

International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London
E14 4HD

30 September 2021

Dear Sir/Madam

Request for Information *Third Agenda Consultation*

We are pleased to comment on the above Request for Information (the RFI). Following consultation with the BDO network, this letter summarises views of member firms that provided comments on the RFI.

We support the Board's main areas of focus. However, we recommend increasing the level of focus on 'Digital financial reporting' to address the current needs of users of financial statements and the changing ways in which investors consume information. We also recommend that sufficient time be allocated to allow the Board to collaborate with the International Sustainability Standards Board on climate-related projects.

We agree with the criteria identified for use by the Board in deciding whether to add a potential project to its work plan. In addition, we suggest the Board also consider an additional criterion of how a potential project relates to developments in corporate reporting.

Taking into account the input we received about the ranking of the financial reporting issues (potential projects), and keeping in mind the Board's capacity and the size of the individual projects, we consider the following potential projects to be of high priority:

Large projects

- Intangible assets, including cryptocurrency and related transactions
- Statement of cash flows and related matters

Medium projects

- Climate-related risks
- Going concern
- Variable and contingent consideration

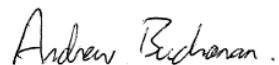
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In addition to specific projects, we suggest that a review is carried out of IFRS Interpretations Committee (Committee) agenda decisions. This review would be to identify those agenda decisions where the Committee did not add an issue to its agenda because it might be addressed by an existing Board project, but the project was not ultimately completed or did not address the issue that had been raised with the Committee. Consideration should then be given to whether and how the issues identified might now be dealt with (for example, through narrow scope amendments to IFRS Standards).

Our responses to the questions in the RFI are set out in the attached Appendix.

We hope that you will find our comments and observations helpful. If you would like to discuss any of them, please contact me at +44 (0)7875 311782 or by email at abuchanan@bdoifra.com.

Yours faithfully

A handwritten signature in black ink that reads "Andrew Buchanan". The signature is written in a cursive, slightly slanted style.

Andrew Buchanan

Global Head of IFRS and Corporate Reporting

Appendix

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;*
- *maintaining IFRS Standards and supporting their consistent application;*
- *developing and maintaining the IFRS for SMEs Standard;*
- *supporting digital financial reporting by developing and maintaining the IFRS Taxonomy;*
- *improving the understandability and accessibility of the Standards; and*
- *engaging with stakeholders.*

Paragraphs 14-18 and Table 1 provide an overview of the Board's main activities and the current level of focus for each activity. 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?*

We generally agree with the Board's current level of focus for each main activity listed in paragraph 14 and Table 1 of the RFI. However, we have the following recommendations:

- We support the Board's focus on the area of 'Digital financial reporting' with the objective to facilitate the digital consumption of financial information. To achieve this objective, we suggest that the Board increases its level of focus in this area. We believe the Board should also address some of the additional examples of what more the Board could do as set out in Table 1 of the RFI. Specifically, we suggest the Board address the first item of 'how advances in technology are changing the way investors consume information and assess the extent to which improvements are needed to the IFRS Taxonomy and the way in which the Board writes the Standards'. We also believe that for the Board to improve the quality of electronic data and consistency in application of the IFRS Taxonomy, more programmes are needed to support the understanding and use of the IFRS Taxonomy. In our view, improvements in the area of digital financial reporting are necessary to address the future needs of stakeholders.
- We note that, linked to the proposed formation of the International Sustainability Standards Board (ISSB), there will need to be collaboration between the newly established ISSB and the Board. We recommend that sufficient time is allocated to allow the Board and the ISSB to collaborate on projects such as climate-related risks (see our response to Question 3).

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

Paragraph 21 discusses the criteria the Board proposes to continue using when assessing the priority of financial reporting issues that could be added to its work plan.

- (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?*

We agree with the seven criteria identified for use by the Board in deciding whether to add a potential project to its work plan that are listed in Table 2 of paragraph 21 of the RFI.

In addition to the financial reporting criteria presented, we suggest the Board also consider an additional criterion of 'how a potential project relates to developments in overall corporate reporting'.

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.

- (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.**

Taking into account the input we received about the ranking of the financial reporting issues (potential projects) in Appendix B of the RFI, and keeping in mind the Board's capacity discussed in paragraph 27 of the RFI and the size of the individual projects provided in Appendix B to the RFI, we consider the following potential projects described in Appendix B as high priority:

Large projects

- Intangible assets, including cryptocurrency and related transactions: IAS 38 *Intangible Assets* (IAS 38) is an old standard that needs to be updated to address current types of transactions and assets. Therefore, we suggest a comprehensive review of IAS 38 be undertaken by the Board. As part of this comprehensive review, we recommend the Board address the scoping of IAS 38 and the definition of intangible assets, for

example, to permit more intangible assets such as cryptocurrencies to be measured at fair value with changes in fair value being reported in profit or loss.

- Statement of cash flows and related matters: IAS 7 *Statement of Cash Flows* (IAS 7) is an old standard that needs to be updated. Therefore, we suggest a comprehensive review of IAS 7 be undertaken by the Board. For example, IAS 7 does not satisfactorily address new types of financing arrangements such as supply chain financing. As part of its project, we recommend the Board improve the disclosure requirements in IAS 7 to enable users of the financial statements to better understand and reconcile to the items presented within the statement of cash flows.

Medium projects

- Climate-related risks: We recommend the Board further addresses how and the extent to which the effects of climate-related matters are addressed by current IFRS Standards as was highlighted by the educational material titled 'Effects of climate-related matters on financial statements'. Future projects might also include pollutant pricing mechanisms. We suggest the Board work closely with the ISSB as it addresses climate-related matters.

We acknowledge that the Board is already addressing certain aspects of the requirements of IAS 36 in its project 'Goodwill and Impairment'. We suggest that the Board considers whether further changes are needed in the context of climate-related matters. This would extend to relevant disclosures about matters that might not be required to be taken into account in the calculation of the recoverable amount, such as a sensitivity analysis that included additional scenarios.

As part of this project, we also recommend the Board addresses the connectivity between the management commentary section and the required disclosures in the notes to the financial statements. The aim would be to minimise the inconsistencies that we have observed between the disclosures in the management commentary section and the amounts reported and disclosed in the financial statements.

- Going concern: We recommend the Board develop enhanced disclosure requirements about the going concern assumption. A specific area of concern is in close-call situations where the underlying risks and management plans that are considered in order to determine the company's ability to continue as a going concern indicate that this ability is marginal. Although certain disclosures about risks and uncertainties may be made in accordance with the requirements of IAS 1, more specific disclosure requirements would be appropriate in order to require entities to be more transparent about the judgements made with regards to management's going-concern assessment. In addition to enhancing disclosure requirements, the Board may wish to consider whether it provides guidance on requirements for financial statements that are not prepared on a going concern basis.
- Variable and contingent consideration: We recommend the Board amend IAS 16 *Property, Plant and Equipment*, IAS 38 & IFRIC 12 *Service Concession Arrangements* with respect to variable and contingent consideration. We have observed diversity in practice and inconsistency with regards to the different models applied when accounting for variable and contingent consideration.

We consider the following research pipeline projects as a low to medium priority based on input received:

- Discontinued operations and disposal groups
- Inflation

We suggest the Board also revisit the prioritisation of existing projects where it appears unlikely the Board will make substantive progress during the 2022 to 2026 period.

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.

In addition to specific projects, we suggest that a review is carried out of IFRS Interpretations Committee (Committee) agenda decisions. This review would be to identify those agenda decisions where the Committee did not add an issue to its agenda because it might be addressed by an existing Board project, but the project was not ultimately completed or did not address the issue that had been raised with the Committee. Consideration should then be given to whether and how the issues identified might now be dealt with (for example, through narrow scope amendments to IFRS Standards).