

**REPORT ON THE  
INTERNATIONAL FORUM OF ACCOUNTING STANDARD SETTERS (IFASS)  
1-2 October 2019, London**

IFASS is an informal network of national accounting standard setters (NSS) from around the world, plus other organisations that have a close involvement in financial reporting issues. It is a forum at which interested stakeholders can discuss matters of common interest. From this meeting, the group is chaired by Yasunobu Kawanishi, the Vice Chair of the Accounting Standards Board of Japan.

IFASS met in London, UK, on 1-2 October 2019 and discussed the agenda items set out below.

The public meeting was attended by representatives of standard setters from Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Eastern Caribbean, France, Germany, Hong Kong, India, Indonesia, Italy, Japan, Kenya, Lebanon, Malaysia, Mexico, Nepal, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Sierra Leone, Singapore, South Korea, Spain, Sri Lanka, Sudan, Sweden, Taiwan, United Arab Emirates, United Kingdom, and the United States of America.

Representatives of the European Financial Reporting Advisory Group (EFRAG), the International Accounting Standards Board (IASB) and its staff, International Arab Society of Certified Accountants (IASCA), International Public Sector Accounting Standards Board (IPSASB), and the Pan African Federation of Accountants (PAFA) also attended. A complete list of participants is attached. A number of observers were present.

**Item 1. Welcome and opening remarks**

(Paper ref: IFASS 1019 AP01)

The IFASS Chair Yasunobu Kawanishi welcomed the participants to London and thanked the IFRS Foundation for hosting the meeting. He noted that this was the first meeting since he had become the Chair and introduced the new IFASS Secretariat, Takeshi Maruoka. The IFASS Chair announced some changes from previous meetings and made announcements about future meetings. The next meeting is to be held in Washington D.C. on 6-7 April 2020, the meeting in fall 2020 is to be held on 29-30 September 2020 in London, at the same venue this meeting was held. The IFASS Chair noted that he would like to hold the meeting in spring 2021 in Japan if there were no strong objections. After some administrative remarks, the IFASS Chair moved on to the technical sessions of the meeting.

**Item 2. Extractive Activities**

(Paper ref: IFASS 1019 AP02A-AP02D)

A panel discussion was held with Kala Kandiah (Australian Accounting Standards Board – AASB), Karina Vasstveit Hestås (Norwegian Accounting Standards Board – NASB), Rebecca Villmann (Canadian Accounting Standards Board – AcSB), and Tim Craig (Staff of the IASB) as panellists, facilitated by the IFASS Chair.

The purpose of the discussion was to discuss the feedback the IASB received from the NSSs on the IASB's research project on *Extractive Activities* in 2018 as well as the current status of the IASB's project. Panellists were volunteers from NSSs that have assisted in the IASB's outreach activities on the project.

Tim Craig provided the background of the IASB's project which was re-activated in 2018 to gather evidence from the Standard-setters to help the IASB decide whether to start a project to develop proposals to replace or amend IFRS 6 *Exploration and Evaluation of Mineral Resources*.

Panellists discussed the findings from the respective research they had conducted, including the changes since the publication of the 2010 Discussion Paper. Findings included (1) changes in the number of the players (decrease in Australia and Canada, increase in Norway), (2) different accounting policy election practices as to the capitalisation or expensing the costs of exploration and evaluation activities depending on the industry (whether it is mining or oil gas) and on the size of the entity, (3) the increase in impairments recognised and impairment challenges in practice (for example, identification of impairment indicators, measurement of impairment due to the lack of information, increase in unconventional activities), (4) information disclosed outside of financial statements much of which is disclosed in accordance with regulatory requirements (for example, reserves and resources), and the increasing use of non-GAAP measures, and users wanting to understand the effects of climate-changes and environmental issues, (5) increase in complex agreements such as farm-out transactions and streaming financing arrangements for which accounting guidance is needed, and (6) new regulatory disclosure requirements outside of financial statements related to payments to government (Publish What You Pay).

Tim Craig explained the work the IASB had performed other than the outreach to the Standard-setters, which included outreach to users, preparers, and others and the research on the possible effects of the *Conceptual Framework of Financial Reporting* revised in 2018, particularly the changes in the asset definition and the recognition criteria. Tim Craig further explained the next steps of the IASB and noted that the IASB was planning to perform additional outreach with other NSSs for more complete analysis on extractive activities and then to decide on the scope of the project.

Panellists shared their thoughts on the scope of project and what further actions would be needed. They discussed (1) the need for a consistent accounting treatment, (2) the mixed views heard from stakeholders on the need for standard-setting activity, (3) the need for further analysis on capitalisation practices of exploration and evaluation (for example, the rationale for the different accounting policies), (4) specific areas where guidance was needed, including business combinations vs. asset acquisitions, risk sharing arrangements, unit of account issues in relation to impairment testing, (5) the need for the improvement in disclosure requirements (for example, globally comparable information), and (6) the potential concern about a different set of disclosures arising from regulatory requirements and from accounting requirements.

### **Item 3. Update on UK Developments**

(Paper ref: IFASS 1019 AP05)

Anthony Appleton (UK Financial Reporting Council - FRC), Andrew Death and Seema Jamil-O'Neill (both from the Department for Business, Energy and Industrial Strategy of the UK government) provided updates on the UK audit reforms and the UK endorsement of IFRSs post EU-exit.

Regarding the UK audit reform, three audit market reviews that were performed in the UK were introduced. The three reviews were: (1) a ‘root and branch’ review of the effectiveness of FRC led by Sir John Kingman, (2) a market study into concentration of the UK audit market launched by the Competition and Markets Authority, and (3) a review of quality and effectiveness of audits in UK. It was noted that the main recommendation of Sir John Kingman’s review was to replace the regulator with clear statutory powers and that some actions, such as the change in FRC leadership, were already undertaken.

Regarding the UK endorsement of IFRSs post EU-exit, the current status for the future endorsement in the UK after the EU-exit was introduced. It was noted that there was legislation already in place that (1) would onshore and freeze existing EU-adopted IFRSs on the date of the EU-exit, (2) would transfer the European Commission’s powers to endorse and adopt IFRSs to the Secretary of State (as an interim solution), and (3) sets out a mechanism for these powers to be sub-delegated to an endorsement and adoption board. Further legislation will perform this sub-delegation to the UK Accounting Standards Endorsement Board, which is to be established next year, hosted by the FRC but independent from both the government and the regulator. It was also noted that recruitment of the members of the new board is currently underway and that the Chair is expected to be appointed shortly.

Responding to the questions from the floor about the authority of the new endorsement body, it was noted that one of the restrictions in making this legislation was to go no further than what was currently available within the EU, so only ‘carve-outs’ to IFRSs would be permitted. Also, it was emphasized that endorsement of IFRS standards would be performed in due course even before the formal establishment of the new endorsement body.

#### **Item 4. International Financial Reporting for Non-Profit Organisations: Project Update**

(Paper ref: IFASS 1019 AP03)

Ian Carruthers (CIPFA) gave an update on the International Financial Reporting for Non-Profit Organisations project *#IFR4NPO*. It was noted that, for the consultation paper stage of this five-year project, CIPFA and Humentum successfully raised funds from two start-up funders, namely the Open Society Foundations and the Ford Foundation. The inaugural meeting of the Technical Advisory Group (TAG) responsible for advising on the development and approval of the guidance, consisting of individuals from NSSs with an Observer from the IASB, was to be held on last two days on the week of the IFASS meeting. Biannual physical meetings of the TAG would be held alongside future IFASS meetings with teleconferences in intervening periods. He welcomed the attendees of the IFASS meeting to be part of the group if they were not already.

Plans for raising the additional funding required to complete the project were discussed in responding to questions from the floor. It was highlighted that the TAG meetings would be open to public and that the meeting materials and the recordings of the meetings would be available on the website. It was also noted that the consultation paper was expected to be issued in September next year.

#### **Item 5. IPSASB Update**

(Paper ref: IFASS 1019 AP04)

Ian Carruthers and John Stanford (both from IPSASB) presented an update on the IPSASB work program.

Ian noted that the standard on social benefits had been finalised. The IPSASB had also approved a pronouncement collective and individual services at its recent meeting and had decided to defer consideration of emergency relief. The projects on public sector specific financial instruments, measurement, revenue, transfer expenses and leases were continuing.

On revenue, it was noted that the IPSASB decided to divide revenue transactions into three categories and develop and update revenue standards based on this categorisation. The IPSASB had decided to (1) replace IPSAS 9 *Revenue from Exchange Transactions* and IPSAS 11 *Construction Contracts* with an IPSAS standard that is aligned with IFRS 15 *Revenue from Contracts with Customers* (ED 70 *Revenue from Performance Obligations*), (2) develop a public sector performance obligation approach and include this model and guidance in ED 70, and (3) retain and update IPSAS 23 *Revenue from Non-Exchange Transactions* to address application issues and fill some gaps in coverage (ED 71 *Revenue without Performance Obligations*).

The measurement project was initiated to address inconsistency between existing measurement requirements and the Conceptual Framework and the inconsistency between the fair value definition in IPSASB's literature and the fair value definition in IFRS 13 *Fair Value Measurement*. The Consultation Paper was issued and currently open for comments.

On leases, a single right to use model for both lessor and lessee had been proposed in ED 64, *Leases*. In light of responses to ED 64, IPSASB is in the process of analysing the reasons for departure from the lessor accounting requirements of IFRS 16. *Leases*.

## **Optional Item 6. Government Grant Receivables and Government Grant Income under IAS 20**

(Paper ref: IFASS 1019 AP 6)

Sanjeev Kumar Singhal (Institute of Chartered Accountants of India) introduced the accounting issue relating to IAS 20: (1) whether a government grant receivable is a financial asset or not, and (2) how should the income arising from such grant be accounted for (either as revenue, reduction of related expense, or other income). Views were split on the first question depending on whether the receivable is considered to be a contractual right or not. On the second question, some IFASS participants noted that the income is not revenue because the counterparty does not meet the definition of a customer (and therefore, the income does not meet the definition of revenue) in IFRS 15. Other IFASS participants preferred the reduction of expenses but noted the practical difficulty to determine which item to deduct from. Yet another IFASS participant stressed the importance to consider whether the income meets the definition of a government grant. There was an IFASS participant who suggested referring the issue to the forthcoming agenda consultation.

## **Item 7. ESG Matters and Intangibles**

(Paper ref: IFASS 1019 AP07A-07B)

The discussion on intangibles was organized in two parts. The first part was led by the Korea Accounting Standards Board (KASB) with its presentation and the second part was led by the IASB with its presentation and a roundtable discussion.

[KASB presentation](#)

Sung-Ho Joo (KASB) gave a presentation on the research that the KASB is currently performing on financial reporting for intangibles. KASB is working with the academic professionals and valuation specialists to develop a new idea with the aim to increase the usefulness of financial statements by adding more information related to intangibles. He outlined the current problems in the reporting of intangibles that they have identified, their proposal and the next steps. Their proposal was to present a separate report tentatively named 'the Statement of Core Intangibles (SCI)', which would provide monetary valuation of core intangibles in a separate report, given that the reporting of intangibles not recognised under current IFRS was equally important compared to other elements of the financial statements. Core intangibles were explained as a new unit of account representing a group of intangibles that generate future cash flows (similar to the cash generating unit) and thus enable the entity to apply valuation techniques. Their next step is to field-test the proposal by preparing the SCI and to verify the feasibility and usefulness of the SCI.

#### IASB presentation with roundtable discussion

Matt Chapman and Marie Claire Tabone (both from the IASB) provided a brief introduction of the IASB's management commentary project and the staff's proposed approach to disclose information about intangibles and Environment, Social and Governance (ESG) matters in a management commentary. The staff were proposing a principle-based approach to providing information about intangibles because users need information on the specific intangibles the entity depends on, and the information that users need about intangibles also depends on the entity's strategy for managing those intangibles. On ESG matters, the staff did not expect proposing a list of ESG matters to be discussed in a management commentary but to propose a principles-based approach focusing on what management needs to consider to identify and report on ESG matters that could affect the entity's future success. Two questions were asked to IFASS participants: (1) whether the staff's proposals would help entities provide information about intangibles and ESG matters that primary users find useful for their decisions and (2) whether the staff's proposals were sufficient to enable a regulator or an auditor to challenge areas of non-disclosure.

Regarding intangibles, IFASS participants appreciated the KASB's and the IASB's efforts to improve the information provided in the financial statements. There was general agreement that the principles and thought process the IASB's staff proposed were helpful. IFASS participants expressed various views, for example, (1) the information provided needs to be entity specific but at the same time comparability needs to be considered, (2) entities may be hesitant in providing proprietary information, (3) the information needs to be linked to the entity's strategy and the operating environment, (4) consideration should be given to the disclosure requirements that entities are currently subject to, (5) the information related to intangibles should not be considered in isolation, and (6) it may be difficult to audit, particularly in ensuring completeness.

Regarding ESG matters, there was overall support for the principles-based approach. Participants discussed the importance of the link to the financial statements, audit challenges and the relationship with other frameworks in this area.

### **Item 8. Connecting with Stakeholders through Use of Technology**

(Paper ref: IFASS 1019 AP08A-08B)

Gary R. Buesser (FASB) presented how the FASB currently uses technology (that is, setting standards, delivering standards (Codification), and monitoring implementation of standards) and the FASB's effort to improve how to deliver its products and to make it easier for constituents to

submit feedback. He presented the analysis on the different groups of constituents and encouraged IFASS participants to discuss how standard setters could improve the communication with constituents who prefer concise communication, such as a social networking service (SNS).

Mark Byatt (IASB) noted that the IFRS Foundation is currently undertaking a multi-year digital transformation programme and that digital experience is a central component of that programme. The main purpose of the session was to ask for advice from IFASS participants to help shape the roadmap for future digital experience given that IFASS participants represent one of the most important stakeholder groups. He presented what they mean by digital experience, what the challenges and opportunities are, how their digital experience might evolve, including how e-IFRS may evolve. Three questions were asked for the roundtable discussion: (1) how should the IFRS Foundation's digital experience evolve; (2) from whom the IFRS Foundation can learn from; and (3) how the IFRS Foundation can support IFASS participants' digital activities.

IFASS participants appreciated the usefulness of e-IFRS and the IASB website and discussed potential improvements, including (1) customisation by users, (2) digitalisation of the "Green Book", and (3) an enhanced search function enabling linking through all the links including to the non-mandatory material with the appropriate warning. Some were concerned with publishing unofficial educational material on the website. One IFASS participant introduced how they dealt with interpretations and educational material in their jurisdiction. IFASS participants emphasised the importance of identifying the target customers because how digitalisation evolves would depend on the customers. Other IFASS participants noted the difficulty of communicating the contents of a Standard in a short message. The KASB shared its digital experience of producing a short video introducing the Standard and accepting informal technical inquiries through its website. IFASS participants also discussed (1) the possibility of a web-based conference involving the IASB and NSSs, (2) concerns about resources, (3) the advantages and disadvantages of accepting comments from constituents in a more informal manner. The FASB shared the experience of its electronic feedback process that was put in place in the past to allow constituents to provide their feedback more easily.

## **Item 9. Goodwill**

(Paper ref.: IFASS 1019 AP09A-09C)

The discussion of goodwill was organized in two parts. The first part was led by the FASB with its presentation and the second part was led by the HKICPA (Hong Kong) and Accounting Standards Board of Japan (ASBJ) with a joint presentation and a roundtable discussion.

### FASB presentation

Marsha Hunt and Jeffrey D. Mechanick (both from the FASB) gave a presentation on the Invitation to Comment – Identifiable Intangible Assets and Subsequent Accounting for Goodwill (ITC) that was issued by the FASB on 9 July. Marsha Hunt provided the brief history and background that led to the issuance of the ITC, including the history and user messages regarding the accounting treatment of goodwill and intangible assets. Jeffrey Mechanick outlined the ITC stressing it was a staff document that did not include the views of the FASB board. The ITC asked questions to solicit input regarding (1) whether to change the subsequent accounting for goodwill, (2) whether to modify the recognition of intangible assets, (3) whether to improve disclosures and (4) implications for comparability.

### HKICPA and ASBJ joint presentation with roundtable discussion

The objective of the session was to encourage debate regarding the nature and subsequent accounting for goodwill by sharing the quantitative data and trends on goodwill and impairment. Rieko Yanou (ASBJ) presented the quantitative study on goodwill and impairment that was jointly prepared by the HKICPA staff and the ASBJ staff. It was noted that goodwill in total and per company tended to increase in recent years in all stock markets researched (that is, in the US, Europe, Hong Kong and Japan) and there were companies that recognised goodwill that exceeded 100% of their net assets and some exceeded 100% of their market capitalisation. Questions raised from the floor included how the data was extracted and the presenter's views regarding the results of the analyses.

Next, Michelle Fisher (HKICPA) shared the definition and core components of goodwill as described in the current accounting literature. She also emphasised the importance of understanding the substance of goodwill before considering how to account for it. She facilitated the roundtable discussion on two core questions: (1) whether acquired goodwill is a diminishing asset; and (2) whether a relevant amortisation period can be determined.

The views from the IFASS participants were mixed. However, most participants seemed to agree that goodwill, or some components of goodwill, meet the definition of an asset. Some participants considered acquired goodwill should be amortised because it is gradually replaced by internally generated goodwill. On the other hand, some participants questioned whether goodwill is consumed in its entirety and loses value over time. They also highlighted the difficulties in distinguishing between acquired goodwill and internally generated goodwill, and hence determining whether acquired goodwill is a diminishing asset.

As to a relevant amortisation period, some participants noted that a cost allocation method, similar to fixed assets, should be applied to acquired goodwill, and amortisation provides useful information about future cash flows when re-investment is required. Participants made the following suggestions for determining the amortisation period: (1) useful life of the identifiable underlying assets acquired, for example on a relative basis, (2) industry and business/product life cycles for the reporting entity, and (3) mandating a uniform amortisation period for simplicity. Suggestions also included introducing amortisation as an option or applying an impairment-only approach for goodwill in the first few years after the acquisition (eg. 5 years) when the impairment information is most useful for the users, then moving to an amortisation model to reflect the difficulties in conducting a robust impairment test as time passes. Some participants also suggested progressive or increasing amortisation over time to reflect the sharp decline in value after acquisition.

## **Item 10. Application of IFRS 16**

(Paper ref. IFASS 1019 AP10)

Tommaso Fabi and Lorenza Bignozzi (both from the OIC, Italy) presented the analysis that the OIC performed on the application of IFRS 16 in Italy. They reported their findings of the sample entities on (1) the transition reliefs adopted, (2) the exemptions and practical expedients adopted after transition, (3) the main impacts in industrial sector, and (4) implementation issues discussed in Italy. IFASS participants asked how the impact analysis was used by the users; and the OIC responded that further analysis was to be undertaken including this aspect. Other IFASS participants referred to the implementation issues in their jurisdictions.

## **Item 11. Call for Volunteers to Assist in Academic Research**

(Paper ref. IFASS 1019 AP11)

Andreas Barckow (Accounting Standards Committee of Germany - ASCG) called for the support to assist in the academic research 'Accounting for Transparency' which aims to provide evidence of the determinants and consequences of corporate transparency. The researchers seek to interview NSSs about the effects of reporting requirements on corporate actions and non-investor stakeholders. Andreas asked IFASS participants to participate in the interview to be conducted by the researchers.

**Item 12. Closing remarks**

The IFASS Chair thanked all the presenters and participants for their efforts. He confirmed the schedule for the next meeting and closed the meeting.



## **Action List**

IFASS Chair/Secretariat
<ul style="list-style-type: none"><li>• To prepare the online meeting survey and invite participants to respond</li><li>• To draft the meeting report and invite participants to review and feed back</li><li>• To call for agenda proposals for the IFASS meeting in April 2020</li><li>• To liaise with the FASB to organise the IFASS meeting in April 2020</li></ul>
All IFASS participants
<ul style="list-style-type: none"><li>• To evaluate the meeting via web-based evaluation tool</li><li>• To feed back to the draft meeting report</li><li>• To advise the IFASS secretariat of potential agenda items for the meeting in April 2020 so that they can be included in the first draft of the agenda</li></ul>

**List of participants as of September 26**

	<b>Name</b>	<b>Organisation</b>
1	Kala Kandiah	AASB (Australia)
2	Linda Mezon	AcSB (Canada)
3	Kelly Khalilieh	AcSB (Canada)
4	Rebecca Villmann	AcSB (Canada)
5	Alfred Wagenhofer	AFRAC (Austria)
6	Patrick de Cambourg	ANC (France)
7	Cédric Tonnerre	ANC (France)
8	Valérie Viard	ANC (France)
9	Michel Barbet Massin	ANC (France)
10	Doris Yi Hsin Wang	ARDF (Taiwan)
11	Chi-Chun Liu	ARDF (Taiwan)
12	Mahesh Khanal	ASB (Nepal)
13	Gopal Prasad Pokharel	ASB (Nepal)
14	Atsushi Kogasaka	ASBJ (Japan)
15	Rieko Yanou	ASBJ (Japan)
16	Suat Cheng Goh	ASC (Singapore)
17	Siok Mun Leong	ASC (Singapore)
18	Andreas Barckow	ASCG (Germany)
19	Sven Morich	ASCG (Germany)
20	Sadi Podevijn	BASB (Belgium)
21	Nishan Fernando	CA Sri Lanka (Sri Lanka)
22	Huaxin Xu	CASC (China)
23	Rogério Lopes Mota	CPC (Brazil)
24	Felipe Pérez	CINIF (Mexico)
25	Peter Sampers	DASB (Netherlands)
26	Jan Peter Larsen	DASC (Denmark)
27	Severinus Indra Wijaya	DSAK IAI (Indonesia)
28	Chiara Del Prete	EFRAG
29	Filipe Alves	EFRAG
30	Marsha Hunt	FASB (USA)
31	Gary Buesser	FASB (USA)
32	Jeffrey Mechanick	FASB (USA)
33	Daniel Asapokhai	Financial Reporting Council of Nigeria
34	Anthony Appleton	FRC (UK)

	<b>Name</b>	<b>Organisation</b>
35	Andrew Lennard	FRC (UK)
36	Ernest Lee	HKICPA (Hong Kong)
37	Christina Ng	HKICPA (Hong Kong)
38	Michelle Fisher	HKICPA (Hong Kong)
39	Joni Kan	HKICPA (Hong Kong)
40	Hans Hoogervorst	IASB
41	Sue Lloyd	IASB
42	Tadeu Cendon	IASB
43	Tom Scott	IASB
44	Rika Suzuki	IASB
45	Ann Tarca	IASB
46	Michelle Sansom	IASB
47	Nili Shah	IASB
48	Andrea St Rose	ICAEC (Eastern Caribbean)
49	Carlos Moreno Saiz	ICAC (Spain)
50	María D Urrea	ICAC (Spain)
51	Vijay Kumar Muthu Raju Paravasa Raju	ICAI (India)
52	Sanjeev Kumar Singhal	ICAI (India)
53	Sohail Malik	ICAP (Pakistan)
54	Rana Muhammad Usman Kahn	ICAP (Pakistan)
55	Tamba Momoh	ICASL (Sierra Leone)
56	Murtadha Rafid Obad	ICCGI International (UAE)
57	Dawood Salman Kareem	ICCGI International (UAE)
58	Nebart Avutswa	ICPAK (Kenya)
59	Yasunobu Kawanishi	IFASS
60	Takeshi Maruoka	IFASS
61	Oussama Tabbara	International Arab Society of Certified Accountants
62	Ian Carruthers	IPSASB
63	John Stanford	IPSASB
64	Eui-Hyung Kim	KASB (Korea)
65	Se-Whan Park	KASB (Korea)
66	Jae-Ho Kim	KASB (Korea)
67	Sung-Ho Joo	KASB (Korea)
68	Rabih Dagher	LACPA (Lebanon)
69	Georges Zreik	LACPA (Lebanon)
70	Mohamed Raslan Abdul Rahman	MASB (Malaysia)

	<b>Name</b>	<b>Organisation</b>
71	Bee Leng Tan	MASB (Malaysia)
72	Abu Bakarr Conteh	Ministry of Finance and Economic Development (Sierra Leone)
73	Karina Vasstveit Hestås	NASB (Norway)
74	Kimberley Crook	NZASB (New Zealand)
75	David Bassett	NZASB (New Zealand)
76	Alberto Giussani	OIC (Italy)
77	Tommaso Fabi	OIC (Italy)
78	Lorenza Bignozzi	OIC (Italy)
79	Lebogang Senne	Pan African Federation of Accountants
80	Zein Borai	SACA (Sudan)
81	Mikael Scheja	SFRB (Sweden)