



# DEVELOPMENTS IN FINANCIAL REPORTING OVER THE NEXT 5 YEARS

## WHAT, WHEN AND HOW

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The International Accounting Standards Board (IASB) had undertaken its third public consultation to seek broad public input on its activities and priorities for the next five years. Following the feedback on the *Third Agenda Consultation* of which the IASB had sought for views in 2021, it has recently published the *Third Agenda Consultation Feedback Statement* which sets the scene of expectations for 2022 to 2026. These have been summarised in a Snapshot summary as follows:

**What** - concentrate on work already under way, respond to emerging issues and maintain flexibility to respond to any time-sensitive issues that may arise.

The current work plan is split into four project categories namely research, standard-setting, application questions and maintenance<sup>1</sup> as follows :

**Research**

- Business Combinations under Common Control
- Equity Method
- Extractive Activities
- Goodwill and Impairment
- Post-implementation Review of IFRS 9 *Financial Instruments*— Classification and Measurement
- Post-implementation Review of IFRS 9 *Financial Instruments*— Impairment

<sup>1</sup> Details as extracted from Appendix D of the IASB Third Agenda Consultation – Feedback Statement (July 2022)



# WHAT

## Standard-setting

- Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures
- Disclosure Initiative—Targeted Standard-level Review of Disclosures
- Dynamic Risk Management
- Financial Instruments with Characteristics of Equity
- Management Commentary
- Primary Financial Statements
- Rate-regulated Activities
- Second Comprehensive Review of the *IFRS for SMEs* Accounting Standard

## Application Questions

- Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9)
- Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)
- Multi-currency Groups of Insurance Contracts (IFRS 17 and IAS 21)
- Special Purpose Acquisition Companies (SPAC): Accounting for Warrants at Acquisition

## Maintenance

- Contractual Cash Flow Characteristics of Financial Assets (Amendments to IFRS 9)
- Lack of Exchangeability (Amendments to IAS 21)
- Lease Liability in a Sale and Leaseback
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Provisions—Targeted Improvements
- Supplier Finance Arrangements

Following the agenda consultation, the IASB has decided to add the following new projects to its work plan for 2022 to 2026<sup>2</sup>:

## Research

- Intangible Assets
- Statement of Cash Flows and Related Matters

## Maintenance

- Climate-related Risks in the Financial Statements

## Reserve list

- Operating Segments
- Pollutant Pricing Mechanisms

**When** - in order to focus on work in progress and responding on a timely basis to emerging issues, it is likely that new projects may not commence so soon as in the short term, most or all of the IASB resources will be allocated to continuing the work in the current work plan and conducting the required Post-implementation Review of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.



<sup>2</sup> Details as extracted from Appendix A of the IASB Third Agenda Consultation – Feedback Statement (July 2022)

On the new maintenance project in relation to climate-related risks, IASB will coordinate the work on this topic with the International Sustainability Standards Board (ISSB) given the importance of connectivity between the requirements of the accounting standards and that of sustainability reporting, for example to develop consistent terminology and compatible requirements.

On the reserve list, the two projects will be added to the work plan, if additional capacity becomes available.

**How** - work and collaborate with the ISSB to support complementary standard-setting and reporting, and each Board will establish procedures to develop compatible IFRS Standards that avoid inconsistencies and conflicts. When the Third Agenda Consultation was issued for feedback, IASB did not discuss the interconnection with ISSB's work because ISSB had not been established during then. However, with the setup of ISSB, the IASB in making decision about its priorities for 2022 to 2026, has identified possible areas of collaboration with ISSB.

### **Further evolution**

Whilst the feedback indicated that stakeholders wanted the IASB to continue concentrating primarily on its traditional role in relation to financial reporting standards through its existing work plan, stakeholders do expect the IASB to maintain flexibility in executing the plan to ensure that it can prioritise its capacity to emerging issues which require prompt response.

As more of these issues, such as those relating to climate and other sustainability matters, extend beyond the traditional area of financial reporting, stakeholders also expect the IASB to work closely with the ISSB.

### **Consideration of other reporting frameworks**

This in turn is likely to result in the IASB, both directly and indirectly through the ISSB, having more interaction with other organisations with a significant role in sustainability reporting who have developed reporting frameworks for adoption by themselves and others to meet the growing demand by capital markets.



Some of the more well-known environmental and social framework bodies include the Global Reporting Initiative (GRI), the International Integrated Reporting Council, and the Sustainability Accounting Standards Board. Other organisations with a specific focus on climate include the Carbon Disclosure Project, the Climate Disclosure Standards Board, and the Task Force on Climate-related Financial Disclosures (TCFD). Within Malaysia, Bursa Malaysia in developing the Consultation Paper No. 1/2022 Review of the Sustainability Reporting Requirements under the Main Market and Ace Market Listing Requirements, takes into consideration, among others, the standards issued by the GRI and for climate-related disclosures, they are in line with the TCFD Recommendations<sup>3</sup>.

### **The future is not static and nor is financial reporting**

Whilst the pace and volume of new financial reporting standards are expected to be moderate than those covered in preceding Agenda Consultations over the past 10 years, the emphasis over the next 5 years is designed to meet stakeholders' expectations by adapting to the changing priorities and demands of the world's capital markets. This will lead to a broader range of interesting developments in financial reporting which will challenge all of us. Stay tuned!

<sup>3</sup> [https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/assets/623a9d3639fba24405b9b892/CP\\_SustainabilityReporting\\_23Mar2022\\_clearn-final\\_.pdf](https://www.bursamalaysia.com/sites/5bb54be15f36ca0af339077a/assets/623a9d3639fba24405b9b892/CP_SustainabilityReporting_23Mar2022_clearn-final_.pdf)