



Project:	Research Centre	Meeting:	M195
Topic:	Research update	Agenda Item:	8.1
		Date:	18 April 2023
Contact(s):	Ao Li ali@asb.gov.au Eric Lee elee@asb.gov.au	Project Priority:	N/A
		Decision-Making:	N/A
		Project Status:	Report to Board

Objectives of this paper

- 1 The objective of this agenda item is to provide the Board with **updates** on the key AASB Research Centre activities.

Attachments

- Agenda Paper 8.2 [AASB Research Report 18 AASB 17 Insurance Contracts: Presentation, Disclosure, Transition and Other Accounting Policy Decisions: A Survey on Australian Insurance Entities](#) [supporting documents folder]
- Agenda Paper 8.3 [AASB Research Centre Working Paper 23-01 Improving the Visibility of Soil Health in Corporate Reporting](#) (April 2023) [supporting documents folder]

Summary of key activities

AASB Research Report

- 2 AASB Research Report 18, titled "[AASB 17 Insurance Contracts: Presentation, Disclosure, Transition and Other Accounting Policy Decisions: A Survey on Australian Insurance Entities](#),"¹ was published in March 2023. This report presents insights on how certain insurers in Australia plan to apply AASB 17 *Insurance Contracts*, demonstrating that the principle-based standard provides preparers with the necessary flexibility to determine how relevant information should be presented to meet user needs. The findings will be useful for the future post-implementation review of AASB 17.

AASB SSRN Working Paper

- 3 The AASB Research Centre has recently accepted and published a working paper titled [Improving the Visibility of Soil Health in Corporate Reporting](#) as AASB Working Paper 23-01 in April 2023.² The paper is authored by Nicholas Pawsey, Mark Frost, Benjamin Wills from Charles Sturt University, and Francisco Ascui from Federation University. The preliminary findings of this research were presented at the AASB Research Forum in December 2022.
- 4 The research findings include the following:
 - (a) While reporting on sustainability-related matters is increasing around factors such as greenhouse gas emissions, water management, and climate change, there is minimal discussion in general around the management of soil, soil health and soil-related risks.

1 https://asb.gov.au/media/3swkv1k2/rr18_aasb17_03-23.pdf

2 https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4414565

- (b) Whilst many investors still lack a detailed appreciation of the nature and ramifications of soil health, the recognition of the importance of soil is growing. In this regard, interviewees anticipated that soil would be the focus of increased agribusiness investment and lending decisions.
- (c) Interviewees noted that the IFRS Exposure Draft ED/2022/S1 *General Requirements for Disclosure of Sustainability-related Financial Information* framing of disclosures (i.e., governance; strategy; risk management; and metrics and targets) would provide a good foundation for soil health disclosures.
- (d) Given the diverse and complex nature of soils, interviewees acknowledged the difficulty associated with reaching a consensus on the definition of soil health and universal soil health metrics and targets.
- (e) Should soil reporting be enhanced, there was a preference among the interviewees for soil-related information, which is simple, concise, and communicated in terms that are familiar to investors.
- (f) Any information communicated to investors should not be above and beyond the kinds of information which agribusinesses already use for their own management purposes.

AASB Dialogue Series

- 5 A joint session of the [AASB-AUASB Dialogue Series](#),³ in collaboration with CPA Australia and CA ANZ, has been scheduled for Wednesday, 10 May 2023, from 4:00 pm to 5:30 pm AEST. The focus of the session will be on discussing issues related to going concern disclosures in financial reports and the corresponding responsibilities of auditors.
- 6 Keynote speakers for the session will include Associate Professor Brad Potter from the University of Melbourne and Rebecca Mattocks, a PhD candidate from Monash University, who will present their research findings. The panel discussion will feature perspectives from Anne Waters, the Deputy Technical Director of AUASB, and Toby Langley, an AASB member and EGM - Customer and Strategic Finance at Xero. Amir Ghandar, the Reporting and Assurance Leader at CA ANZ will chair the session. This initiative aligns with Objective 4 of the AASB strategy objectives.⁴

International Conference of the Journal of International Accounting Research

- 7 At the upcoming [International Conference of the Journal of International Accounting Research](#) in June 2023 at the University of East Anglia, Norwich, United Kingdom,⁵ the AASB Research Centre plans to hold a panel session to discuss intangible and digital assets with other international accounting standard-setters. The panel will include staff from the International Accounting Standards Board (IASB), the UK Endorsement Board (UKEB), the European Financial Reporting Advisory Group (EFRAG), and the Accounting Standards Board of Canada (AcSB).
- 8 The purpose of the panel session is to provide a comprehensive perspective from different jurisdictions, incorporating stakeholder feedback, research findings, and project plans. This initiative aligns with the AASB strategy objectives 3 and 4, aiming to encourage collaboration and knowledge exchange among standard setters, fostering a conducive environment for developing robust and effective accounting standards for intangible and digital assets.

AASB Academic Advisory Panel

3 <https://aasb.gov.au/research-resources/aasb-dialogue-series/going-concern-disclosures/>
 4 AASB Strategic Objective 4: Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.
 5 <https://aaahq.org/meetings/2023/JIAR>

- 9 The [AASB Academic Advisory Panel](#)⁶ has scheduled a meeting on 23 April 2023 to deliberate on its strategic objectives for the period of 2023-2025. In addition, the panel members will be provided with updates on the AASB work program, including the upcoming post-implementation reviews of various accounting standards.
- 10 In March 2023, [Janice Loftus](#),⁷ an Associate Professor and the Discipline Head of Accounting at the School of Business at the University of Adelaide, was appointed as a panel member. Professor Loftus has immense experience in research and education in financial reporting. She is also the Associate Editor of the Australian Accounting Review.

Research projects

- 11 The AASB Work Program includes a summary of the research projects (see Agenda Paper 1.2, M195). Following are some key updates:

Digital assets

- 12 In alignment with Strategic Objective 6 of the AASB,⁸ staff have conducted outreach activities to gain insights into the prevalence of digital assets and identify any accounting or reporting challenges associated with various types of digital assets.

- 13 The outreach involved interviews with:

- (a) eight preparers from banks, crypto-asset secondary service providers, gaming platforms, blockchain technology innovators and government bodies;
- (b) six professional firms, including large and mid-tier audit firms, boutique tax, consulting and legal firms;
- (c) AASB User Advisory Committee;
- (d) CA ANZ Accounting Research Group; and
- (e) Joint AASB and CPA Australia roundtable.

- 14 As part of the outreach and education efforts, a dialogue series session about digital assets was held in February 2023.⁹

- 15 Staff is analysing the findings and preparing a research report, which is expected for publication in Q2 2023 and will be shared in future meetings. The research report is a joint effort involving CPA Australia and Associate Professor Andrew Jackson (University of New South Wales).

Intangible assets

- 16 In line with AASB Strategic Objectives 3 and 4,¹⁰ staff presented the intangible assets project at a [webinar](#) hosted by the Financial Services Institute of Australasia (FINSIA) on 23 March 2023 (12.30-1.30 pm).¹¹ The webinar had 242 registered attendees, with 140 participants joining the live session.

- 17 The purpose of the webinar was to provide FINSIA members with an update on the AASB's ongoing work related to the intangible assets project and to receive feedback from the attendees.

6 <https://aasb.gov.au/current-projects/advisory-committees/academic-advisory-panel/>

7 <https://www.adelaide.edu.au/directory/janice.loftus#>

8 AASB Strategic Objective 6: Monitor and respond to emerging issues impacting the development of accounting and external reporting standards and guidance, including changing technologies.

9 <https://aasb.gov.au/research-resources/aasb-dialogue-series/>

10 AASB Strategic Objective 3: Actively influence IASB, IPSASB standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.

11 <https://www.finsia.com/events/unleashing-the-hidden-value-the-power-intangible-assets>

- 18 In addition, staff conducted surveys among FINSIA members. So far, 28 members have responded to the survey. All respondents were identified as users of financial statements with market specialisation as follows:
- (a) Asia (7.14%);
 - (b) US (7.14%); and
 - (c) Australia and New Zealand (85.71%).
- 19 Further, a summary of the years of experience of the respondents is as follows:
- (a) Less than 5 years (3.70%);
 - (b) 5-10 years (3.70%);
 - (c) 11-20 years (25.93%); and
 - (d) Over 20 years (66.67%).
- 20 Following is a summary of the preliminary findings from the survey:
- (a) 43% and 32% of respondents agreed that information about all or some intangibles (including those that are not recognised on the financial statements, such as customer relationships and human capital) could be used to indicate a company's value and make financial financing decisions, respectively. However, 18% of respondents believed that only intangible assets recognised on the financial statements are useful for making such decisions, while others were unsure.
 - (b) Most respondents (57.14%) agreed that only identifiable and separable intangible assets that are expected to generate future economic benefits could provide useful information about a company's value and contribute to financial financing decisions.
 - (c) 90% of respondents agreed that metrics about intangibles could provide valuable information.
 - (d) 65% of the respondents considered metrics should be considered and integrated into the financial statements (7% disagreeing and 29% unsure).
 - (e) In relation to where intangible-related information should be disclosed:
 - (i) 75% of respondents believed that metrics about intangible assets should be disclosed in the notes of the financial statements;
 - (ii) 21% thought such metrics should be disclosed outside of the financial statements but within the financial reports; and
 - (iii) 4% believed such disclosures should be in other reports.
- 21 Staff are conducting outreach activities and researching various aspects related to intangible assets. Progress made in these efforts will be shared in future meetings, providing opportunities for further discussions and updates on the outcomes of the outreach and research initiatives.

Going Concern disclosures

- 22 In June 2022, as part of the 2022-2026 AASB Agenda Consultation, the Board decided to include the going concern disclosures projects in the research work program.
- 23 In March 2023, the International Auditing Assurance Standards Board (IAASB) approved an exposure draft for proposed ISA 570 (Revised 202X), *Going Concern*. The exposure draft is expected to be issued in early May 2023 with a 120-day consultation period.¹²

12 <https://www.iaasb.org/iaasb-consultations/latest-our-projects>

- 24 In line with AASB Strategic Objective 4, staff will work on the project jointly with the AUASB. The AUASB is expected to conduct outreach activities to gather feedback on the exposure draft issued by the IAASB, while AASB staff will use this opportunity to gather feedback on concerns and the potential scope of the disclosure that may require consideration by the AASB. The feedback received will be helpful in guiding further research efforts and the Board's deliberation on the topic.

Question to the Board:

Do Board members have any comments or questions about the research update?