

24 September 2021

Dr. Andreas Barckow

Chair

International Accounting Standards Board

7 Westferry Circus

Canary Wharf

London, E14 4HD

United Kingdom

Dear Dr. Barckow,

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the International Accounting Standards Board's ("the IASB's" or "the Board's") Request for Information (RFI) *Third Agenda Consultation*. In formulating these comments, the views of the constituents within each jurisdiction were sought and considered.

The AOSSG currently has 27 member standard-setters from the Asian-Oceanian region: Australia, Bangladesh, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam. To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. The intention of the AOSSG is to enhance the input to the IASB from the Asia-Oceania region and not to prevent the IASB from receiving wide range of suggestions that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their comments. In responding to the RFI, AOSSG members have provided their responses to the questions in the RFI as described in Appendix of this submission.

All AOSSG member standard-setters appreciate the IASB's great and continuous efforts in improving the IFRS Standards, and have identified several comments or suggestions to each question, as following:

Strategic direction and balance of the Board's activities

There are diverse views about the appropriateness of the level of focus on the Board's main activities:

- A few AOSSG members think the current level of focus is appropriate and should remain unchanged.
- Some AOSSG members' view is that the IASB should decrease the level of focus on "development of new IFRS Standards and major amendments to IFRS Standards" while another one AOSSG member thinks there should be no change of the level of focus on this activity.
- Some AOSSG members think it is important to increase the focus on "understandability and accessibility of the Standards".

- A few AOSSG members suggest that the level of focus on the “maintenance and consistent application of IFRS standards” should increase, as some complicated and challenging standards applied in recent years and the increased focus on it, in particularly providing more educational materials would help to address preparers’ concerns and help to mitigate any diversity in practice.
- One AOSSG member thinks the level of focus on stakeholders engagement should be slightly increased, as it is key to make sure the IFRS Standards can meet the needs of primary users of financial statements; while another AOSSG member thinks it is difficult to answer as different responses from their constituents.
- One AOSSG member thinks the level of focus on digital financial reporting should be increased to improve the accessibility and quality of data available in the future.
- One AOSSG member understands that the new International Sustainability Standards Board (“ISSB”) may reduce the resources available to the IASB for developing accounting standards, and thus is of the view that the level of focus for developing accounting standards should increase to ensure that the IASB has sufficient experience staff.

Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan

In overall, all AOSSG members agree with the criteria identified by the IASB. And there are some suggestions to the IASB:

- Some AOSSG members suggest the IASB provide more transparent and clear information about how it applies the criteria.
- One AOSSG member suggests that the wording of “deficiency” used in the second criteria may inappropriately imply ‘wrongdoing’ and suggests the IASB consider using the wordings of “significant divergence” instead.
- One AOSSG member suggests separate those “essential criteria” from those “nice to have”.
- One AOSSG member notes that the first four of the criteria are taken from paragraph 5.4 of the *Due Process Handbook*. Hence, the IASB should explain the link between the seven criteria and the criteria in the *Due Process Handbook*.
- One AOSSG member mentions that too much emphasis on “the complexity and feasibility of the potential projects and its solutions” would make it difficult for the IASB to conduct research from a medium-to-long-term prospective.

In terms of any additional criteria, some AOSSG members suggest the IASB add following criteria to its assessment system:

- Urgency and timeliness of financial reporting issues.
- Age of the IFRS Standards.
- Economic and regulatory environment impacts.
- Convergence with US GAAP.

Financial reporting issues that could be added to the Board’s work plan

As there are diverse views on the priority of the 22 potential projects, here only the projects suggested by AOSSG members as high priority are summarised as below:

- All AOSSG members agree that a comprehensive review of **IAS 38 *Intangible Assets*** should be assigned as high priority, as current IAS 38 cannot provide useful information about some new types of transactions and assets brought by the

knowledge-based economics, which are playing a greater role and the impact to entities are becoming more and more common in nowadays.

- Some AOSSG members suggest that “**going concern**” should be assigned as high priority to address the issues mentioned in the RFI. One AOSSG member recommends the IASB revisiting IAS 1 to include specific examples and more explicit step-by-step guidance for preparers on how to assess going concern in the Application Guidance of IAS 1, particularly through developing some examples and guidance on how the general requirements in IAS 1 interact with each other, how to assess whether there are significant doubts about an entity’s ability to continue as a going concern, what mitigating actions may be considered and whether material uncertainties remain after that assessment.
- Some AOSSG members suggest that “**other comprehensive income**” should be assigned as high priority, as it has important impact to the financial statements while the recycling appears to be inconsistent between IFRS Standards due to lack of basic principle and concept.
- A few AOSSG members suggest assign “**commodity transaction**” as high priority as application questions is arising and diversity in practice is observed.
- A few AOSSG members suggest that “**cryptocurrency and related transactions**” should be assigned as high priority to specifically consider developing recognition, measurement and disclosure requirements for cryptocurrencies, as there is currently no IFRS Standards that explicitly addresses cryptocurrencies, specifically the accounting for issuer.
- A few AOSSG members suggest “**discount rates**” as high priority as inconsistency between IFRS Standards, which resulted in complexity in practice and users can’t understand why the discount rates used were different.
- A few AOSSG members suggest assigning “**pollutant pricing mechanisms**” as high priority due to lack of guidance while the impact to the world-wide economy will be material in near future.
- A few AOSSG members suggest assigning “**variable and contingent consideration**” as high priority as it exists in many transactions that applicable for different IFRS Standards, while different IFRS Standards have either inconsistent requirement or lack of guidance for the accounting of variable and contingent consideration.
- One AOSSG member suggests assign “**borrowing costs**” as high priority, as the application of IAS 23 will be difficult to understand when borrowings are not specifically associated with particular assets and particularly when inventories are qualifying assets.
- One AOSSG member suggests that “**climate-related risks**” should be assigned as high priority as they have material impact to an entity’s financial statements while current IFRS Standards can’t reflect the economic substances or limited guidance and material practical issues raised, while another AOSSG member comments that it is premature to comment on it until the ISSB is formally established and there is clarity as to how it will operate and integrate with the IASB.
- One AOSSG member suggests assign “**government grants**” as high priority for its inconsistency with Conceptual Framework and IFRS 15 *Revenue Recognition from Contracts with Customers*.
- One AOSSG member suggests “**separate financial statements**” to be assigned with high priority due to its importance to stakeholders in some jurisdictions while limited guidance provided that resulted in significant practical issues.

- One AOSSG member suggests “**statements of cash flow and related matters**” as high priority for its old age and can’t meet the needs of the current changing economic environment and business model.
- One AOSSG member suggests the IASB to conduct a medium-to-long-term research project to comprehensively review **IAS 19 *Employee Benefits*** to consider some issues, such as the recycling of other comprehensive income that arises from the defined benefits plans and the accounting for hybrid plans.

The details of the priority for the potential projects as suggested by AOSSG members are summarised as following:

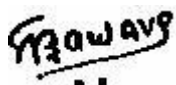
NO.	Project name	AASB	CASC	HKICPA	ASBJ	KASB	MASB	NZASB	SOCPA
1	Borrowing cost			Medium	Low		High	Low	
2	Climate-related risks	Medium			Low		High	Medium	
3	Commodity transactions		High	High	Low		Low	Low	
4	Cryptocurrencies and related transactions	Medium		High	Medium		High	Medium	
5	Discontinued operations and disposal groups				Low		Medium	Low	
6	Discount rates		High		Low		Medium	High	
7	Employee benefit				High		Low	Low	
8	Expense—Inventory and cost of sales				Low		Medium	Low	
9	Foreign currencies				Low		Low	Low	
10	Going concern	High			Low		Medium	High	High
11	Government grants			Medium	Low		High	Medium	
12	Income taxes				Low		Low	Medium	
13	Inflation				Low		Low	Low	
14	Intangible assets	High	High	High	High	High	High	High	High
15	Interim financial reporting			Medium	Low		Low	Low	
16	Negative interest rates				Low		Low	Medium	
17	Operating segments				Low		Low	Medium	
18	Other comprehensive income		High		High		High	Medium	High
19	Pollutant pricing mechanisms		High		Low	High	Low	Medium	
20	Separate financial statements				Low	High	Medium	Low	
21	Statement of cash flows and related matters	Medium	High	Medium	Medium		Medium	Medium	
22	Variable and contingent consideration		High	High	Low		Low	Low	

In terms of the projects not included in the Appendix B of the RFI that can be added to the Board's work plan:

- Two AOSSG members suggest the IASB to reassess the priority of the projects in the IASB's existing work plan. Including which, one AOSSG member recommends the IASB to complete the current project of financial instruments with characteristics of equity with high priority, while another AOSSG member expects to understand if other factors other than timing that makes the IASB difficult to start the pipeline projects and recommends the IASB to give the projects of goodwill and impairment, principles of disclosures and equity method of accounting with highest priority.
- One AOSSG member is of the view that the work that is currently undertaken by the IASB in relation to the "Management Commentary" project is likely to overlap with the work that is to be undertaken by the coming ISSB and it is necessary to discuss whether the IASB or ISSB should address this project going forward.
- One AOSSG member suggests a project on how not-for-profit entities apply IFRS Standards as a medium priority in light of the information needs by users of financial statements of such entities and the growing number and importance of not-for-profit entities. Particularly, such entities need guidance on how to recognize and report the contribution received and made and also the temporary and permanent endowments.
- One AOSSG member suggests the following issues to the IASB with medium priority: (1) converge IFRS 13 *Fair Value Measurement* with International Valuation Standards; (2) develop accounting requirements for assets acquired at no cost (from related and third part); (3) develop enhanced disclosures about the process used in determining materiality, including quantitative thresholds applied and (4) review the requirements of IAS 36 *Impairment of Assets*.
- One AOSSG member recommends the IASB to review and improve the current accounting standards system to develop high-quality IFRS Standards, through strengthening the forward-looking features of *Conceptual Framework* and enhancing the adaptability and timeliness of IFRS Standards.

If you have any questions regarding this submission, please contact either one of us.

Yours sincerely



D.R. S.B. Zaware
AOSSG Chair



Li Xianzhong
AOSSG Cross Cutting Topics Working Group

Appendix – Comments from AOSSG members

Comments from some jurisdictions in this paper are based on staff's view. Therefore, these comments may not necessarily reflect the views of the official entity in each jurisdiction.

IASB RFI *Third Agenda Consultation*

Questions for respondents

Question 1— Strategic direction and balance of the Board's activities

The Board's main activities include:

- developing new IFRS Standards and major amendments to IFRS Standards (level of focus: 40%-45%);
- maintaining IFRS Standards and supporting their consistent application (level of focus: 15% - 20%);
- developing and maintaining the IFRS for SMEs Standard (level of focus: 5%);
- supporting digital financial reporting by developing and maintaining the IFRS Taxonomy (level of focus: 5%);
- improving the understandability and accessibility of the Standards (level of focus: 5%); and
- engaging with stakeholders (level of focus: 20%-25%).

We would like your feedback on the overall balance of our main activities.

- (a) Should the Board increase, leave unchanged or decrease its current level of focus for each main activity? Why or why not? You can also specify the types of work within each main activity that the Board should increase or decrease, including your reasons for such changes.
- (b) Should the Board undertake any other activities within the current scope of its work?

AOSSG members' comments on Question 1

[Australia]

The AASB is supportive of an increase in the IASB's existing level of focus on **digital financial reporting**. The AASB believes that continual progress in this area is necessary to ensure improved accessibility and quality of data available in the future.

The AASB has received feedback from various stakeholders that an increased level of focus on digital financial reporting should be a priority for the IASB. Stakeholders were of the view that a greater focus on the global adoption of the IFRS Taxonomy will support the transparency and consistency of financial information available worldwide.

The AASB notes that the scope of digital financial reporting is broader than the IFRS Taxonomy and, therefore, the IASB should consider alternative methods to enhance and expand digital financial reporting from a global perspective. Despite this, the AASB acknowledges the importance of developing and maintaining the IFRS Taxonomy to ensure the continued clarity and accessibility of requirements for users of the resource. The AASB additionally encourages the IASB to ensure the IFRS Taxonomy is as comprehensive as possible to maintain its relevance and usefulness to users into the future. However, the AASB

notes that the IASB could explore alternative means of addressing this work, including potentially outsourcing certain elements, to provide capacity for a greater focus on other pertinent areas of digital financial reporting.

The AASB also supports an increase in the IASB's existing level of focus on **improving the understandability and accessibility of the Standards**. The AASB is of the view that enhancing the understandability and accessibility of the Standards will ensure stakeholders can appropriately identify materials that are relevant to them and understand how to apply them in practice. As such, it is imperative that the IASB undertake a project to identify and address areas of unnecessary complexity within the IFRS Standards.

This project should also include the identification and removal of any redundant features within the standards to simplify the application for users. Furthermore, the IASB should ensure that any new IFRS Standards or amendments to IFRS Standards are drafted in a manner which is clear and concise while using consistent terminology and structure where practicable.

The AASB encourages the IASB to continue to explore various means through which the IFRS Standards can be made more accessible to stakeholders. It is particularly important that stakeholders are able to easily access standards, additional guidance, supporting materials and topic-related IFRS Interpretations Committee agenda decisions. The AASB especially supports the use of technology and other tools to expand the media through which stakeholders can interact with relevant materials and understand how those materials relate to each other.

Owing to the IASB's current level of resources being likely to remain substantially unchanged over the coming five-year period, the AASB's preference is for the IASB to compensate for the increased focus on the above activities by decreasing its current level of focus on the **development of new IFRS Standards and major amendments to IFRS Standards**. This suggestion has been made as a result of feedback from AASB stakeholders, which suggests there is minimal demand for new standards in the near future as the market is still navigating the uncertainty and volatility caused by the COVID-19 pandemic and adjusting to the implementation of recently issued standards (IFRS 9, IFRS 15, IFRS 16 and IFRS 17).

The AASB is supportive of the IASB maintaining its existing level of focus across its remaining activities.

[Japan]

Paragraph 5 of the RFI states that if decisions from the IFRS Foundation Trustees' review identify the need for capacity from the IASB to support any interaction between the work of the IASB and any new sustainability standards board, such a need will be considered in finalising the IASB's priorities for 2022 to 2026. Our understanding is that the establishment of any new sustainability standards board may reduce the resources available to the IASB for the development of accounting standards. In this regard, ASBJ are of the view that, if the establishment of the new sustainability standards board requires the resources of the IASB, the level of resources should be increased (rather than remaining constant), so that the IASB could maintain the resources available for the development of accounting standards. In maintaining the IASB's resources, ASBJ note that it is important to consider maintaining the IASB's ability to develop accounting standards, for example, by ensuring that the IASB has sufficient experienced staff.

In addition, ASBJ are concerned that the IASB focuses too much on projects that can be completed in the short term. ASBJ think it is necessary to spend time not only on projects that can be resolved in the short term, but also on those for which reaching consensus may be difficult. ASBJ note that it is important to conduct research from a medium-to-long-term perspective, and this would include addressing issues that may not have immediate solutions. Accordingly, ASBJ propose that a certain amount of resources be allocated to medium-to-long-term research activities.

[China]

CASC staff generally agree with the Board's strategic direction. However, CASC staff have some suggestions for the Board to rebalance the level of focus on the Board's main activities:

- the Board should decrease the level of focus on developing of new IFRS Standards and major amendments to IFRS Standards, and accordingly, increase the level of focus on maintenance and consistent application of IFRS standards as well as the understandability and accessibility. After the revision of *Conceptual Framework* and the development of IFRS 9, 15, 16 and 17, stakeholders generally believe that there is great pressure for the implementation of these new IFRS Standards and the Board should slow down the development of new IFRS Standards and focus more on the following aspects: (1) the implementation of IFRS 9 and 15, which have material and extensive impact to entities but were difficult to understand or apply. The Board should consider to revising or amending current IFRS 9 and 15 according to the results of post-implementation review so as to simplify the application. (2) strengthening the communication and cooperation with national standard-setters and encourage them to play more important role in the implementation and consistent application of IFRS Standards.
- the Board should reassess the overlaps between the Board's main activities. For example, the stakeholder engagement, which is mainly to obtain views from stakeholders to support the development of high-quality financial reporting requirements and promote the acceptance of the IFRS Standards, it overlaps with the other main activities in certain aspects. It is suggested that the Board cooperate more with national standard-setters, make full use of national standard-setters' work in conducting outreach and communicating with stakeholders and reconsider whether it is necessary to keep 15-20% focus on this activity.

[Hong Kong]

HKICPA staff consider the IASB should leave its current level of focus for each main activity unchanged given its resources will remain substantially unchanged from 2022 to 2026. The IASB has been able to deliver timely and quality improvements to financial reporting over the years. Hence, increasing the resources allocated to one activity will mean that fewer resources are available for other activities. In addition, HKICPA staff do not consider that the IASB should undertake any other activities within the current scope of its work.

[Korea]

KASB staff generally agree with the current level of focus in the six main activities. KASB staff think that the greatest focus (40%~45%) should be given to the activity for New IFRS Standards and major amendments to IFRS Standards, which is the core job of the IASB.

Specifically, KASB staff would like to highlight the following points.

First, it would be important for the IASB to allocate sufficient resource to PIR activity. KASB staff expect that the IASB will be carrying out the PIR of IFRS 9, 15, 16 and (possibly) 17 during the next five years. And as these IFRS Standards are major standards, KASB staff believe that the PIR of these standards would need to be enhanced.

Second, IASB might consider cooperation with national standard-setters which have already adopted IFRS in relation to the activity for maintenance and consistent application of IFRS Standards. KASB staff note that in the Request for Information, the IASB mentioned that it could provide more education materials and initiatives which could relate to supporting jurisdictions that have recently adopted IFRS Standards or jurisdictions that are planning to adopt IFRS Standards. KASB staff think that the IASB might find it effective to cooperate with national standard-setters which have already adopted IFRS in undertaking such task.

Third, KASB staff think that it is necessary for the IASB to use shorter and simpler words and sentences when drafting IFRS Standards. Many stakeholders point out that the complexity in wording and sentence structure of IFRS Standards undermines the understandability of the requirements in IFRSs. Moreover, ambiguity in the meaning of terms in addition to such complexity makes it difficult to translate IFRSs into a local language. Therefore, KASB staff suggest that the IASB make improvements so that this matter can be properly considered in its internal procedure.

Fourth, the IASB would need to increase the use of digital tools when it comes to stakeholder engagement. Stakeholders are becoming familiar with digital engagement, such as webinars and on-line surveys in the wake of Covid-19. KASB staff believe that digital engagements would provide flexibility to the stakeholders who cannot take time to submit official comments on IASB's due process documents.

[Malaysia]

MASB is of the view that IASB should reduce the current pace of change and focus on its other activities, specifically maintenance and consistent application, as well as to improve understandability and stakeholder engagement, which both play an essential role to the continual success of application of IFRS Standards around the world. This would also provide stakeholders with breathing space, specifically in the post-COVID-19 period, and prevent new IFRS Standards fatigue.

The IASB has completed the big four essential Standards (IFRS 9, IFRS 15, IFRS 16 and IFRS 17) and the current projects in progress (such as BCUCC, DRM, FICE and PFS) could be taken more slowly. Hence, the IASB should decrease its current level of focus on developing new IFRS Standards and major amendments (by approximately ten per cent). The proposed allocation of 30% - 35% would allow sufficient resources for the IASB to finalise its current projects, be able to react to any urgent or unforeseen issues, and also start one or two new projects.

The IASB should increase its current level of focus on the following activities (by approximately ten per cent in total):

- Maintenance and consistent application of IFRS Standards, as consistent application is important to ensure the success of a single set of high-quality global accounting standards. For example, the IASB could focus on developing additional educational resources, like the educational material on IFRS 13 *Fair Value Measurement* published in February 2013.

- Understandability is key for the continuous success of IFRS Standards as the global set of financial reporting standards; and stakeholder engagements, are key to ensuring preparers, users, regulators and other stakeholders remain committed to the IASB's work.

With the above recommendation, the revised Table is as appended below

Activity	Proposed in RFI	MASB's proposal
New IFRS Standards and major amendments to IFRS Standards	40%–45%	30%-35%
Maintenance and consistent application of IFRS Standards	15%–20%	20%-25%
The <i>IFRS for SMEs</i> Standard	5%	5%
Understandability and accessibility of the Standards	5%	5 -8%
Digital financial reporting	5%	5%
Stakeholder engagement	20%–25%	22%-27%

[New Zealand]

Developing new IFRS Standards and major amendments to IFRS Standards – No change

It is difficult to decide if the current percentage allocations of the IASB's main activities should change or not, without the benefit of knowing the agreed priorities of specific topics resulting from this consultation process. The IASB may be considering a specific topic through a standard-setting project, but the call from constituents may be that all they need is more education on that topic. NZASB encourages the IASB to reconsider the balance between the main activity groups after deliberation on constituents' specific topics and priorities following this consultation.

Subject to our comments in paragraph 1, NZASB considers the balance of activities here should be kept unchanged, particularly as this activity does not exclusively include the development of new IFRS Standards but also includes the post-implementation reviews (e.g. of IFRS 9, 10, 11 and 12, 15 and 16).

Our constituents have advised that many preparers are still navigating the disruption and ongoing uncertainty caused by COVID-19 as well as working on the implementation of the recent major new IFRS Standards in particular, IFRS 9, 15 and 16.

NZASB appreciates the work undertaken by preparers and their call not to introduce any new major standards over the next 2–3 years. However, NZASB encourages the IASB to focus on developing new standards and major amendments in the longer term, ensuring that there are appropriate public consultation and implementation periods. NZASB is therefore supportive of the IASB commencing projects in 2022–2026 that will lead to the development of new IFRS Standards, guidance and educational materials.

However, in the current environment, NZASB thinks it is more critical than ever that the IASB make a compelling case for a major amendment or developing a new IFRS Standards. The IASB needs to be confident at the outset that the new project will significantly improve the information provided to investors. This may require even more outreach by the IASB at the outset to obtain agreement about the exact definition of the problem to be solved and the relevant scope before a decision is made to proceed with a major project.

For example, the IASB recently issued a Discussion Paper DP/2020/1 *Business Combinations—Disclosures, Goodwill and Impairment* (DP) and one of the objectives of this project is to improve the goodwill and impairment test. Our response to the IASB recommended a holistic review of the accounting for goodwill and other intangible assets, including internally generated intangible items that are not recognised under current requirements in IFRS Standards. If this project proceeds as the DP suggests, with a narrow focus on goodwill and its impairment, NZASB thinks this could be an example where there may be only marginal improvements for investors, yet the critical gap in information around intangibles now prominent in many businesses, continues to grow.

Maintenance and consistent application of IFRS Standards – No change

As noted above, NZASB received constituent feedback that there is a level of preparer fatigue with frequent major changes made to the requirements of IFRS Standards.

IFRS Standards have become increasingly complex, and NZASB considers the IASB needs to focus on investing additional resources to assist with their understandability. In line with this, the ‘providing educational materials’ and ‘simplification of the standards’ aspects of this activity should be the IASB priority areas for 2022-2026.

NZASB also considers efficiencies could be made through the processing of narrow-scope amendments. This could be achieved by broadening the criteria for annual improvements to allow a broader range of amendments to be incorporated into this project. Alternatively, it may be possible to group narrow-scope amendments together in a single exposure draft. This will also help the IASB to streamline its engagement with preparers and standard setters.

Understandability and accessibility of the Standards – Prioritise across all IASB activities

As the activities relating to understandability and accessibility of the standards affects all aspects of the IASB’s work NZASB encourages the IASB to prioritise this across all of its activities.

NZASB is supportive of the IASB reducing unnecessary complexity and ensuring IFRS Standards are more clearly articulated with a consistent terminology and structure. However, NZASB does not see this activity as a re-write of existing IFRS Standards. In our view, the IASB can work on this going forward when it issues new IFRS Standards, amendments, guidance and other educational materials.

NZASB also strongly encourages the IASB to explore how advances in digitisation are changing the way information is consumed and to assess the extent to which digital improvements are needed to the way the Board writes the standards. NZASB supports the IASB improving accessibility by using technology to help stakeholders find materials that are most relevant to them and to understand how those materials relate to each other. NZASB thinks this may require a more holistic and strategic approach than just focusing on the IFRS Taxonomy (see our comments below).

Stakeholder engagement – More engagement focussed on education

The level of activity for stakeholder engagement going forward is also difficult to answer because some responses from our constituents might suggest that:

- (a) more engagement may be necessary; or
- (b) the level of engagement remains unchanged, however, there is a change in the type of engagement that is undertaken.

NZASB considers that an increase in engagement activities that focus on a large number of new IFRS standards and implementation projects might exacerbate the preparer fatigue

outlined above. However, more engagement focussed on improving IFRS tools or educational material may be very welcome by constituents.

NZASB agrees that stakeholder engagement on formal consultations could be enhanced by the IASB exploring and using digital friendly approaches (e.g. the survey for the RFI Third Agenda Consultation) to supplement the comment letter process.

NZASB encourages the IASB to continue to hold virtual events to communicate with stakeholders on consultation papers and exposure drafts. This ensures vital engagement and input at the early stages of IASB projects. NZASB has found these events have been very successful in engaging New Zealand constituents and would like to thank IASB members and staff for their support with these over the last couple of years.

NZASB also encourages the IASB to engage with a broader range of stakeholders (e.g. valuers) through consultative groups, informal dialogue and other events. A broader level of input will provide a different perspective and assist decision-making in relation to complex accounting issues. Consideration of a broader range of views as part of the standard-setting process will help to clarify the problem definition as well as address any practical application issues at an earlier stage.

The IFRS for SMEs Standard – Not used in our jurisdiction

NZASB has no comments on the level of activity related to the *IFRS for SMEs* Standard because this is not used in New Zealand.

Digital financial reporting (IFRS Taxonomy) – Support for digitisation more generally

The RFI describes the IFRS Taxonomy as the focus of the digital financial reporting activity. NZASB has no comment on the level of activity related to this activity because NZASB has not adopted the IFRS Taxonomy in New Zealand.

Although NZASB does not use the IFRS Taxonomy in New Zealand, NZASB understands that it is a useful and efficient way of allowing preparers to tag the disclosures in their financial statements so that users can access and analyse the information electronically from the data. NZASB observes that the IASB spends most of its time working on financial reporting standards and information content that contemplates financial statements in a single PDF or hard copy annual report. It appears to us that conversion to electronic delivery through the IFRS Taxonomy is a secondary process.

Given the significant advances in technology world-wide impacting the dissemination of information generally, NZASB encourages the IASB to strategically position itself to ensure that its approach to digital financial reporting responds appropriately to the future digital needs of investors. Such an approach will likely involve digital initiatives beyond the current scope of the IFRS Taxonomy. This will be necessary to ensure that the work of the IASB keeps pace with future digital opportunities and remains relevant to the digital needs of investors and other financial statement users.

NZASB encourages the IASB to step back and look at the wider issue of financial reporting and technology in a more holistic and strategic way than NZASB observes it currently does. NZASB would also appreciate some thought leadership from the IASB as to how the IASB's work and products will change in response to the significant technological changes occurring now and in the future.

Question 2— Criteria for assessing the priority of financial reporting issues that could be added to the Board’s work plan

The Board considers seven criteria in deciding whether to add a potential project to its work plan:

- (1) The importance of the matter to investors.
 - (2) Whether there is any deficiency in the way companies report the type of transaction or activity in financial reports?
 - (3) The type of companies that the matter is likely to affect, including whether the matter is more prevalent in some jurisdictions than others?
 - (4) How pervasive or acute the matter is likely to be for companies.
 - (5) The potential project’s interaction with other projects on the work plan.
 - (6) The complexity and feasibility of the potential project and its solutions.
 - (7) The capacity of the Board and its stakeholders.
- (a) Do you think the Board has identified the right criteria to use? Why or why not?
- (b) Should the Board consider any other criteria? If so, what additional criteria should be considered and why?

AOSSG members’ comments on Question 2

[Australia]

Overall, based on the feedback received from Australian stakeholders to date, the AASB considers that the existing criteria used to assess the priority of financial reporting projects which could be added to the IASB’s work plan are appropriate and, therefore, does not propose any changes.

[Japan]

ASBJ are concerned that placing too much emphasis on “the complexity and feasibility of the potential project and its solutions” (paragraph 21, Table 2, item 6 of the RFI), would make it difficult for the IASB to conduct research from a medium-to-long-term perspective. As stated in paragraph 3 of this Appendix, ASBJ are of the view that projects that the IASB should spend time on projects that may be difficult to reach consensus immediately, and to do so a certain amount of resources should be allocated to medium-to-long-term research activities. Accordingly, ASBJ are of the view that the criteria in Table 2 of paragraph 21 of the RFI should be applied with flexibility depending on the nature of the project.

ASBJ are of the view that “convergence with U.S. GAAP” is an important factor to be considered in achieving the long-term goals of promoting comparability of financial information and developing a single set of high-quality accounting standards. Accordingly, ASBJ propose that “convergence with U.S. GAAP” be added to the criteria for the IASB to determine whether a potential project should be added to its work plan.

[China]

CASC staff generally agree with the proposed seven criteria in deciding whether to add a potential project to the Board’s work plan. However, as the seven criteria are with some complexity, CASC staff suggest that the Board should stratify the seven criteria to enhance

the operability of the assessment system and it should be more transparent to stakeholders on how it assesses the proposed criteria against the potential projects.

In addition, CASC staff propose the Board to add "urgency and timeliness of financial reporting issues" into the criteria. The Board has applied this criterion to launch new projects recently, such as amending IFRS 16 in response to urgent issues arising from the covid-19 pandemic.

[Hong Kong]

HKICPA staff have comments on the following criteria used by the IASB and do not propose any additional criteria.

	IASB proposed criteria	Comments
#1	The importance of the matter to investors	The IASB should consider the importance of the matter to 'stakeholders' instead of only to 'investors', given that investors are not the sole stakeholders of financial reports.
#2	Whether there is any deficiency in the way companies report the type of transaction or activity in financial reports	'Deficiency' may inappropriately imply 'wrongdoing', and the IASB can hence consider to use the term of 'significant divergence' instead.
#3	The potential project's interaction with other projects on the work plan	<p>The IASB should clarify the consequences on priority if the potential project has more interaction with other projects on the work plan. For example, does more interaction with other projects means higher or lower priority will be set?</p> <p>However, HKICPA staff suggest that the IASB should be cautious of repeatedly deferring important issues in financial reporting on the basis that the issue has interaction with other projects on the IASB's work plan. This sort of rationale has the potential to result in significant issues being unaddressed for many years.</p>

[Korea]

KASB staff think the IASB's criteria are appropriate. KASB staff would just like to suggest that the IASB provide more transparent and clear information about how it applies the criteria. For example, if the IASB decides to undertake a particular project, it may provide information about how that project meet each criterion in a tabular format under the project's website.

[Malaysia]

MASB's views are as set out below:

IASB has identified the right criteria. However, setting an agenda is often an exercise in balancing competing issues.

Consequently, the criteria in paragraph 21 should be separated between those that are "essential" and those that are "nice to have". In this regard, the following three criteria in paragraph 21 should be the essential criteria, in order of importance:

- 1) Whether there is a deficiency in the way companies report the type of transaction or activity in financial reports, evidenced by:
 - a. Gaps in standards, as for BCUCC.
 - b. Evidence that many stakeholders consider the current requirements to be unsatisfactory, such as widespread use of alternative performance measures.
 - c. Issues brought to the IFRS Interpretations Committee.

- 2) The importance of the matter to investors, evidenced through consultation with a broad range of investors across a broad range of jurisdictions.
- 3) The capacity of the IASB and its stakeholders to make timely progress on the potential project, since there would be no point in embarking on a project without the necessary resources.

Once the three essential criteria are met, the other four criteria in paragraph 21 can then be applied to select projects for the work plan.

Other observation: The first four of the criteria in paragraph 21 are taken from paragraph 5.4 of the Due Process Handbook. Hence, the IASB should explain the link between the seven criteria in paragraph 21 and the criteria in the Due Process Handbook.

Other criteria to be considered (nice to have): Age of the Standard, for example IAS 21 and IAS 38 should be replaced with a ‘modern’ Standard reflecting the current condition.

[New Zealand]

NZASB agrees that the IASB has identified appropriate criteria when determining the priority of potential projects that could be added to the work plan. NZASB acknowledge that balancing these criteria will always require an element of judgement.

However, NZASB considers an additional criterion could be added to reflect the need for the IASB to respond to changes in the broader economic or regulatory environment. NZASB commends the IASB’s timely response to the economic impact arising from the COVID-19 pandemic, in adding the *Covid-19-Related Rent Concessions* project to its work plan and undertaking the due process required to finalise this amendment. NZASB also acknowledges the responsiveness of the IASB to change in the regulatory environment in its standard-setting response to interest rate benchmark reform.

NZASB suggests the inclusion of “economic and regulatory environment impacts” as an additional criterion in assessing which projects to add to the work plan. This will assist the IASB in continuing to ensure that IFRS Standards remain relevant and ensure the allocation of resources is aligned with broader environmental changes.

Question 3— Financial reporting issues that could be added to the Board’s work plan

Paragraphs 24–28 provide an overview of financial reporting issues that could be added to the Board’s work plan.

Potential project title			
1	Borrowing costs	2	Climate-related risks
3	Commodity transactions	4	Cryptocurrencies and related transactions
5	Discontinued operations and disposal groups	6	Discount rates
7	Employee benefits	8	Expenses- Inventory and cost of sales
9	Foreign currencies	10	Going concern
11	Government grants	12	Income taxes
13	Inflations	14	Intangible assets
15	Interim financial reporting	16	Negative interest rates
17	Operating segments	18	Other comprehensive income
19	Pollutant pricing mechanisms	20	Separate financial statements
21	Statements of cash flows and related matters	22	Variable and contingent considerations

- (a) What priority would you give each of the potential projects described in Appendix B—high, medium or low—considering the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28)? If you have no opinion, please say so. Please provide information that explains your prioritisation and whether your prioritisation refers to all or only some aspects of the potential projects. The Board is particularly interested in explanations for potential projects that you rate a high or low priority.
- (b) Should the Board add any financial reporting issues not described in Appendix B to its work plan for 2022 to 2026? You can suggest as many issues as you consider necessary taking into consideration the Board’s capacity to add financial reporting issues to its work plan for 2022 to 2026 (see paragraphs 27–28). To help the Board analyse the feedback, when possible, please explain:
- (i) the nature of the issue; and
 - (ii) why you think the issue is important.

AOSSG members’ comments on Question 3

[Australia]

The AASB recommends the IASB add projects related to **intangible assets** and **going concern** to its upcoming work plan as a **high priority**. The AASB additionally recommends

the IASB add projects related to **climate-related risks, cryptocurrencies and related transactions** and **the statement of cash flows and related matters** to its upcoming work plan as a **medium priority**.

i. *Intangible assets*

The AASB is strongly supportive of an IASB project to review the existing requirements in IAS 38 *Intangible Assets*. This represents option (c) in paragraph B52 of the RFI and, as per the RFI, would likely be a *large* project for addition to the IASB's upcoming work plan. The AASB acknowledges that a holistic review of IAS 38 is likely to be a long-term project. Therefore, the AASB recommends a short-term project, the scope of which should include the development of principles, an objective and implementation guidance for the disclosure of relevant information about unrecognised internally generated intangible assets.

The AASB has obtained evidence that the current disclosure encouragements in paragraph 128(b) of IAS 38 are ineffective in providing sufficient information for stakeholders' economic decision-making. Furthermore, the AASB has received feedback suggesting that IAS 38 is outdated and in need of review to ensure the relevance and usefulness of the standard in the modern business environment.

The AASB additionally notes that the pervasiveness of intangible assets means there will continue to be significant unrecognised intangible assets about which primary users of financial statements need information. Based on the preliminary findings of research conducted by the AASB, a financial statements information gap exists in respect of unrecognised internally generated intangible assets.

Overall, the AASB notes that this recommended project, while important, represents a short-term solution to the underlying issues surrounding the accounting for intangible assets, and a holistic review of IAS 38 is required as a long-term solution.

ii. *Going concern*

The AASB strongly supports the IASB revisiting IAS 1 to include specific examples and more explicit step-by-step guidance for preparers on how to assess going concern in the Application Guidance of IAS 1. In particular:

- (a) providing guidance on how the general requirements in paragraph 122 and paragraphs 125–133 of IAS 1 interact with paragraphs 25–26 of IAS 1 to ensure entities disclose the key factors which have led to their assessment that the entity is (or is not) a going concern;
- (b) providing additional guidance to preparers on how to assess whether there are significant doubts about the entity's ability to continue as a going concern, what mitigating actions may be considered and whether material uncertainties remain after that assessment through illustrative examples of events and conditions; and
- (c) helping to align the requirements in the accounting standards with the requirements in the auditing standards.

The AASB additionally strongly supports the IASB undertaking a research project to determine whether there is a need for standard-setting or guidance on the non-going concern basis of reporting. This research project should address:

- (a) the situations in which financial statements are prepared on a non-going concern basis;

- (b) the extent to which local legislation and regulation regarding liquidation and solvency affect the basis of preparation of these financial reports and their content;
- (c) who the primary users of these financial statements are and their information needs; and
- (d) the extent of current diversity in practice and, therefore, the need for standard-setting in this area.

This broadly represents option (d) in paragraph B38 of the RFI and would likely be a *large* project for addition to the IASB's upcoming work plan.

In relation to going concern disclosures, the AASB notes that:

- (a) there are issues surrounding inconsistency and inappropriate interpretation of the existing requirements in the IFRS Standards;
- (b) there is diversity in practice regarding the information disclosed in circumstances when the financial statements are prepared on a going concern basis, but management is aware of events or conditions that may cast significant doubt on this judgement; and
- (c) there is a misalignment between the disclosure requirements in IAS 1 and those in the auditing standard ISA 570 *Going Concern*, mainly when material uncertainty exists, which causes confusion in practice.

In relation to the preparation of financial statements on a non-going concern basis, the AASB notes that:

- (a) guidance is required to ensure consistency and comparability of financial statements when an entity is no longer a going concern;
- (b) there is diversity in practice and mixed views on the basis of preparation to be applied when an entity is no longer operating under the going concern assumption; and
- (c) there is support for further research to determine the underlying issues and the extent of diversity across entities and jurisdictions prior to undertaking any potential standard-setting solution.

Though the AASB acknowledges that the IASB has previously considered and rejected potential projects in these areas, recent feedback suggests that the issues remain pertinent and should be addressed as a priority.

iii. *Climate-related risks*

The AASB is supportive of the IASB undertaking a project to require the provision of information on the effect of climate-related risks on the carrying amounts of assets and liabilities in the financial statements. The AASB expects that this would likely be a *large* project for addition to the IASB's upcoming work plan.

The AASB has received feedback that:

- (a) users of financial statements are increasingly reliant on information around climate-related risks when making economic decision;
- (b) more qualitative and quantitative disclosure around climate-related risks is needed to assist users of financial statements in better understanding estimation uncertainty and whether climate-related risks are formally factored into valuations; and
- (c) the long-term nature of climate-related risks often results in their inadequate representation in the financial statements.

Therefore, the AASB proposes the IASB undertake a project to amend the existing requirements or develop new requirements in the IFRS Standards to require greater disclosure of the qualitative and quantitative information about impacts of climate-related risks on the financial statements.

iv. *Cryptocurrencies and related transactions*

The AASB is supportive of the IASB undertaking a project to review and amend the IFRS Standards to include specific requirements when accounting for cryptocurrencies (and other types of digital assets such as non-fungible tokens). This would encapsulate, but likely be broader than, both options (b) and (c) in paragraph B15 of the RFI. The AASB expects that this would likely be a *large* project for addition to the IASB's upcoming work plan.

Based on feedback received by stakeholders, the AASB notes that:

- (a) digital assets such as cryptocurrencies are becoming increasingly prevalent in the modern business environment and the current requirements in the IFRS Standards may not provide useful information when accounting for these assets; and
- (b) although existing guidance on accounting for cryptocurrencies is useful, it should be included in the IFRS Standards to ensure clarity and accessibility for stakeholders.

As digital assets are becoming increasingly prevalent in the current economic environment, their accounting treatment should be addressed through amendments to the relevant standards.

v. *Statement of cash flows and related matters*

The AASB supports the IASB developing more effective disclosures about the ongoing maintenance expenses and the growth expenditure. This represents option (a) in paragraph B78 of the RFI and, as per the RFI, would likely be a *small* project for addition to the IASB's upcoming work plan.

The AASB has received feedback, primarily from users of financial statements, that:

- (a) there is a need for more effective disclosures about ongoing maintenance expenses and growth expenditure, due to the existing lack of separation between what is considered maintenance versus growth; and
- (b) better mapping of the statement of cash flows to other primary financial statements, such as the statement of profit and loss, would enhance the usefulness and relevance of such information to financial statement users.

[Japan]

The projects ASBJ consider to be of priority are listed below. Note that ASBJ also refer to the projects listed in Appendix A of the RFI.

Top priority projects

ASBJ are of the view that the following projects should be given the highest priority.

(a) Goodwill and impairment

Although this project is currently classified as a research project, ASBJ welcome the fact that the IASB is considering whether or not to reintroduce the amortisation of goodwill and hope that it will proceed to a standard-setting project in the near future. In addition, ASBJ hope that the IASB will proceed its discussions with the view to convergence with U.S. GAAP.

(b) Other comprehensive income (recycling)

This project relates to multiple projects, including the research project on “Post-implementation Review of IFRS 9 — *Classification and Measurement*” and the potential projects on “Employee benefits” and “Other comprehensive income”. ASBJ hope that IFRS Standards would be amended to require recycling in accordance with the revised Conceptual Framework.

(c) Principles of disclosure

Although this project is currently classified as a standard-setting project, ASBJ are concerned that, based on what is proposed in the Exposure Draft, the project would lead to limited improvements in disclosures.

(d) Equity method of accounting

This project is currently classified as a research project and is expected to assess whether the application questions can be addressed by identifying and explaining the principles in IAS 28 *Investments in Associates and Joint Ventures*. However, ASBJ are of the view that the IASB should clarify when to focus on the aspect of one-line consolidation and when to focus on the aspect of a measurement basis for investments to which the equity method of accounting applies.

Projects that should be researched for the medium-to-long-term

As described above, ASBJ are of the view that a certain amount of resources should be allocated to medium-to-long-term research activities. Specifically, ASBJ think the following items are candidates for research projects.

(a) Research project to comprehensively review IAS 38 *Intangible Assets*.

IAS 38 is an accounting standard that focuses on the physical form of the assets and applies to assets that are intangible. ASBJ are of the view that improvement is warranted because the accounting may differ depending on whether the transaction gives rise to a tangible item or an intangible item, even when the substance of that transaction is the same. In particular, ASBJ are concerned that, while assets held for trading should generally be measured at fair value through profit or loss, such measurement is not permitted when they are intangible assets. ASBJ are of the view that this research project should focus on accounting for intangible assets that are currently recognised, and do not support expanding the scope of intangible assets that should be recognised. ASBJ believe that internally generated intangible assets should not be recognised and such requirement is one of the critical preconditions for accounting that should be strictly maintained. ASBJ note that the potential project “Cryptocurrencies and related transactions” may be addressed as part of this project.

(b) Research project to comprehensively review IAS 19 *Employee Benefits*.

As stated above, ASBJ are of the view that IAS 19 should be amended to require recycling of other comprehensive income that arise from defined benefit plans in accordance with the revised Conceptual Framework. However, ASBJ note that there are other issues in IAS 19 that should be considered, in addition to recycling. For example, constituents in our jurisdiction have concerns with the accounting for hybrid plans that have both the features of defined benefit plans and defined contribution plans.

Medium priority projects

ASBJ consider the following projects to be of medium priority.

(a) Cryptocurrencies and related transactions

As stated above, ASBJ are of the view that the issue related to intangible assets held for trading should be addressed. However, in the context of crypto-assets, there are new transactions that did not previously exist. For such transactions, when there is consensus among preparers, users, auditors and other stakeholders (“the stakeholders”) regarding the substance of the transaction, ASBJ are of the view that the accounting should appropriately reflect such substance. One example of such transactions is the holding of certain crypto assets that are widely recognised as being traded and invested in active markets and that have no claims on the issuer (such as Bitcoins). As described in (a) of the previous paragraph, if all intangible assets held for trading were to be measured at fair value through profit or loss, the accounting treatment would appropriately reflect the substance of holding such crypto assets. In addition, ASBJ note that, for certain transactions that are subject to existing IFRS Standards, their substance (including the related rights and obligations and the nature of the investments) will not change but the accounting may change because the transaction will be digitalised and thus the IFRS Standards to be applied may change. For such transactions, ASBJ are of the view that the accounting should appropriately reflect their substance. One example of such transactions is STOs, which, in our view, have the same characteristics as existing securities. Another example is CBDCs, which, in our view, have the same characteristics as cash. If these crypto assets are not treated in the same manner as existing securities because they do not meet the definition of financial assets in IAS 32 *Financial Instruments: Presentation* or are not treated in the same manner as cash because they do not meet the definition of cash in IAS 7 *Statement of Cash Flows* and the implied definition of cash in IAS 32, the existing IFRS Standards which should be applied could be amended to clarify that that specific IFRS Standards would apply. On the other hand, for new transactions where there is no consensus among the stakeholders regarding their substance, ASBJ believe that it is premature to undertake standard-setting activities. One example of such transactions is the issuance of ICO tokens. The status of legal developments and the contents of the contractual arrangements are critical for the understanding of the substance of the transaction, including its related rights and obligations. Regarding ICOs, our understanding is that the status of legal developments currently varies from jurisdiction to jurisdiction. Accordingly, ASBJ are of the view that a research project should be undertaken for ICOs and the IASB should monitor developments in practice. In the future, when there is consensus among the stakeholders regarding the substance of the ICOs, and if diversity in practice is observed, the IASB may need to consider the needs for standard-setting activities.

(b) Statement of cash flows and related matters

ASBJ are of the view that, under certain circumstances, the statement of cash flows prepared in accordance with IAS 7 has limited usefulness. For example, some users of financial statements in Japan have expressed that they do not use the statement of cash flows of financial institutions. Accordingly, ASBJ are of the view that a project could be undertaken to consider the requirements related to the statement of cash flows.

Low priority projects

ASBJ consider that the potential projects in Appendix B of the RFI, other than those listed above, are of relatively low priority.

[China]

According to the feedback CASC staff received, CASC staff note that there are deficiency or defect in the areas of intangible assets, commodity transactions, pollutant pricing

mechanisms, variable and contingent consideration, statement of cash flows and related matters, other comprehensive income and discount rates, which result in prominent and common issues raising in the application of related IFRS Standards thus stakeholders appeal urgent need to solve these issues. CASC staff suggest the Board prioritize the following seven projects to its work plan for 2022 to 2026.

(1) Intangible assets

The current IFRS Standards for intangible assets can no longer meet the needs of accounting practice and has raised high concern from stakeholders:

- the existing IAS 38 is too restrictive about the recognition of internally generated intangible assets, which results in kinds of economic resources that contribute most to enterprise value can't meet the recognition criteria of assets. It is particularly obvious for emerging internet entities that has enterprise value (specifically expressed as market value) quite different from their net assets in financial statements.
- the impact of various new types of assets brought by the knowledge economy is becoming more and more common and material, but the current IAS 38 may not cover these assets, or the application of IAS 38 may not reflect its economic substances or provide useful information.
- the disclosure requirements for expenditure on intangible resources which are not recognized as assets are too limited to provide useful information for information users, while these resources such as customer relationship and customer loyalty, usually create material value to entities.
- digital assets have drawn the attention of worldwide stakeholders as they contribute a lot to the enterprise value, but it is unclear about the boundary of digital assets and whether they are all or partly within the scope of intangible assets.

Therefore, it is suggested that the Board should conduct a comprehensive review of the definition, recognition, measurement, and disclosure of intangible assets. It will be a large-scale project.

(2) Commodity transactions

Commodity transaction (such as gold and other precious metals, oil, natural gas, and agricultural produce) are becoming more and more common in nowadays economy and the financial characteristics of gaining profit through frequent transactions are becoming more and more obvious. As no applicable IFRS Standards for commodity transactions, there is diversity in practice. For example, some entities apply IFRS 15 to account for such transactions, while others apply IFRS 9. The comparability of financial information has been reduced.

Therefore, it is suggested that the Board should conduct comprehensive research on the characteristics and commercial substances of various commodity transactions and clarify the accounting treatment for it. It will be a large-scale project.

(3) Pollutant pricing mechanisms

Currently, global warming is becoming a serious issue all over the world and the Paris Agreement has been supported by more than 175 jurisdictions. Accordingly, carbon emission right is expected to have significant impact to the world economy. However, lack of accounting guidance in IFRS Standards leads to the diversity in accounting practice and the comparability of financial statements is reduced.

Therefore, it is urgent to develop applicable accounting standards for pollutant pricing mechanisms. It will be a large-scale project.

(4) Variable and contingent consideration

There is various variable consideration or contingent consideration in practice that exists in different types of transactions, such as business combination, leasing, contracts with customers or acquisition of intangible assets etc. But the IFRS Standards applicable to these transactions either don't provide specific guidance or provide inconsistent guidance for the initial recognition and subsequent measurement of variable and contingent consideration. For example, there is no specific guidance for the variable consideration paid for the acquisition of intangible assets about whether it should be capitalized as acquisition cost of intangible assets or be accounted as profit and loss upon payment or payable. This makes it possible to structure the transaction and the comparability of financial information is reduced.

Thus, CASC staff suggest Board conduct research and make targeted amendment to relevant IFRS Standards. It will be a middle-scale project.

(5) Statement of cash flows and related matters

The concept, classification and logic in the current IAS 7 can't meet the needs of the current changing economic environment and business models, and many issues raise from its application:

- the focus on operating cash flows is insufficient, as operating cash flows are the main resources of an entity's cash flows but there is no direct definition.
- the classification of cash flows need to be reviewed, and there is also no reasonable link between the classification of cash flows in the statement of cash flows and the classification in the statement of profit or loss in the Board's primary financial statements project.
- the current IAS 7 can't properly present cash flows generated from emerging business. For example, if an entity uses supply chain financing to manage its cash flows, the application of existing IAS 7 is misleading.

Therefore, CASC staff suggest the Board review the IAS 7 and carry out targeted research and improvement on it. It will be a middle-scale project.

(6) Other comprehensive income

Some IFRS Standards have specific guidance about whether recycling of other comprehensive income to profit or loss, but the recycling rules appear to be inconsistent between these IFRS Standards, which are also inconsistent with the principles set out in the *Conceptual Framework*.

Thus, it is necessary to prioritize this potential project to review the definition of other comprehensive income and the principles of recycling to improve the consistency among IFRS Standards. This project is likely to be a middle-scale project.

(7) Discount rate

Several IFRS Standards include different provision for the determination of discount rates. For example, IFRS 16 requires lessee use the interest rate implicated in the lease contract or lessee's incremental borrowing rate to discount the lease payment, while in calculation the recoverable amount for impairment under IAS 36, pre-tax discount rate and post-tax discount rate are used respectively in the calculation of the value in use and fair value less cost of disposal. Different discount rates result from different measurement basis, while other

variations also raise for different IFRS Standards developed in different times with different focuses. The resulted complexity makes users difficult to understand the variation of discount rates in practice.

So, CASC staff suggest the Board resolve these differences, by simplifying the requirements of discount rates and eliminating the differences among IFRS Standards. This project will be a middle-scale project.

In addition to the seven potential projects as suggested above, CASC staff also suggest the Board should reassess the priority and necessity of projects in its current work plan, that are some projects, such as “Financial Instruments with Characteristics of Equity” should have higher priority to effectively solve the common issues about the classification of equity or debt in practice, while other projects, such as “Lack of Exchangeability” that without universality and applicability, need reassessment about whether to be discontinued or the focus should be reduced.

[Hong Kong]

HKICPA staff have comment on the four accounting topics below and recommended three high priority projects.

	Accounting topics	Comments
1.	Commodity transactions	<p>Respondents generally noted commodity transactions, in particular commodity loans, have been quite pervasive in Hong Kong. Application questions are arising and diversity in practice is observed (e.g. some companies account for commodity loan transactions that involve gold using IFRS 9 <i>Financial Instruments</i>; IAS 2 <i>Inventories</i>; IFRS 15 <i>Revenue from Contracts with Customers</i>; or the <i>Conceptual Framework for Financial Reporting</i>) as no specific accounting standard governs such transactions. Hence there is a need to develop requirements for common types of commodity transactions—for example, commodity loans. Furthermore, it is worth setting out the range of non-financial tangible or intangible assets to which the proposed commodity loan requirements would apply.</p>
2.	Cryptocurrencies and related transactions	<p>HKICPA staff believe that accounting for cryptocurrencies under IAS 2 or IAS 38 may not provide relevant information when these items are held for speculative or investment purposes. Given the increasing prevalence of cryptocurrency transactions HKICPA staff believe there is a need for more robust measurement, recognition as well as presentation and disclosure requirements that faithfully represent the underlying transactions.</p> <p>Alternatively, the IASB may consider amending the scope of IFRS 9 to include cryptocurrencies. However, existing standards like IFRS 9 were not written to specifically address crypto-related issues. Hence, the application of IFRS 9 to cryptocurrencies may only be a short-term fix.</p> <p>Hence, HKICPA staff consider that a Standard to set out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes is needed.</p>
3.	Intangible assets	<p>IAS 38 was published around two decades ago and does not adequately address common transactions encountered in this knowledge-based era with frequent and material transactions involving information technologies and intellectual properties.</p> <p>As such, HKICPA staff believe a fundamental review of IAS 38 is warranted in terms of:</p> <ul style="list-style-type: none"> (i) scope, e.g. how to cope with new types of intangibles both unrecognized (e.g. internally generated intangibles) and recognized (e.g. crypto and polluting permits), (ii) recognition and measurement, and (iii) disclosure requirements. <p>In particular, similar to the concerns raised in paragraphs B49 and B50 of the RFI, some of the respondents believe that the IASB should revisit the reasons for the difference in recognition criteria for separately acquired intangible assets and internally generated intangible assets.</p> <p>Quite a few of the local preparers in the pharmaceutical industry have expressed serious concern with capitalising separately acquired in-process research and development (IPR&D) projects in accordance</p>

		<p>with IAS 38.25 when the probability of success of such projects is very low on the date of acquisition. They challenge the basis for the different treatment between separately acquired intangible assets and those that are internally developed which are subject to more stringent capitalisation requirements per IAS 38.57.</p> <p>Furthermore, these stakeholders believe that capitalising IPR&D on the date of acquisition while expensing subsequent internally incurred R&D costs (which arguably increases the probability of success of the project as it progresses) is counter-intuitive and does not provide useful information to the users of the financial statements. Such accounting may also give rise to structuring opportunities, particularly with related parties where an entity may outsource R&D activities to related parties rather than develop them in-house in order to capitalise such costs despite the project's having a low probability of success.</p> <p>This issue is becoming more prevalent in the new technology industries (TMT, pharma, fintech) and HKICPA staff recommend the IASB consider this as part of the comprehensive review of IAS 38.</p> <p>In addition, some stakeholders have requested an introduction of a requirement similar to that in paragraph 68A of IAS 16 <i>Property, Plant and Equipment</i> during the consultation of the Tentative Agenda Decision - Player Transfer Payments (IAS 38). Such an amendment would provide an exception to the general derecognition requirements in IAS 38.113 for the disposal of intangible assets that, after being used by the entity for a period of time, are sold to customers in the ordinary course of business. Instead, entities would transfer those intangible assets to inventory when they are held for sale in the ordinary course of business—the entity would then recognise any proceeds received on that sale as revenue applying IFRS 15.</p>
4.	Variable and contingent consideration	<p>This has been a growing issue for quite some time (e.g. transactions involving performance linked purchase prices for assets) which currently lacks clear requirements. Respondents observed diversity in practice as identified in paragraph B81 of the RFI (e.g. initial accounting—when and at what amount, subsequent accounting—capitalised or charged/credited to profit or loss). HKICPA staff believe that targeted changes to the relevant Standards would be a quick fix.</p>
HKICPA staff recommended high priority projects		
1.	Develop a Standard to set out accounting requirements for a range of non-financial tangible or intangible assets held solely for investment purposes (Commodity transactions & Cryptocurrencies and related transactions)	
2.	Undertake a comprehensive review of the IAS 38, including the recognition and measurement requirements (Intangible assets)	
3.	Specify the accounting for transactions that involve variable or contingent consideration (Variable and contingent consideration)	

In addition, HKICPA staff suggest the IASB consider the following four medium or small-sized potential projects as lower priority items.

	HKICPA staff recommended medium priority projects	Comments
1.	Undertake a comprehensive review of the accounting requirements for government grants	Government grants are common in certain industries in Hong Kong, especially due to COVID-19. Respondents observed diversity in practice in terms of the treatment for the items as identified in paragraph B40 of the RFI (e.g. recognised as deferred income or deducted to arrive the carrying amount of the asset; presented as income or deducted from the related expense). In addition, guidance could be developed on how to differentiate whether the government is acting as the government, or more as a shareholder or customer.
2.	Undertake a targeted project to improve aspects of the statement of cash flows, including information about non-cash movements, such as arising from supply chain financing arrangements	There is a lack of guidance on certain areas as identified in paragraph B76 of the RFI, e.g. non-cash movements arising from supply chain financing arrangements (reverse factoring – which may be addressed in the upcoming IASB's exposure draft on Supplier Finance Arrangements). More specific disclosure requirements would improve consistent application.
3.	Undertake a targeted project to improve, clarify or simplify aspects of the IAS 23 <i>Borrowing Costs</i>	HKICPA staff generally agree with the problems noted in paragraph B6 of the RFI. In particular, it would be useful to clarify IAS 23.6(e) regarding which exchange differences arising from foreign currency borrowings are eligible for capitalisation. In addition, it is often difficult to determine the amount of borrowing costs that is eligible for capitalisation and the appropriate capitalisation rate when a qualifying asset is funded from general borrowings. Therefore, further guidance in this area would be useful.
4.	Clarify what transition disclosures are required in interim financial statements in the first year of applying a new Standard or major amendment	Respondents observed diversity in practice due to lack of guidance in this area.

[Korea]

KASB staff would give high priority to the following projects.

- Pollutant pricing mechanisms

Korean GAAP for companies that do not apply IFRS provides requirements and guidance for how to account for emission rights and obligations, which are also applied by many IFRS-applying companies as a way of accounting policy choice.

KASB staff believe that no guidance on this area in IFRS Standards leads to the lack of comparability. In addition, KASB staff think that this topic should be addressed given that the ESG matters are becoming more important.

- Intangible assets

In today's economy, it is now quite often the case that core values of an entity are generated from intangibles more than tangibles. However, IAS 38 does not fully reflect such changes in economy. KASB staff think that comprehensive review of IAS 38 is required.

- Separate financial statements

KASB staff would like to highlight some situations in Korea as to separate financial statements. First, separate financial statements are statutory financial statements in Korea. Second, separate financial statements are perceived as important as consolidated financial statements by many Korean stakeholders. Third, IFRS applying companies are required to prepare separate financial statements in accordance with IFRS as well. Fourth, significant practical issues are being raised because IAS 27 only provides limited guidance.

KASB staff thus think that comprehensive review of IAS 27 is necessary to provide sufficient guidance on the accounting for separate financial statements.

[Malaysia]

MASB's views are as set out below:

High priority projects

No	Project	Size
Consistent with our suggestion that the IASB should decrease its current level of focus on developing new IFRS Standards and major amendments (by approximately ten per cent), MASB would designate the following three potential projects as high priority in the following order (MASB considers these would consist of one large and two medium-sized projects).		
1	Borrowing costs	<i>medium-sized</i>
2	Crypto currencies and related transactions	<i>large</i>
3	Climate-related risk	<i>medium-sized</i>
If the IASB decides to maintain its current level of focus on developing new IFRS Standards and major amendments (at 40%–45%), MASB would also designate the following three projects as high-priority, bringing the total to six high-priority projects (otherwise, the three additional projects as appended below would be in our medium priority list).		
4	Other comprehensive income (OCI)	<i>large</i>
5	Government grants	<i>medium-sized</i>
6	Intangible assets	<i>large</i>

MASB's rationale are as follows:

Borrowing costs

MASB strongly supports a comprehensive review of IAS 23 *Borrowing Costs* as a medium-sized high priority project for the reasons mentioned in paragraph B6 of the RFI, in particular:

- the definition of borrowing costs seems quite outdated and incomplete; and
- the definition of a qualifying asset may be too restrictive.

Application of IAS 23 *Borrowing Costs* is straightforward in the context of a stand-alone item of property, plant and equipment that is being constructed with funds borrowed specifically for that item. However, application of IAS 23 can be difficult to understand when borrowings are not specifically associated with particular assets and particularly when inventories are qualifying assets.

Such ongoing application difficulties have been evidenced by the issuance of several recent Agenda Decisions even though IAS 23 has not been revised since March 2007. Furthermore, recent IFRS Standards have introduced new classes of finance charges; in particular, IFRS 16 *Leases* and IFRS 17 *Insurance Contracts*, and it is not clear how the definition of ‘borrowing costs’ relates to some of these.

The shortcomings of IAS 23 were particularly highlighted by responses to the Tentative Agenda Decision *Over Time Transfer of Constructed Good* (IAS 23). Many respondents asked for the matter to be referred to the IASB due to diversity in interpretation of the wording used in IAS 23 [specifically paragraph 5 of IAS 23 relating to the phrase ‘... *an asset that necessarily takes a substantial period of time to get ready for its intended use or sale ...*’]

Cryptocurrencies and related transactions

There is currently no IFRS Standards that explicitly addresses cryptocurrencies, specifically the accounting for issuer. In 2019, the IFRS Interpretations Committee determined that either IAS 2 *Inventories* or IAS 38 *Intangible Assets* should apply to holdings of cryptocurrencies and issued an Agenda Decision to this effect. However, neither of these standards appropriately address the special characteristics of cryptocurrencies, including the variability in value and the emerging use of cryptocurrencies as mediums of exchange.

Consequently, MASB is of the view that the IASB should add a large, high priority project to specifically consider developing recognition, measurement and disclosure requirements for cryptocurrencies, and which would also look at issuance of cryptocurrency and the crypto exchanges.

Climate-related risk

Climate change poses a significant risk to the world economy, and most industries have been, or are likely to be, affected and need to manage its impact.

Currently climate-related risks are predominantly discussed outside the financial statements. Furthermore, many companies still perceive climate-related risks as remote risks and may not fully consider them in future estimates used in their financial statements. Nevertheless, investors are increasingly emphasizing the importance of climate-related risks to their investment decisions on the financial statements, and regulators and governmental bodies are also focusing more closely on the impact of climate change on financial reporting.

MASB thinks it is important and timely for the IASB to add a medium-sized, high priority project to review IAS 1 as suggested in paragraph B11(a) of the RFI to improve the information available to investors about climate-related risk. MASB does not think it is necessary to broaden the requirements in IAS 36 *Impairment of Assets* for cash flow projections as in view of the existing requirements are adequate to address climate-related effects.

Other comprehensive income (OCI)

The 2018 revision of the Conceptual Framework for Financial Reporting (Conceptual Framework) did not clearly identify the purpose of OCI, when it should be used and when recycling is appropriate. Such a concern was raised by many constituents during that revision.

MASB considers that revisiting the purpose and use of OCI in the Conceptual Framework is important, including the requirements for recycling, especially considering the proposed use of OCI in current projects, such as rate-regulated activities (which requires presentation of

regulatory income/expense in OCI to the extent it results from remeasuring the related liability/asset through OCI. There is no mention of recycling.)

A project on OCI should consider the use of OCI throughout IFRS Standards for consistency with the principles in the Conceptual Framework. This would likely to be a large project as indicated in paragraph B66 of the RFI.

Government grants

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* is an old standard, which contains a number of inconsistencies with the recognition and measurement requirements in recent key IASB pronouncements, including the Conceptual Framework and IFRS 15 *Revenue Recognition from Contracts with Customers*.

For example, the notions of ‘reasonable assurance’ [IAS 20.7] and matching revenues to expenses [IAS 20.12] do not appear in the Conceptual Framework.

The IASB considered a project on government grants during its 2011 Agenda Consultation. However, a majority of respondents considered it to be of low priority, possibly reflecting the fact that IAS 20 is not widely used in a broad range of jurisdictions. However, following the Covid-19 pandemic, governments could play a key part in company activities for many years. Given the importance of the interaction between governments and entities applying IFRS Standards, IAS 20 should be replaced with a modern standard reflecting the IASB’s current thinking. This will likely to be a medium-sized project as indicated in paragraph B41 of the RFI.

Intangible assets

IAS 38 *Intangible Assets* was developed in the 1990s when intangible assets were only considered to arise from research and development, such as in the pharmaceutical industry.

Intangible assets are now a significant part of an entity’s asset base across many industries, even for entities engaged in production activities. Furthermore, IAS 38 applies to a variety of intangible assets, many of which were not envisaged when the Standard was developed. IAS 38’s prohibition on recognition of internally generated intangible assets, coupled with inadequate disclosures, means that users of financial statements have to rely on information outside the financial statements for their analysis purposes.

Considering the need to replace IAS 38 with a ‘modern’ Standard to reflect the current business environment, this would likely to be a large project.

Medium priority projects

MASB would designate the following potential projects in Appendix B as medium priority:

- Going concern (post COVID)
- Discontinued operations and disposal groups (post COVID)
- Statement of cash flow (in view of the recent general presentation and disclosure project)
- Discount rates
- Separate financial statements
- Expenses: inventory and cost of sales

Low priority projects

MASB would designate the following potential projects in Appendix B as low priority:

- Operating segments
- Interim financial reporting
- Employee benefits
- Foreign currencies
- Commodity transactions
- Income taxes
- Negative interest rates

MASB is of the view that the following research pipeline projects from previous consultations are low priority and could be deferred:

- Inflation
- Pollutant pricing mechanism
- Variable and contingent consideration

Other issues

MASB does not have any suggestions for other financial reporting issues (not described in Appendix B) that the IASB should add to its work plan for 2022 to 2026.

[New Zealand]

NZASB has set out below the financial reporting projects that NZASB considers the IASB should prioritise when developing its 2022–2026 work plan.

NZASB has recommended three projects because our preference is for the current level of focus on activities related to new IFRS Standards or major amendments to IFRS Standards to remain unchanged.

In Appendix, NZASB has rated as high, medium and low, the 22 Appendix B potential projects and the Appendix C list of financial reporting issues.

Intangible assets – High priority, large-sized project

In our view, the time has come for the IASB to undertake a comprehensive review of IAS 38 *Intangible Assets* (IAS 38) to ensure that it is fit for purpose and achieves appropriate accounting requirements that keep pace with the developments in intangibles. NZASB considers the primary users of financial statements would benefit immensely from the IASB determining how the financial statements can provide a more complete view of an entity's intangible resources, especially as they are an important source of value for many entities.

IAS 38 was first issued in the late 1990s and has not had any substantive changes made to it over time. As a result, it has become outdated as a plethora of intangibles have developed and evolved since that time. These new kinds of intangibles could not have been anticipated when IAS 38 was first issued. For example, developments in digital technologies, emissions trading rights, cryptocurrencies and cloud storage, were not (and could not) have been contemplated in late 1990s.

NZASB has observed that IAS 38 has been used as the avenue for addressing new digital-based assets that are difficult to categorise into other IFRS Standards. Because the Standard is not equipped to deal with these new and emerging intangibles this approach is not leading to the best accounting outcomes or meeting investor needs.

An example of the use of IAS 38 to establish accounting requirements for these new intangibles is the recent IFRS Interpretation Committee agenda decision on *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*. The agenda decision provides explanatory material that indicates customisation and configuration costs associated with software as a service (SaaS) arrangement would often not result in the recognition of an intangible asset.

The constituent feedback NZASB has received on the agenda decision is that customisation and configuration costs, which are often significant, are considered to provide future economic benefits to the reporting entity beyond the period in which the costs are incurred and therefore should be capitalised and recognised as an asset to faithfully represent the economics of the transaction. The agenda decision is constrained by the underlying principles and requirements of IAS 38 and results in an outcome that may not meet the needs of investors or other users of the financial statements.

This feedback is consistent with responses to the SaaS tentative agenda decision. NZASB notes that of the 19 comment letters received by the IFRS Interpretations Committee, only five respondents agreed with the analysis and conclusion. Many of the respondents considered the principles and requirements in IAS 38 do not provide an adequate basis for the customer to determine its accounting for these arrangements and suggested adding a standard setting project to the IASB's work plan.

A comprehensive review of IAS 38 would allow for the accounting for costs associated with other cloud-based computing arrangements¹ to be appropriately considered. In many cases implementation costs associated with cloud-based computing arrangements represent future economic benefits to the entity. However, in line with the recent agenda decision on SaaS arrangements, the restrictive nature of the recognition criteria in IAS 38 often results in these costs being expensed immediately.

NZASB also has some further feedback on the SaaS agenda decision process which NZASB has outlined in the 'other comments' section of its comments.

¹ For example, Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Desktop as a Service (DaaS) arrangements.

In undertaking a comprehensive review of IAS 38 NZASB considers the IASB needs to:

- (a) ensure that it appropriately addresses requirements for the recognition and measurement of internally generated intangible assets (e.g. software and development costs);
- (b) determine the extent to which emerging financial reporting issues (e.g. emission trading rights, cloud-based computing arrangements and crypto-currencies) should be addressed by an IFRS Standards on intangible assets; and
- (c) consider any potential interrelationship between an IFRS Standards on intangible assets and any future sustainability standards² issued on intangibles.

NZASB understands that the Australian Accounting Standards Board (AASB) is currently undertaking a domestic research project on intangible assets. The findings of this project will be a useful input into a comprehensive review of IAS 38.

Going concern – High priority, medium-sized project

The economic effects of COVID-19 are continuing to have a significant impact on the going concern assessments of many entities across the world. Many entities have been required to apply significant judgement and/or consider material uncertainties at the reporting date in assessing their ability to continue operating as a going concern.

As the IASB is aware, additional going concern disclosure requirements have recently been introduced into our New Zealand domestic standards. The two professional accountancy membership bodies for Australasia,³ whilst supporting our proposals, requested that NZASB encourages the IASB to undertake a similar project in the forthcoming Agenda Consultation.

The going concern disclosure requirements introduced in New Zealand were developed in response to concerns raised by constituents.

- (a) Diversity in practice over the disclosures provided in circumstances when the financial statements are prepared on a going concern basis, but management are aware of events or conditions that may cast doubt on this judgement.
- (b) Investors, auditors and regulators wanted improved disclosures when management's going concern assessment involved significant judgement and/or material uncertainties.
- (c) Tension in practice between going concern disclosure expected by the auditing standards versus the disclosure requirements in accounting standards.

Although the recent focus on improving going concern disclosures has been influenced by the uncertainty and disruption caused by COVID-19, the benefits of an IASB project on going concern disclosures is expected to endure over the long term. The going concern assumption

² NZASB understands preliminary discussions regarding the work of the International Sustainability Standards Board (ISSB) involve development of a global baseline standard focusing on enterprise value which may require the concept of what should be recognised as an intangible asset to be broadened.

³ Chartered Accountants Australia and New Zealand (CAANZ), and CPA Australia.

is a fundamental principle that underpins the preparation of the financial statements and therefore it is critical that appropriate disclosures are provided.

In NZASB's XRB survey on the IASB's Agenda Consultation, NZASB received strong support for the IASB to add a project on going concern as a high priority to its work plan. In particular, constituents highlighted the need to improve going concern disclosure requirements to close the expectation gap between what is required to be disclosed in the financial statements and disclosures expected by auditors.

Consequently, NZASB considers the IASB should add a standard-setting project to its workplan to develop more specific going concern requirements about:

- (a) significant judgements and estimates made in management's assessment of the entity's ability to continue as a going concern, along with any material uncertainties; and
- (b) management's plans to mitigate the effect of any material uncertainties around the entity's ability to concern as a going concern.

Constituents also raised the following other matters that NZASB recommends the IASB consider under a comprehensive project on going concern:

- (d) no definition and limited guidance on the meaning of "material uncertainty";
- (e) limited guidance on how the going concern assessment should be conducted by management and the extent of analysis required about future operations; and
- (f) whether a mandatory disclosure be introduced, regardless of the entity's going concern position, explaining basis for the applying the going concern assumption for the preparation of the financial statements.

This project will be helpful to:

- (a) users, to ensure they receive relevant and transparent information on the entity going concern position;
- (b) preparers, by increasing the specificity of the expected disclosures when the going concern assumption is subject to increased judgement and/or subject to material uncertainties; and
- (c) auditors, as this project should help align the disclosure requirements in the accounting standards with the disclosure expectations in the auditing standards when auditors are assessing the adequacy of the going concern disclosures.

NZASB acknowledges that:

- (a) going concern is addressed in paragraphs 25, 26 and 122 of IAS 1 *Presentation of Financial Statements*;
- (b) the IFRS Interpretations Committee issued agenda decisions on going concern in July 2010 and July 2014; and

- (c) the IASB published an educational article, *Going concern – a focus on disclosure*, in January 2021.

Notwithstanding these requirements and guidance, NZASB considers more specific requirements within the standards, in one place, in IAS 1 would substantially improve the provision of relevant information to users on going concern.

NZASB therefore proposes that the IASB add a going concern project to its work plan as a high priority, medium-sized project as described in paragraph B38 parts (a) and (b) of the RFI.

As NZASB has domestic standard-setting experience in this area, NZASB offers our experience and expertise to support the IASB during this proposed project to amend IAS 1.

Discount rates – High priority

The current uncertain economic conditions caused by COVID-19 have posed an increased challenge for many entities in developing accounting estimates, in particular in estimating appropriate discount rates. The measurement of certain liabilities and long-term provisions is significantly impacted by the discount rate used for the time value of money and changes to the discount rate used introduces significant variability to the financial performance of an entity.

Constituents in New Zealand have raised several concerns about application challenges when determining the appropriate discount rate in different circumstances. These concerns arise from inconsistencies in IFRS Standards specifying:

- (g) which types of inputs to use in a present value measurement technique; and
- (h) how to determine the amount of the inputs.

The IASB's recent research project on *Discount Rates in IFRS Standards* identified similar concerns and noted inconsistencies between requirements relating to discount rates in IFRS Standards. Inconsistencies arise because different IFRS Standards adopt different measurement bases. Other inconsistencies, mostly relating to entity-specific current value measurements, arise partly because different IFRS Standards were developed at different times and with different areas of focus.

NZASB notes that IASB staff have indicated that the project produced a list of matters that staff will consider in the future when developing recommendations for IASB present value measurement requirements. However, it may be that a simple education tool will be an efficient and helpful response that addresses user understandability in relation to the use of discount rates in IFRS Standards.

For example, the IASB could publish guidance that sets out the respective standards, the discount rates used and the reason for the use of those rates, as some of the reasons for the different rates used in different standards are valid. Guidance will not address any inconsistencies that need to be remedied over time with standard-setting activity. However, it will help users to understand why specific discount rates are used in IFRS Standards and contribute to the IASB's activity of understandability of IFRS Standards.

It would also be valuable to constituents if the IASB added additional guidance on how entities should derive the inputs for discount rates in certain instances. As New Zealand does not have a deep corporate bond market it can be difficult to determine market rates. Further, even if there is a market for corporate bonds, constituents can find it challenging to determine an appropriate discount rate that is entity and asset specific. For example, entities find it difficult to determine specific adjustments when they do not have a credit rating. Another option would be for the IASB to consider providing a practical expedient (e.g. use of the risk free rate) in certain circumstances.

In line with these comments, NZASB would also support the IASB providing guidance, in the context of IFRS 16 *Leases*, on determining an appropriate credit margin and adjustment for security when determining the lessee's incremental borrowing rate. This guidance will be useful even in the instances where there is market information.

NZASB therefore supports the IASB including a project on the 2022–2026 work plan on discount rates. However, it may be that the scope can be modified to encompass more educational tools and guidance and to limit standard setting to those areas where there is a real deficiency in an IFRS Standards with respect to discount rates. This is in line with our comments above about the greater use of educational tools and guidance to improve understandability of the IFRS Standards as well as the need for the IASB to clearly define the problem before embarking on standard-setting activity.

Other comments

Climate-related risks

NZASB considers that there is a need for better qualitative and quantitative information about the effect of climate-related risks on the carrying amount of assets and liabilities in the financial statements. NZASB agrees that disclosures on climate-related and emerging risks – that are useful to existing and potential investors, lenders, and other creditors in making decisions relating to providing resources to the entity – should be provided in general purpose financial statements. These disclosures are particularly important given that climate-related and emerging risks impact the readers understanding of other information provided in the financial statements (e.g. measurement of assets).

Through our outreach activities, many constituents in New Zealand have highlighted the importance of the IASB developing disclosure requirements that encourage improved reporting on an entity's climate-related and emerging risks as they relate to information disclosed in the financial statements. Investors who use general purpose financial statements prepared in accordance with IFRS Standards have emphasised the increased influence of information about climate-related risks on their decision making.

NZASB acknowledges the recent IASB guidance⁴ which explains how existing principles and requirements within IFRS Standards address the disclosure of climate-related risks and other emerging risks in the financial statements. NZASB understands that climate-related and

⁴ [In Brief: Climate-related and other emerging risks disclosures: Assessing financial statement materiality](#) published November 2019; and [Effects of climate-related matters on financial statements](#) published November 2020.

emerging risks are not addressed explicitly by IFRS Standards but are however addressed by existing principles.

The IASB guidance material is very useful but given the importance investors (and other stakeholders) are placing on climate-related risks, NZASB can see the need for standard-setting activity in the future. However, now is not the right time to commence any such activity as discussed further below.

NZASB notes that the Trustees of the IFRS Foundation are currently working through the formation of a new International Sustainability Standards Board (ISSB) and that this Board will likely have an initial focus on developing climate-related disclosures.⁵ Before any work should be considered by the IASB on climate-related disclosures as it relates to general purpose financial statements, the relationship between the focus of activities of the IASB and the ISSB will need to be clearly articulated.

Inevitably, there will need to be some level of integration between IFRS standards issued by the IASB and sustainability standards issued by the ISSB. However, NZASB recommends that the establishment of the ISSB and the development of sustainability standards be given time to mature first before considering any amendments to IFRS Standards.

In line with our comments above, NZASB has not specifically commented in this submission on the climate-related risks project proposed in the RFI. Until the ISSB is formally established and there is clarity as to how it will operate and integrate with the IASB it would be premature for the IASB to commence a project on climate-related risks.

IFRS Interpretations Committee Agenda Decision Process

As noted earlier, NZASB has feedback received that the recent SaaS Agenda Decision issued by the IFRS Interpretation Committee is causing a significant amount of concern by users of IFRS Standards in New Zealand. Many reporting entities consider that customisation and configuration costs (which are often significant) related to SaaS arrangements will provide future economic benefits to the reporting entity beyond the period in which the costs are incurred. Therefore, these costs should be capitalised and recognised as an asset to faithfully represent the economics of the transaction

Many New Zealand entities applying IFRS based standard have previously concluded that these costs should be capitalised. The explanatory material in the agenda decision issued in April 2021 has resulted in many entities coming under significant time pressure to change their accounting policy and reverse previous amounts capitalised before seeking approval of their 30 June 2021 annual financial statements. NZASB has also heard that the resulting change in accounting treatment has significantly impacted some SaaS funding arrangements which are based on expected levels of capital expenditure.

In the case of the SaaS agenda decision, the IFRS Interpretations Committee has issued an

⁵ NZASB has similar initiatives currently underway in New Zealand as the Government recently announced that it plans to introduce a mandatory climate-related financial disclosure regime which will require certain entities to report climate-related financial disclosures in accordance with a standard(s) to be developed by the External Reporting Board (XRB).

agenda decision that is technically aligned with the principles of the accounting standards, but NZASB notes the accounting outcomes are significantly different to how many entities have interpreted and applied the applicable IFRS standards in practice. When a tentative agenda decision is not broadly accepted⁶, and/or the agenda decision is likely to have a material impact how the IFRS Standards are currently being applied in practice, NZASB suggests the IASB give increased consideration to adding a standard-setting project to its work plan in response to the issues raised.

In addition, when an agenda decision is expected to have a widespread impact and result in a material change to existing accounting practices, NZASB encourages the IASB to give clear direction on when it expects an entity to implement the resulting changes in accounting policy. In these circumstances an entity should be given appropriate time to implement the changes. For example, in the same way as when a new standard (or amending standard) is given an effective date that allows for a reasonable implementation period.

NZASB notes that the IASB has said that it expects entities to be entitled to “sufficient time” to implement changes in accounting policy that result from an agenda decision. NZASB also notes the comments of the IFRS Interpretations Committee Chair that the Committee has in mind a “matter of months rather than years”. However, in the circumstances described above NZASB either encourages the IFRS Interpretations Committee to include an effective date with the agenda decisions issued, or for the issue to be addressed through a IASB standard-setting project.

The divergence of views on the SaaS tentative agenda decision and the concerns arising from the subsequent consideration of explanatory material in the agenda decision issued further highlights the need for the IASB to prioritise a project on its work plan for intangible assets.

Review of the equity method

NZASB would also like to acknowledge and support the separate submission to the IASB by the Mike Bradbury and the other New Zealand researchers who have encouraged the IASB to undertake a fundamental review of equity accounting.

Appendix: Potential IASB projects and priority rating

Described projects	Proposed NZASB priority
Potential IASB projects	
Borrowing costs	Low
Climate-related risks	Medium
Commodity transactions	Low
Cryptocurrencies and related transactions	Medium
Discount rates	High
Employee benefits	Low
Expenses — inventory and cost of sales	Low

⁶ NZASB notes the SaaS agenda decision was only supported by 5 out of 19 total respondents.

Described projects	Proposed NZASB priority
Foreign currencies	Low
Going concern	High
Government grants	Medium
Income taxes	Medium
Intangible assets	High
Interim financial reporting	Low
Negative interest rates	Medium
Operating segments	Medium
Other comprehensive income	Medium
Separate financial statements	Low
Statement of cash flows and related matters	Medium
Research pipeline projects	
Discontinued operations and disposal groups	Low
Inflation	Low
Pollutant pricing mechanisms	Medium
Variable and contingent consideration	Low
Other financial reporting issues suggested to the Board	
Align the definition of cost in IFRS Standards	Low
Clarify the accounting for transactions with owners (including government owners) acting in their capacity as owners	Low
Converge IFRS 13 <i>Fair Value Measurement</i> with International Valuation Standards	Medium
Develop accounting requirements for assets acquired at no cost (from related and third parties)	Medium
Develop enhanced disclosures about the process used in determining materiality, including quantitative thresholds applied	Medium
Develop standardised disclosure of financial ratios with numerators and denominators based on line items presented in the primary financial statements	Low
Review the accounting for shares bought back to replace shares granted in share-based payment transactions	Low
Review the requirements of IAS 33 <i>Earnings per Share</i> in the light of changes to the business environment and the Conceptual Framework for Financial Reporting	Low
Review the requirements of IAS 36 <i>Impairment of Assets</i>	Medium
Review the requirements of IAS 41 <i>Agriculture</i> , focusing on immature biological assets that cannot be sold in their current condition	Low

[Saudi Arabia]

SOCPA staff support the suggestions of “going concern”, intangible assets and other comprehensive income to be high priority. SOCPA staff also encourage the Board to embark in a project for financial reporting when an entity cease to be a going concern.

- With the growing number and importance of not-for-profit entities, SOCPA staff suggest a project on how not-for-profit entities apply IFRS as a medium priority in light of the information needed by users of financial statements of such entities. Particularly, such entities need guidance on how to recognize and report contribution received and made and how to recognize and report temporary and permanent endowments.

Question 4— Other comments

Do you have any other comments on the Board’s activities and work plan? Appendix A provides a summary of the Board’s current work plan.

AOSSG members’ comments on Question 4

[Japan]

ASBJ are of the view that the work that is currently undertaken by the IASB in relation to the “Management Commentary” project is likely to overlap with the work that is to be undertaken by the new sustainability standards board, which is expected to be established in the near future. ASBJ acknowledge that the IASB has proposed revisions to IFRS Practice Statement (PS) 1 Management Commentary. However, ASBJ think it is necessary to discuss whether the IASB or the new sustainability standards board should address this project going forward.

Remaining research pipeline projects

Table 3 and Appendix B of the RFI state the remaining research pipeline projects arising from the 2015 Agenda Consultation. Paragraph 26 of the RFI explains that these projects have not started because other urgent projects have started. However, ASBJ would like to understand if there are any factors other than timing that makes it difficult for the IASB to start the projects that have been placed on the agenda. ASBJ understand that the IASB may need to change its work plan from time to time, but in such case the nature and reasons for such change should be fully explained.

[China]

China staff suggest the Board review and improve the current accounting standards system to develop high-quality IFRS Standards:

- the forward-looking features of the *Conceptual Framework* need to be strengthened. The new economy and new business model pose unprecedented challenges to the current IFRS Standards, while the current *Conceptual Framework* may not provide effectively conceptual guidance when emerging businesses lack applicable guidance. CASC staff suggest the Board make forward-looking revision to the *Conceptual Framework* to meet the needs of the rapid development of modern economy.
- the adaptability and timeliness of IFRS Standards need to be enhanced. The life cycle of a new business is becoming shorter and shorter, but the development or revision of a specific accounting standard usually takes a long time. It is suggested that the Board should take measures to improve the adaptability and timeliness of IFRS Standards.