear boundary in order to determine the appropriate location of the information. Similarly, a few users said that some of the information about intangibles that they want to have is forward-looking or provides management's view

[21] Skinner, D.J. (2008), 'Accounting for Intangibles: A Critical Review of Policy Recommendations', *Accounting and Business Research*, 38 (3), 191-204.

(for example, on how an asset would contribute to future value creation), so in some cases it might be better placed in other reports. The IASB could consider waiting to see whether the effects of entities implementing IFRS S1 and any effects of the IASB's project on Management Commentary would satisfy some of the identified user needs before exploring improvement of disclosure in the Intangible Assets project.

132. The IASB might also consider waiting to see the effects of the implementation of IFRS 18 to see how they affect disaggregation of expenditure.

133. If the IASB were to require increased disaggregation of expenditure on intangibles, it may need to consider whether there should be a definition of terms such as 'marketing expenditure', 'growth-oriented expenditure', and so on. This may involve consideration of more consistent labels and terminology (see Topic 9).

134. The IASB could also decide that it is better to wait and see the outcome of its work on the definition and recognition before considering improving disclosure requirements to meet user information needs. However, that would not necessarily preclude the IASB from exploring user information needs at an early stage of the project and assessing how these needs are being met by its other work and then using disclosure requirements to 'fill in the gaps' in information.

### *Staff's initial thoughts*

135. This group of topics was identified by users as a priority and directly contributes to the possible objective of improving information that entities provide about intangibles. Exploring this group of topics could be an expedient way to provide significant improvements in reporting (especially given the limited support for recognising more intangible assets on entities' balance sheets). However:

(a) some stakeholders would not consider focusing only on disclosure a comprehensive review;

(b) preparers expressed concerns about providing additional information about intangibles, particularly information about key intangibles and how they create value; and

(c) later changes may be needed once the IASB explores other groups of topics.

136. Initial exploration of user information needs could be performed early in the project to inform this and other groups of topics. It may be beneficial to explore disclosure more fully at a slightly later stage in the project to enable the IASB to consider:

(a) the effects of the implementation of IFRS 18, including how entities disaggregate information;

(b) the effects of the implementation of IFRS S1; and

(c) the effects of the IASB's early work on other groups of topics.

### *Topic 9: Improving consistency of labels for different intangibles*

*Feedback on stakeholder priorities*

137. Overall, the strength of support for exploring consistent labels and terminology was **low**. Specifically:

(a) during our outreach activities, introducing consistent labels and terminology received very little support.

(b) in the user survey introducing consistent labels and terminology (for example, a single label for customer relationships, customer base and customer lists) was the second least popular topic (28%). One user said that improving consistency in labels would make it easier to compare information about intangibles.

(c) in the general survey it was jointly the least popular topic, supported by 35% of respondents.

138. However, a majority of respondents to the EFRAG Discussion Paper *Better Information on Intangibles—Which is the best way to go?* agreed it would be useful to introduce a common terminology for intangibles. Evidence from academic literature was mixed (see paragraphs 99–100 of April 2024 Agenda Paper 17B):

(a) there is some evidence to suggest that consistent terminology in categorising intangible assets is desirable; but

(b) other evidence suggested that standardisation should not be attempted due to the specificity and the evolving nature of intangible assets.

*Reasons for exploring this group of topics*

139. There was some interest from our stakeholders for addressing this topic, and introducing consistent labels may help entities provide better (more understandable) information about intangible assets to users.

*Concerns about exploring this group of topics*

140. Given the broad spectrum of intangible assets covered by IAS 38 and their uniqueness, it may be challenging to identify and agree on labels and terminology to be improved. With low support for this group of topics, exploring it might not bring significant improvement.

*Other considerations*

141. IFRS 18 provides guidance on labelling line items so they are useful to users and therefore the implementation of IFRS 18 could help.

*Staff's initial thoughts*

142. Given the reasons in paragraphs 137–141, the staff's initial thinking is that exploring this group of topics is possibly unlikely to bring significant improvement and this does not appear to be a priority topic.

143. However, we think the IASB could consider consistent labels and terminology when exploring other groups of topics in the project. For example, in considering potential disclosure requirements in Topic 8, the IASB may need to consider the use of terms like 'growth-oriented expenditure' and establishing some consistent language (and definitions) for some terms.

## Question for the IASB

| Question for the IASB |
|---|
| Does the IASB have any questions or comments on the analysis in this paper? |