



Project:	Intangible Assets	Meeting:	AASB September 2021 (M183)
Topic:	Review of Intangible Assets Accounting Requirements – Update on Draft Staff Paper	Agenda Item:	4.1
		Date of Agenda Paper:	23 August 2021
Contact(s):	Robert Keys rkeys@asb.gov.au Rabin Jogarajan rjogarajan@asb.gov.au Eric Lee elee@asb.gov.au	Project Priority:	Medium
		Decision-Making:	Medium
		Project Status:	Draft Staff Paper

Objective

1. The objective of this agenda item is to:
 - (a) **note** progress made by staff in drafting an AASB Staff Paper on Intangible Assets;
 - (b) **decide** the process and timing for finalising the Paper for publication;
 - (c) **consider** the suitability of the draft Paper (particularly its recommendations) as a basis for the AASB's submission to the IASB's Agenda Consultation Request for Information in so far as it relates to intangible assets (see Agenda Item 3); and
 - (d) provide staff with **direction** on the AASB's comments about an intangible assets project to the IASB's Agenda Consultation (see page 7 of Agenda paper 3.2).

Background and reasons for bringing this agenda item to the Board

2. At its [November 2019 meeting](#) the AASB approved an Intangible Assets [Project Plan](#) for staff to identify the information needs of users of financial statements, and to assess particularly whether the information currently required to be provided in respect of unrecognised internally generated intangible assets is sufficient. The project was delayed due to the COVID-19 global pandemic and re-commenced in January 2021. The first progress report was provided to the Board during the April meeting. Board members' comments made at that meeting have been reflected in the working draft of the Paper attached as Agenda paper 4.2.
3. The working draft is provided as a convenient vehicle for updating the Board on the substantial progress made since the April meeting.
4. It is intended the Paper will:
 - (a) in the short-term, provide input to the AASB's deliberations on its submission to the IASB's Agenda Consultation ([IFRS - Third Agenda Consultation](#)) – see Agenda Item 3 of this meeting, and provide input to other IASB projects including management

commentary (to be discussed in Agenda Item 7 of this meeting) and extractive activities; and

- (b) in the longer-term, contribute to domestic and international debate about the accounting for (including disclosures about) intangible assets. It will also be available as input to any intangible assets project the IASB or International Public Sector Accounting Standards Board (IPSASB) might initiate.

Attachments

Agenda paper 4.2 [WORKING DRAFT, with a working title of] AASB Staff Paper *Intangible Assets: Reducing the Financial Statements Information Gap Through Improved Disclosures* [Board Only]

5. Agenda paper 4.2 is the current Working Draft of the Staff Paper. There remains a handful of matters to be completed before publication (shown as yellow highlighted [To do:] comments). One of the to dos is that, staff are contemplating including in the Paper a comprehensive example/case study of the disclosures that would be made under AASB 138/IAS 38 *Intangible Assets* if the Paper's recommendations were to be adopted. With those exceptions, the Paper provides fully considered and refined analyses, findings and staff recommendations. It is still subject to a number of further processes, including internal review (commenced) and review by members of the AASB's Academic Advisory Panel (in due course) – see the Project timeline and next steps section below.
6. The Executive Summary (in Agenda paper 4.2) provides an overview of the Paper and is expected to be sufficient as a basis for focusing the discussion for the purpose of this Board meeting. The body of the Paper is provided in case Board members want to better understand the basis for the recommendations reflected at the end of the Executive Summary. If Board members have specific or editorial comments beyond the Executive Summary, staff would appreciate it if those comments are received out of session. The body of the Paper consists of the following sections:
- Introduction (comprising the background, the objective of, the motivation for and the scope of the Paper)
 - Insights from the Conceptual Framework
 - Insights from research and other sources (including academic research, activities of other national standard setters and AASB staff administered user/preparer/auditor surveys undertaken specifically for the Paper)
 - Possible approaches to reducing the information gap arising from AASB 138/IAS 38 requirements relating to the prohibition on the recognition of many internally generated intangible assets and on the revaluation of many recognised intangible assets (acknowledging recognition/measurement is a conceivable approach but focusing on a disclosure-only approach).
7. The Appendices to the Paper are provided for completeness – it is not intended they be discussed in detail during the meeting, although Board members might be particularly interested in noting Appendices 4 to 6. Those Appendices provide the empirical evidence we have collected to date for the specific purpose of section 3.3 of the Paper from:
- (a) an online user survey (Appendix 4), that was followed up with a dedicated agenda item discussion at a meeting of the AASB's User Advisory Committee
 - (b) an online preparer/auditor survey (Appendix 5, in progress [see paragraph 8 below], being one of the main outstanding [To do:] items)
 - (c) a Deakin University hosted focus group (Appendix 6, section A6.1)
 - (d) an EFRAG Intangible Assets Advisory Panel meeting, at which a dedicated agenda item discussion was led by a member of the AASB project staff (Appendix 6, section A6.2).

8. Although the analysis and interpretation of responses to the user survey is complete, the preparer/auditor survey in Appendix 5 is incomplete. This is because the survey's release was deferred until sufficient responses had been received from users, in order to inform the questions asked in the preparer/auditor survey. The timing of the release of the survey coincided with the end-of-year peak work-load period for many potential respondents. It will remain open until after the peak period in an attempt to increase the chances of a reasonable response rate. To date we have received eight responses. Despite the number and backgrounds of respondents being unlikely to be representative of the population of preparers/auditors, we have undertaken a preliminary analysis of their responses in Agenda paper 4.2 in order to get an early sense of any emerging views. We will provide a verbal update regarding the response rate since 23 August at the forthcoming Board meeting. Staff will also appreciate it if Board members could share the survey link (<https://www.surveymonkey.com/r/C2XYTQW>) with your respective preparer/auditor contacts.
9. Section 4.2 and Appendix 7 of the draft Paper acknowledges the debate surrounding the recognition/measurement requirements of AASB 138/IAS 38 but does not attempt to resolve it. Instead it notes that irrespective of what the recognition/measurement requirements are, there will continue to be unrecognised intangible assets and unrevalued recognised intangible assets about which users need information that could be conveyed through disclosures in financial statements. The Paper notes that the disclosures it recommends could be instead of, or as an interim step or complementary to any improvements to recognition/measurement requirements that might be made.
10. The focus of the draft Paper (described and explained in the scope section 1.4 and Appendix 1) is on unrecognised internally generated intangible assets and unrevalued recognised intangible assets for which the entity adopts a revaluation policy. The focus is particularly on addressing the questions of whether and if so what disclosures about those intangible assets should be mandated for inclusion in financial statements. In doing so the draft Paper acknowledges the interaction between any deliberations on the type of information suitable for disclosure in financial statements versus management commentary. For example, the draft Paper concludes non-financial quantitative information about unrecognised internally generated intangible assets is important enough to be required to be disclosed in financial statements, acknowledging the alternative view that such information might be more suited in management commentary.

Question 1 for Board members:

Do Board members have any comments on:

- (a) the approach and scope of the draft AASB Staff Paper as described in the first part of the Executive Summary of Agenda paper 4.2?
- (b) the overall staff recommendations in respect of the suggested disclosure principle, guiding objective and implementation guidance (including specific disclosures), as set out in italics at the end of the Executive Summary of Agenda paper 4.2?

Basis for submission to IASB's Agenda Consultation

11. Subject to any comments Board members have in respect of Question 1, staff think the draft Paper provides a suitable basis for making a submission to the IASB's Agenda Consultation to encourage the IASB to add an 'intangible assets' project to its work program. The suggested submission, for inclusion in the broader submission discussed in Agenda Item 3, is attached as Agenda paper 3.2. It suggests a brief high level comment with a cross-reference to more detailed

supporting material (in the form of the Executive Summary of the draft Paper) as an attachment to the submission.

Question 2 for Board members:

Subject to Board comments in relation to Question 1, do Board members agree:

- (a) the draft AASB Staff Paper provides a suitable basis for encouraging the IASB to add an intangible assets project to its work program?
- (b) with the style of the draft high-level comments (as reflected in Agenda paper 3.2), supported by the Executive Summary of the draft AASB Staff Paper (as reflected in Agenda paper 4.2) included as an attachment to the submission to the IASB Agenda Consultation?

Project timeline and next steps

Sept-Oct 2021	<p>Staff finalise the draft Paper (including an example/case study of the disclosures it recommends) having regard to Board comments made at the September meeting.</p> <p>Staff continue to collate and analyse responses to the preparer/auditor survey. If required, staff conduct further outreach, perhaps through interviews and/or Focus Group(s) within the time and resource constraints.</p> <p>Staff provide an advanced draft of the Paper to the AASB's Academic Advisory Panel and those Board members who volunteered at the April 2021 Board meeting to review the Paper out-of-session for feedback and input.</p>
Nov-Dec 2021	<p>Finalise and publish the AASB Staff Paper and offer to provide it to the IASB.</p> <p>Undertake further research and draft any supplementary material that could assist the IASB in progressing the project if it is added to the IASB's active agenda.</p> <p>Take any opportunities to participate in domestic and international debates on the issues.</p>

Question 3 for Board members:

Do Board members agree with the above processes, timeline and next steps?