How has IFRS Evolved?

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How has IFRS Evolved?

SYNOPSIS: This paper presents a comprehensive set of evidence on the evolution of International Financial Reporting Standards (IFRS). It reports that IFRS grew in guidance, exceptions, and length over the years through the issuance of new IFRSs to replace International Accounting Standards, Interpretations, and IFRS amendments. Yet the International Accounting Standards Board (IASB) and the Interpretations Committee (Committee) maintained a principles-based approach to standard-setting. Consistent with this, the IASB specified the underlying principles and provided guidance in successive IFRSs to help preparers apply them. Further, the Committee and the IASB declined to develop Interpretations and amend IFRS, respectively, in response to constituent requests when they believed IFRS already provided sufficient guidance. Finally, the growth in IFRS guidance, exceptions, and length was due to constituent demands during the due process, convergence projects, the Global Financial Crisis, interest rate benchmark reforms, COVID-19, unclear and inconsistent IFRS requirements, and insufficient guidance.

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I. SYNOPSIS AND INSIGHTS FOR STANDARD-SETTERS

This paper examines the evolution of IFRS Accounting Standards (IFRS)[1]. The evolution of IFRS can be examined from various perspectives, such as whether it has improved the accrual quality, the value relevance, and the comparability of accounting information; enhanced analyst forecast accuracy; become more conservative; or accumulated more rules. This paper adopts the last perspective to investigate IFRS evolution.

David Tweedie, the first Chair of the International Accounting Standards Board (IASB), passionately argued for a principles-based approach to standard-setting in his testimony to the United States (US) Senate (2002). The IFRS Foundation (IFRSF) (2022b, section 2(a)) confirms its commitment to the approach in its Constitution. A principles-based approach is one under which the standard-setter specifies the underlying principles, provides guidance to help preparers apply them, and emphasizes that preparers must focus on the principles when applying standards. Investigating IFRS evolution is of potential interest to

[1] EXHIBIT B in the Supplemental Material document lists the names of IFRS.

IFRS jurisdictions where accounting traditions and business and legal systems vary greatly (Chua and Taylor 2008), and hence a principles-based approach is likely more acceptable to them than a rules-based approach. Also, the type of standards has potential consequences for financial reporting quality and accounting enforcement, and, in turn, for users, investors, preparers, auditors, and regulators (Benston, Bromwich, and Wagenhofer 2006; Schipper 2003; United States Securities and Exchange Commission (US SEC) 2003; Maines et al. 2003; Donelson, McInnis, and Mergenthaler 2012; Collins, Pasewark, and Riley 2012; Psaros and Trotman 2004; Kadous and Mercer 2012).

However, prior research argues that standards accumulate rules over time (Nelson 2003; Donelson, McInnis, and Mergenthaler 2016). Since its formation, numerous jurisdictions have adopted IFRS, prompting constituent demands for guidance on its application. The IASB's mandate is to develop 'enforceable' standards (IFRSF 2022b, section 2(a)). Further, the IASB membership has changed, and the due process mechanism has been strengthened since 2005 (Camfferman and Zeff 2015). The IASB also completed several convergence projects with the FASB (Camfferman and Zeff 2015). Furthermore, the world experienced crises such as the Global Financial Crisis (GFC) in 2007-08 and the COVID-19 pandemic, raising certain standard-setting issues. To sustain its legitimacy as a private, international standard-setter, the IASB must, to some extent, address constituent concerns (Kabir 2026; Sunder 2010). Finally, the IASB may write new rules to justify its existence (Sunder 2010) and to protect its standard-setting turf against national standard-setters and market participants (Ram and Newberry 2013; Ramassa and Leoni 2022; Warren 2023). However, the Due Process Handbook (Handbook) and the Constitution restrict the standard-setting projects the IASB may undertake (IFRSF 2022a, paras. 4.3 and 5.4; 2022b, section 37(d)).[2] Therefore, it is unclear

[2] EXHIBIT A in the Supplementary Material document discusses the regulatory setting in which the IASB sets IFRS.

whether the IASB has maintained its principles-based approach and whether IFRS has accumulated rules.

Accounting standards are viewed as falling along a continuum, with principles-only standards at one end and rules-only standards at the other (Nelson 2003; United States Securities and Exchange Commission (US SEC) 2003). Principles-based standards, which fall between these two extremes, specify the underlying principles, provide sufficient guidance to help preparers apply them, and include only a minimum number of exceptions and bright-line thresholds (US SEC 2003). However, the literature is silent on what constitutes sufficient guidance, what the maximum threshold for exceptions is, and at what point in the continuum standards shift from principles-based to rules-based. Therefore, given the continuum concept, this paper posits that, under a principles-based approach, as standards grow in guidance, exceptions, bright lines, and length over time (Schipper 2003; US SEC 2003; Nelson 2003), they shift toward the rules-based end of the continuum.

A recent study reports that IFRS has accumulated more rules due to convergence with US Generally Accepted Accounting Principles (GAAP) (Lin et al. 2025). While this result is consistent with the thesis that accounting standards accumulate rules over time (Donelson, McInnis, and Mergenthaler 2016; FASB 2002, 2-3; Hail, Leuz, and Wysocki 2010; Maines et al. 2003, 74; Nelson 2003, 92; Schipper 2003, 66), it begs the question of whether the IASB has abandoned its principles-based approach because the Rules-Based Continuum (RBC)[3] measure used in Lin et al. (2025) to document rules accumulation in accounting standards does not capture the critical attribute that under the principles-based approach, standards specify the underlying principles and emphasize their attainment (US SEC 2003; 2002). Relatedly, the RBC measure does not consider standard-setting activities that did not result in rule

[3] The RBC score captures four specific rules: exceptions, bright-line thresholds, excessive detail, and excessive guidance (Donelson, McInnis, and Mergenthaler 2016). The measure ranges from 0 to 4, with higher values indicating more rules in the standards.

accumulation. Additionally, while Lin et al. (2025) attribute the rule accumulation to the convergence program, they acknowledge that other explanations are possible. Uncovering these reasons enhances our understanding of why rules emerge.

This paper offers a more holistic understanding of how IFRS has evolved by presenting a comprehensive set of evidence on two research questions (RQs): how the RBC score has changed over time and why (RQ1), and whether the IASB has maintained a principles-based approach to setting IFRS (RQ2). To answer RQ1, I examine the trend in the RBC score. I also investigate how the replacement of International Accounting Standards (IAS[4]) with IFRS and the undertaking of maintenance projects (MPs) that encompass amendments as well as Interpretations impacted the length, exceptions, and guidance in IFRS as well as the factors that potentially led to these changes.[5] The principles-based approach requires the IASB to specify the relevant principles and provide guidance on applying them and suggests that the IASB will exercise restraint in accumulating rules. Therefore, to answer RQ2, I first examine whether the IASB specifies principles, followed by guidance, in successive IFRSs, followed by an examination of the agenda decisions of the Interpretations Committee,[6] and the IASB's

[4] The accounting standards developed by the IASB's predecessor, the International Accounting Standards Committee, were called IAS. Each IAS has a specific number. When the IASB began operations in 2001, it adopted all IASs in effect at that time. The standards developed by the IASB are called IFRS. Like IAS, each IFRS has a specific number. Unless otherwise stated, I use 'IFRS' to refer to the entire set of accounting standards adopted or developed by the IASB, including the Interpretations. However, I use 'IAS'/'IFRS' followed by its specific number to refer to a particular IAS/IFRS, and write 'IASs'/ 'IFRSs' to refer to multiple IASs/IFRSs.

[5] Each MP document (MPD) explains the reasons for addressing the major issues and details the changes made to IFRS and Interpretations. The major issues are those that gave rise to the MPs. Each MPD identifies the major issues. For example, the MPD published in 2008 to amend IFRS 2 addressed two major issues: clarifying the definition of vesting conditions and the accounting treatment of cancellations (IASB 2008d, para. BC171A).

[6] The Interpretations Committee was originally named the Standing Interpretations Committee (SIC) (International Accounting Standards Committee (IASC) 2001a) and was renamed the International Financial Reporting Interpretations Committee in 2005 (IASCF 2005). Since 2010, it has been known as the IFRS Interpretations Committee (IFRSIC) (IFRSF 2011). For the sake of the flow of ideas, I use 'Committee' to mean the Interpretations Committees. However, to maintain technical accuracy, I use the Committee's specific name in citations and references. Also, I use the term Interpretations generically to mean both SIC Interpretations developed by the SIC and IFRS Interpretations developed by the IFRSIC. Each Interpretation is assigned a number. When I need to refer to a specific Interpretation, I use the Interpretation's name followed by its number.

responses to post-implementation reviews (PIRs).[7] The sample includes all IFRSs, and 214 agenda decisions of the Committee, 62 MPs and five PIRs completed during 2007- 2022.[8]

Results reveal that the RBC score increased from 2001 to 2022, through the issuance of IFRSs to replace IASs and the undertaking of MPs. The length of IFRS increased primarily because of the incorporation of extensive mandatory and non-mandatory guidance[9] when the IASB issued IFRSs to replace IASs. The results also show that the MPs led to more guidance and clarification, as well as additional exceptions. Much of the increased guidance in new IFRSs was driven by constituent requests during the due process, constituent pressures during the GFC, and the convergence program. The additional guidance and exceptions arising from the MPs were incorporated into IFRS because the IASB and the Committee believed they were necessary to clarify IFRS requirements, fill gaps in IFRS, reduce compliance costs, resolve inconsistent requirements, converge with US GAAP, or address issues arising from crises.

Despite the increase in IFRS guidance, exceptions, and length, both the IASB and the Committee have maintained a principles-based approach to standard-setting. Specifically, successive IFRSs have outlined the principles, emphasized that preparers should focus on them when applying IFRSs, and provided guidance to help preparers do so. Consistent with the IFRSF's commitment to the principles-based approach, the Committee declined to develop Interpretations in response to constituent requests when it deemed existing IFRS guidance sufficient, and the IASB chose not to develop further guidance in response to many constituent

[7] Each agenda decision explains the rationale for declining to include the issue requested by constituents in its work plan. Each project report and feedback statement issued after a PIR summarizes the IASB's responses to the feedback received during the review.
[8] EXHIBIT C in the Supplemental Material document discusses the research method, including sample selection and coding. Table 1 and Table 2 in that document list, respectively, the number of agenda decisions published by year and the MPs in chronological order. Table 3 lists the IFRSs that replaced IASs and describes how I merged some IASs and disaggregated others for RBC coding.
[9] This paper takes guidance as comprising mandatory guidance, such as application guidance (AG) and mandatory sections of Interpretations, as well as non-mandatory guidance, such as implementation guidance (IG), illustrative examples (IEs), and non-mandatory appendices of Interpretations.

requests during PIRs, mainly because it believed that existing IFRS already included detailed guidance and that adding more would not pass the cost-benefit test.

The paper makes two contributions to the literature on the evolution of accounting standards. First, while prior research argues that accounting standards accumulate rules over time (Donelson, McInnis, and Mergenthaler 2016; FASB 2002, 2-3; Nelson 2003, 92; Schipper 2003, 66) and reports that IFRS has become more rules-based over the years (Lin et al. 2025), the results in this study offer a more nuanced understanding of the evolution of IFRS. Specifically, IFRS has accumulated more guidance and exceptions and has grown longer, thus shifting toward the rules-based end of the continuum. Yet, the IASB has maintained a principles-based approach. Both the IASB and the Committee were reluctant to create a rules-based environment.

Second, Donelson, McInnis, and Mergenthaler (2016) identify litigation risk, complexity, transaction frequency, regulators' desire to constrain opportunism, and the age of standards as factors that have contributed to the evolution of US GAAP toward greater rules-basedness. Lin et al. (2025) attribute the increase in IFRS rules to the convergence program. While this paper finds that convergence contributed to increases in IFRS guidance, exceptions, and length, constituent requests contributed the most to these increases. The IASB issued more mandatory and non-mandatory guidance in response to constituent demands during the due process. The IASB also incorporated additional guidance and exceptions into IFRS in response to constituent feedback that certain IFRS requirements are unclear, inconsistent, or onerous; or that there are gaps in IFRS. Addressing constituent requests potentially makes IFRS operational and enforceable, which is a standard-setting objective of the IFRSF (2011, section 2(a)), and also sustains the IASB's legitimacy. This paper also highlights that the GFC, interest rate reforms, and COVID-19 contributed to increased guidance, exceptions, and length.

The IASB faces the dilemma of how much discretion to allow to those who apply and enforce the standards, because discretion is a double-edged sword. The increased guidance will, to some extent, substitute the preparer and auditor judgment with the IASB's judgment. Further, while the fair presentation override in IAS 1 may preserve the principles-based approach, the extensive guidance may increase IFRS complexity and subvert the underlying principles. Mason and Gibbins (1991) raise the possibility of decreasing returns to details in standards.

A principles-based approach does not specify all requirements for a class of transactions and events and therefore acknowledges the gap-filling roles of preparers, auditors, and other market actors. Once an IFRS spells out the underlying principles and provides guidance to help preparers apply them, decentralized actors such as preparers and auditors may more cost-effectively develop accounting requirements to fill gaps in IFRS in line with those principles and the guidance on the development of accounting policies in IAS 8 (Hombach and Sellhorn 2022). As noted above, one frequently cited reason for amending IFRS was the gaps in IFRS. The above line of arguments suggests that the IASB may leave the filling of gaps to those actors. The rest of the paper proceeds as follows. Section II presents the results, and Section III summarizes the paper and highlights its limitations.

II. RESULTS

RQ1. Changes in the RBC Score and Their Sources

Increase in RBC Score over the Sample Period

Table 1, Panel A reports the trends in two RBC measures[10] – RBC1 and RBC2 – across four years: 2001, 2005, 2010, and 2022. The mean RBC1 (RBC2) changed from 1.35 (1.41)

[10] Both RBC measures are modeled after the RBC measure in the literature (Donelson, McInnis, and Mergenthaler 2012, 2016; Boone, Linthicum, and Poe 2013; Mergenthaler 2009). The RBC measures include four features: exceptions, bright-line thresholds, level of detail, and mandatory guidance. One point is added to the RBC score

in 2001 to 1.38 (1.35) in 2005 to 1.43 (1.41) in 2010 to 1.67 (1.51) in 2022. The ANOVA F-statistics reveal no statistically significant variation in means across the years. Untabulated results show that the changes from 2001 to 2005, from 2005 to 2010, and from 2010 to 2022 are not statistically significant. However, the increases in RBC1 from 2001 to 2022 and from 2005 to 2022 are statistically significant at the 5% and 10% levels, respectively. These results provide some evidence that IFRS has accumulated more rules and are consistent with those of Lin et al. (2025). From 2001 to 2022, more jurisdictions adopted IFRS, which converged with US GAAP. The IASB enhanced its due process, experienced changes in its membership, and faced crises like the GFC and COVID-19. The accumulation of rules during 2001-22 can be attributed to these factors.

<Table 1 here>

Panel B reveals that RBC1 scores for most IFRSs remained stable.[11] Several IFRSs grew in RBC1 scores. These include the standards for business combinations (combinations) (from 2 to 3), financial instruments disclosure (from 1 to 2), revenue recognition (from 1 to 4), insurance contracts (from 1 to 4), presentation of financial statements (from 2 to 3), income taxes (from 1 to 2), and asset impairment (from 1 to 2). These increases result from the issuance of new IFRSs replacing old IASs and from MPs.

Impacts of New IFRSs

if an IFRS includes an exception, has a bright-line threshold, is excessively lengthy (in the upper decile of lengths, measured in the number of words, of all IFRSs across the four years), or has excessive mandatory guidance (in the upper decile of mandatory guidance in all IFRS across the four years). Mandatory guidance is measured in two alternative ways: the number of words in guidance (for RBC1) and the number of guidance (for RBC2). Results (not in the table) are similar when I include both mandatory and non-mandatory guidance.

[11] RBC2 scores for individual IFRSs show similar trends (results not in the table). The RBC scores of individual IFRSs in Donelson, McInnis, and Mergenthaler (2016 Table 1, Panel C) are not strictly comparable due to different years of calculation and different ways of segmentation of IFRS. Yet, the RBC1 scores in Panel B are similar to those reported in Donelson, McInnis, and Mergenthaler (2016). For example, consistent with their results, RBC1 is 1 for IAS 2, IAS 12 (in 2001, 2005 and 2010), IAS 17, IAS 21, IAS 23; 2 for IAS 37, and 3 for IAS 39. These provide some assurance about the reliability of the RBC scores in this paper.

IFRS increased in length when an IFRS replaced an IAS. The IASB issued ten IFRSs to replace related IASs and the associated Interpretations. Table 2 compares the length, in words, of each new IFRS at issuance with the replaced IAS, including the related Interpretations, in 2001, the year the IASB began its standard-setting activities.[12] Table 2 reports the length of the replaced IAS and the new IFRS for (a) the main body,[13] including the definitions section and the effective date and transition requirements section, (b) mandatory guidance, (c) non-mandatory guidance, and (d) the total of the above three sections.

<Table 2 here>

Table 2 reveals two salient features. First, the total length of the new IFRSs (262,884 words) is 211.21% higher than that of the replaced IASs and Interpretations (84,471 words). This pattern holds for all IFRSs, except for the financial instrument disclosure standard (IFRS 7) and the segment disclosure standard (IFRS 8), which were shorter than the replaced IAS requirements. Standards that increased the most in length include IFRS 12 (by 776.63%), IFRS 9 (by 432.73%), IFRS 16 (by 410.96%), IFRS 10 (by 376.27%), IFRS 15 (by 372.06%), and IFRS 11 (by 163.69%). Second, most of this increase in length resulted from extensive mandatory and non-mandatory guidance, which increased by 92,693 words (3,202.94%) and 85,940 words (847.62%), respectively. IFRS 9 represents the extreme case, incorporating 48,124 words in mandatory guidance and 32,721words in non-mandatory guidance. In contrast,

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[12] Out of these new IFRSs, IFRS 12 replaced the disclosure requirements of IAS 27, IAS 28, and IAS 31. Therefore, I compare IFRS 12 with the combined disclosure requirements of IAS 27, IAS 28, and IAS 31. Consequently, when I compare IFRS 10 with IAS 27, and IFRS 11 with IAS 31, I exclude the disclosure requirements from IAS 27 and IAS 31 because IFRS 10 and IFRS 11 contain no disclosure requirements. Also, because IFRS 10 does not require separate financial statements, I exclude the IAS 27 requirements for separate financial statements when comparing IFRS 10 with IAS 27. Similarly, I compare IFRS 7 with the combined disclosure requirements of IAS 30, IAS 32, and IAS 39, and exclude the IAS 39 disclosure requirements when comparing IAS 39 with IFRS 9.

[13] The main body section comprises the primary requirements, definitions, and effective date and transition requirements. The primary requirements include the standard's objectives, scope, recognition, measurement, and disclosure requirements. The section of a replaced IAS, before its appendices, contains the primary requirements, definitions, and effective date and transition requirements and is, therefore, its main body. The section of a new IFRS, before the appendices, specifies its primary requirements. I added the appendices on definitions, transition requirements, and effective date requirements to the primary requirements to calculate the length of the main body section of a new IFRS.

IAS 39 had no guidance in 2001. Other areas that have witnessed significant increases in mandatory guidance include leases (increase: 1,746.35%), consolidation (increase: 1,622.22%), revenue accounting (increase: 8,566 words), combinations (increase: 707.58%), joint arrangements (increase: 628.22%), and financial instrument disclosures (increase: 3,182 words). Except for segment reporting, consolidation, and disclosure of interests in other entities, non-mandatory guidance in the remaining new IFRSs also increased greatly.

The issuance of extensive guidance is, to a certain extent, consistent with the principles-based approach because adequate guidance is needed for preparers, auditors, and other enforcement agents to apply, monitor, and enforce the principles (US SEC 2003). IASs had only minimal guidance. Therefore, the extensive guidance in the new IFRSs may be viewed as the IASB's attempts to address concerns about the limited guidance in IAS and to facilitate the rigorous application of IFRS across numerous jurisdictions (US SEC 2000, 2008).

Much of the above increase in IFRS length occurred after the Exposure Drafts (EDs) were issued, in response to constituent feedback requesting additional, clear guidance to ensure consistent application. For example, in their comment letters on the IFRS 15 EDs, constituents asked for additional guidance on, among other things, identifying separate performance obligations (IASB 2014c, 15). Similarly, constituents asked for clear guidance on identifying a lease contract under IFRS 16 during the due process (IASB 2016d, 11). As a final example, constituents commented that IFRS 10 ED had not provided adequate guidance on applying the control principle (IASB Staff, 2009, para. 5). In response, the IASB incorporated additional guidance in the IFRSs. Untabulated results show that 43.97% of the increase in mandatory guidance, 82.29% of the increase in non-mandatory guidance, and 64.98% of the increase in the total length of seven[14] new IFRSs occurred after the release of the associated EDs.

[14] The EDs on discontinued operations (IFRS 5), financial instrument disclosure (IFRS 7), and segment disclosures (IFRS 8) are not available on the IFRS website. Therefore, I calculated the increase in length from the first ED available on the IFRS website to the IFRS for the remaining seven IFRSs.

In addition to the due process effects, the convergence projects[15] with the FASB may also have contributed to the increased guidance (Lin et al. 2025). Further, the complexity of transactions, such as those involving financial instruments, also requires more guidance (Donelson, McInnis, and Mergenthaler 2016), leading to extensive guidance in IFRS 9. Finally, following the GFC, the Financial Crisis Advisory Group recommended that the IASB explore alternatives to the incurred loss model to provide forward-looking information on impairment losses for financial assets (IASB 2013a, 4). In response, the IASB developed the expected credit loss model and provided extensive guidance on its application (IASB 2015b, paras. B5.5.1-B5.5.55). The GFC also highlighted the lack of transparency regarding entities' risk exposures arising from their involvement in structured entities. Consequently, the Group of Twenty leaders, the Financial Stability Board, and others requested the IASB to improve the disclosure requirements for interests in structured entities (IASB 2012d, paras. IN5 & IN6). The IASB responded by incorporating disclosure objectives for interests in unconsolidated structured entities into IFRS 12 and listing specific disclosure requirements to achieve those objectives (IASB 2012d, paras. 24-31). Being an international, private-sector standard-setter, the IASB must listen to its constituents to sustain its legitimacy (Kabir 2026; Richardson and Eberlein 2011).

Impacts of Amendments and Interpretations

IFRS grew in guidance, exceptions, and length because of MPs, covering amendments and Interpretations. These MPs were undertaken because of unclear requirements (n = 52), gaps in IFRS (n = 20), onerous or difficult requirements (n = 17), diversity in practice (n = 16),

[15] The IASB conducted the second phase of the combinations project, which is incorporated in IFRS 3, the revenue project (IFRS 15), and the lease accounting project (IFRS 16) jointly with the FASB (IASB 2008a, 2015a, 2016a). Further, the IASB modeled IFRS 8 after US SFAS 131 *Disclosures about Segments of an Enterprise and Related Information*, released IFRS 11 to reduce the difference between IFRS and US GAAP regarding the accounting for joint ventures, and developed many of the disclosure requirements for consolidated and unconsolidated entities in IFRS 12 in conjunction with the FASB (2006; IASB 2012a, para. BC2; 2012b, para. BC121).

inconsistency between IFRS requirements (n = 14), convergence with US GAAP (n = 8), and miscellaneous reasons (n = 21).[16] Table 3 reports the number of paragraphs added, amended, and deleted in each section of IFRS. The MPs added 855 paragraphs and deleted 38, resulting in an increase of 817. Additionally, 379 paragraphs were amended.

<Table 3 here>

The MPs impacted the effective date and transition provisions section (increase: 212 paragraphs) the most,[17] followed by the primary requirements section of IFRS (increase: 210 paragraphs), IEs (increase: 147 paragraphs), AG (increase: 112 paragraphs), Interpretations (increase: 102 paragraphs), IG (increase: 18 paragraphs), the exemptions section (increase: nine paragraphs),[18] practice statement (increase: seven paragraphs), and definitions (increase: six definitions). To appreciate the magnitude of these impacts, note that IFRS 9, which is by far the lengthiest IFRS, had, when initially published in 2015, 150 paragraphs in the primary requirements section, 35 paragraphs in the effective date and transition requirement section, 319 paragraphs in the AG, 147 paragraphs in the IEs section, 35 questions and answers in the IG section, and 28 definitions. Comparing the increase in IFRS length due to MPs with the length of IFRS 9 demonstrates that the MPs significantly increased IFRS length and guidance.[19]

Table 3 shows that the MPs led to an increase of 379 paragraphs in IEs, AG, Interpretations, and IG, indicating that guidance was increased the most. Further, many of the

[16] The total number of reasons cited exceeds 111, the number of major issues addressed in the MPs, because the IASB cited multiple reasons for addressing some major issues. EXHIBIT D in the Supplementary Material document provides examples of the reasons for undertaking MPs.

[17] The increase in the effective date and transition provisions section is attributable primarily to amendments in other sections of IFRS because the IASB specifies the effective date and transition requirements for amendments in IFRS.

[18] The increase in the exemption section relates to IFRS 1 appendices that provide various transitioning exemptions.

[19] A caveat is that some paragraphs added to an IFRS due to the MPs were later deleted from the IFRS when a new IFRS was promulgated. For example, a March 2009 amendment to IFRS 7 amended paragraph 27 and added paragraphs 27A and 27B, requiring disclosure of information about the reliability of fair value measurements of financial instruments. Paragraphs 27-27B were later deleted from IFRS 7 because these were incorporated into IFRS 13, which addresses fair value measurement and disclosure. Another caveat is that IFRS would have been shorter if the IASB had been aware of these issues and incorporated them when IFRS was first developed.

changes introduced to the primary requirements section of IFRS could be considered clarifications. For example, the IASB introduced in 2010 new disclosure requirements in IFRS 7 for transfers of financial assets. As part of these new requirements, the IASB clarified the meanings of transfers of financial assets and continuing involvement in transferred financial assets (IASB 2010). Another example is the clarification in IAS 38 of the principle that amortization must reflect the consumption pattern of future economic benefits embodied in the asset (IASB 2014b). As a final example, the IASB was informed that entities, on obtaining control of a business that is a joint operation, accounted for the previously held interests in the operation differently. The IASB concluded that such a transaction was a combination achieved in stages and clarified in IFRS 3 that the acquirer must apply to such a transaction the requirements for combinations achieved in stages (IASB 2017).

Untabulated results show that 27 MPs introduced new exceptions in IFRS. Two well-known treatment exceptions are those under IAS 32 for certain financial instruments that meet the definition of financial liabilities. The IASB previously required these instruments to be classified as liabilities, but later exempted them from such classifications, based on the constituent argument that these instruments represented residual interests in an entity's net assets (IASB 2008c). Other treatment exceptions include the temporary exemptions to lessees from assessing whether rent concessions arising from COVID-19 were lease modifications (IASB 2020b, paras. BC205A-BC205B), and temporary exemptions from the hedge accounting requirements of IFRS 9 and IAS 39 during the period of uncertainty arising from interest rate benchmark reforms in many countries (IASB 2019b, paras. BC6.550-BC6.551)

A well-known scope exception is the exemption of certain investment entities from the consolidation requirement of IFRS 10. Initially, IFRS 10 did not exempt investment entities from the scope of consolidation because the IASB believed that the information needs of users of financial statements of investment entities would not be served well if these entities did not prepare consolidated financial statements (IASB 2011 Introduction). However, many respondents to ED 10 *Consolidated Financial Statements* questioned the usefulness of consolidated financial statements of investment entities and asked the IASB to reconsider whether investment entities should be exempted from the scope of consolidation (IASB 2011 Introduction). In response, the IASB incorporated this scope exemption into IFRS 10 in 2012 (IASB 2012f). Another scope exception introduced to IFRS due to MPs is the exclusion of bearer plants related to agriculture from the scope of IAS 41 (IASB 2014a). Finally, the IASB amended IFRS 17 in 2020 to exclude certain credit card contracts from its scope (IASB 2020a).

The IASB incorporates new guidance into IFRS to help apply newly introduced exceptions and other requirements. For example, as part of the scope exemption of investment entities under IFRS 10, the IASB amends two paragraphs and adds seven paragraphs in the primary requirements section. It also defines the term 'investment entity,' and adds 25 paragraphs in the AG section to clarify different aspects of the definition and types of investment entities, and inserts a new appendix 'IEs' into IFRS 10, wherein the IASB provides four examples to illustrate the application of the new definition (IASB 2012f). This scope exception raised additional application issues, which the IASB addressed through further amendments in 2014 (IASB 2014d).

RQ2. Principles-Based Approach

The IFRSF has confirmed its commitment to following a principles-based approach in successive Constitutions and Handbooks (IFRSF 2011, section 2(a); 2014, para. 3.27; 2022a, para. 3.27; 2022b, section 2(a)). Consistent with this, successive IASB chairs also stressed the need for IFRS to be principles-based (2002; Hoogervorst 2012, 13; Street and Gordon 2023, 363; Tweedie 2007, 7).

Specification of and Emphasis on Principles

Consistent with the IFRSF's commitment, the IASB specifies the principles and provides guidance for their application in successive IFRSs. In this section, I provide three sets of evidence: the issuance of new IFRSs where there was no equivalent IAS; a comparison of IFRSs with replaced IASs; and a comparison of how the IASB specifies the disclosure requirements in IAS, IFRS, and MPs. The last two sets of evidence speak to the evolution towards the principles-based approach. The first set of evidence is provided for completeness.

No standard explicitly specified the accounting treatment for share-based payment transactions before IFRS 2. The standard states the basic principle that share-based payment transactions must be recognized at fair value (IASB 2004, paras. 7-8, 10 & 30) and provides guidance covering the most common features of employee stock options (IASB 2004, para. BC194). The IASB acknowledges that there may be features of employee stock options that it has not considered (IASB 2004, para. BC193), and abstains from providing extensive guidance in IFRS 2 because such guidance can become outdated if new features are developed (IASB 2004, para. BC194). To cite another example, IFRS 6, intended as an interim standard pending a comprehensive review of the issue, does not articulate a principle for accounting for exploration and evaluation expenditure. However, consistent with the principles-based approach, it requires entities engaged in the exploration for and evaluation of minerals to develop their accounting policies for such expenditures in light of IAS 8, paragraph 10 (IASB 2005, para. 6), which requires entities to exercise judgment in developing accounting policies that provide relevant and representationally faithful information. As a final example, IFRS 13 specifies the principle that entities must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value (IASB 2012e, para. 67). To aid in the application of this principle, IFRS 13 establishes a fair value hierarchy, categorizing inputs to valuation techniques into three levels, based on their observability, and provides guidance on the input hierarchy (IASB 2012e, paras. 72-90 & B34-B36).

The IASB strengthens its focus on the principles-based approach as it develops a new IFRS to replace an IAS. For example, IFRS 3, which replaces IAS 22, incorporates the core principles that all combinations are acquisitions and that all identifiable assets acquired and liabilities assumed in combinations must be measured at their acquisition-date fair values (IASB 2008b). In contrast, IAS 22 allowed alternative measurements for assets acquired and liabilities assumed in acquisitions, and allowed some combinations to be accounted for as uniting of interests (IASC 2001d, paras. 33, 35 & 78). Similarly, IFRS 10, which replaces IAS 27, specifies the principle of control as the basis for consolidation, identifies the elements of control, and provides guidance on how to apply the principle to determine whether an entity controls another entity (IASB 2012c, para. 2). Although IAS 27 also specified control as the basis for consolidation, IFRS 10 places more emphasis on meeting the control principle than IAS 27 did. For example, IAS 27 presumed control in the case of ownership of majority voting rights (IASC 2001e, para. 12). In contrast, IFRS 10 presumes control in the case of majority ownership only under restrictive conditions and notes that a reporting entity does not control if those conditions are not met (IASB 2012c, paras. B35-B37), suggesting that a reporting entity with majority ownership must evaluate whether it controls another entity. Further, IFRS 10 emphasizes that a reporting entity controls another entity even without majority ownership if the elements of control are present in that relationship (IASB 2012c, para. B38).

To provide another example, IFRS 16, which replaced IAS 17, specifies the basic principle that a lessee must recognize right-of-use assets and lease liabilities arising from all lease contracts, except for short-term leases and leases of low-valued assets (IASB 2016c, paras. 5 & 22). The principle is derived from the CF concepts of faithful representation, an asset, and a liability (IASB 2016c, paras. BC19-BC27). In contrast, IAS 17 was based on the concept of substance over form (IASC 2001b, para. 8), and based the classification of the lease contract on whether the contract transferred to the lessee substantially all risks and rewards incidental to ownership, and allowed two treatments for leases by the lessee, depending on whether the lease contract meets the condition (IASC 2001b, paras. 6).

Consistent with the principles-based approach, the IASB also changed its approach from IAS to IFRS for specifying disclosure requirements. IAS does not specify the disclosure objective but only lists the items to be disclosed. For example, IAS 22 listed specific items to be disclosed for combinations, without specifying a disclosure objective (IASC 2001d, paras. 87-95). The same approach was followed in IAS 17 and IAS 18 (IASC 2001b, paras. 23&27; 2001c paras. 35). Under the principles-based approach, the IASB stipulates the disclosure objective and specifies a list of items whose disclosure it believes will achieve that objective. For example, IFRS 3 specifies the disclosure objectives for the acquirer: disclose information that enables users to evaluate the nature and financial effects of combinations, and lists specific items whose disclosure will achieve these objectives (IASB 2008b, paras. 59-60 & B64-B66). The list of specific disclosures serves as guidance. The IASB's intention for preparers is to focus on providing disclosures that meet the objectives, rather than making the specified disclosures. This is evident in the IFRS 3 requirement that the acquirer must disclose additional information if the specified disclosures do not meet the objectives (IASB 2008b, para. 63). The IASB adopts the same approach to disclosure in later IFRSs, such as IFRS 15 and IFRS 16 (IASB 2015c, para. 110; 2016c para. 51). The IASB strengthens this approach in a recent initiative, under which it will specify the overall disclosure objective first and prescribe specific requirements to support that (IASB 2023).

The IASB also followed the principles-based approach to specifying disclosure requirements when amending IFRSs. Several amendments introduced new disclosure objectives, including those related to the transfer of financial assets in IFRS 7 due to the 2010 amendments (IASB 2010, para. 42B), interest rate benchmark reform in IFRS 7 (IASB 2020c, para. 24I), liabilities that could become repayable within twelve months after the reporting period in IAS 1 (IASB 2022a, para. 76ZA), and changes in liabilities arising from financing activities in IAS 7(IASB 2016b, para. 44A).

Agenda Decisions

The Committee made 214 agenda decisions between 2007 and 2022. Of these, 185 were accompanied by explanatory materials, and 47 had other outcomes.[20] Request submitters usually seek guidance on how to account for specific fact patterns and often ask how to apply certain IFRS requirements. Usually, in line with the principles-based approach, the Committee points request submitters to the relevant IFRS requirements and avoids giving specific answers to questions. The Committee acknowledges the need for judgments in applying IFRS and developing accounting policies, in line with the IAS 8 guidance on policy formulation, and requires disclosure of these policies, judgments, and additional information relevant to understanding financial statements under IAS 1. Reflecting these approaches, the most common reason (n = 132) cited by the Committee for not including the submitter's request on its agenda was that IFRS already contained sufficient guidance.[21] These results suggest that the Committee is hesitant to create a rules-based environment.

[20] Other outcomes included the Committee referring the issue to the IASB, recommending that the IASB should make specific amendments to relevant IFRS, noting that the IASB had ongoing projects encompassing the issues addressed in the decisions, noting that that the IASB had considered the issue in the past and decided not to issue further guidance on this, recommending to the IASB that the issue be addressed as part of a research project/post-implementation review of the relevant IFRS, and noting that the issue raised was so broad that it cannot be addressed efficiently. The total number of outcomes exceeds the total number of agenda decisions (n = 214) because some decisions were accompanied by explanatory materials and other outcomes.

[21] Other reasons frequently cited by the Committee include: the lack of diversity in practice (n = 33), the IASB has an ongoing project or has considered it previously (n = 20), the issue is too broad (n = 19), providing timely guidance is difficult (n =12), resolving the issue will be in the nature of application guidance (n = 11), the problem is either not widespread or too narrow (n=11), and cost constraints (n = 9). The Committee sometimes provided multiple reasons for issuing an agenda decision.

The Committee's reluctance to increase rules is evident in the March 2015 agenda decision on the scope of the definition of close members of a person's family in IAS 24 (IFRSIC 2015). The submitter noted that the definition of close members in IAS 24 did not include a person's parents and argued that the standard should specify parents as within its scope. The Committee responded that the definition of close members was based on principles and required judgment, and that the examples, which did not include parents, were illustrative only; therefore, the Committee did not add the item to its agenda. Another example appears in an agenda decision from January 2019. The submitter's question concerned the accounting for deposits related to taxes other than income tax (IFRSIC 2019). The Committee acknowledged that no extant IFRS addressed this question, but argued that the firm should develop the accounting policy for these deposits in accordance with IAS 8.

Although the Committee is reluctant to specify accounting for specific transactions and events, it answered the submitter's question in several agenda decisions, thereby supplanting preparer and auditor judgments in the situations considered. For example, in the January 2020 agenda decision, the Committee responded to a query regarding whether, in a fact pattern, the customer has the right to direct the use of an identified asset (i.e., a ship) throughout the contract period (IFRSIC 2020). The fact pattern involves a contract in which the customer has the right to obtain substantially all the economic benefits from using the ship, and many decisions about how and for what purpose the ship is used are predetermined in the contract, but the customer has the right to make the remaining decisions. The Committee concluded that, under the facts of the case, the customer had the right to direct the ship's use and that the contract was a lease.

IASB's Responses to Constituent Requests during PIRs

Constituents often express concerns about insufficient guidance on certain IFRS requirements and their inconsistent application during PIRs, and request additional guidance.

The IASB classifies these concerns into four categories: high-priority matters, requiring standard-setting action as soon as possible; medium-priority matters, requiring inclusion into the research pipeline before the next agenda consultation; low-priority matters, which will be considered in the next agenda consultation; and matters requiring no further action (IASB 2022c). Table 4 reports examples of such concerns raised during PIRs and the IASB's responses to these concerns. As the table shows, most concerns were classified as low-priority or no-action matters.

<**Table 4 here**>

The IASB amended IFRS to provide additional guidance in response to only a few concerns. One example is the amendment to the definition of business and the provision of further AG on it in IFRS 3 (IASB 2018a). One example of concerns being addressed through research is the project on disclosures related to goodwill and combinations, which progressed to the standard-setting phase (IASB 2024b). This project arose from constituent feedback on the subsequent accounting for goodwill, and the ineffectiveness and complexity of the goodwill impairment test during the IFRS 3 PIR (Piombino 2014, paras. 7, 8 and 13).

However, the IASB generally declines to develop additional guidance in response to such requests. For instance, during the IFRS 13 PIR, many constituents asked for further guidance on how to assess whether the market was active and whether an unobservable input was significant (IASB 2018b, 16). The IASB noted that the requirement was principles-based and therefore required judgment (IASB 2018b, 16). It further noted that practice-led guidance emerged to assist these judgments (IASB 2018b, 16). As another example, in response to requests for additional guidance on business model assessment under IFRS 9, the IASB argued that the standard provided sufficient guidance, and providing additional guidance would risk making the requirements rules-based (IASB 2022c Table C2, 24).

III. SUMMARY AND LIMITATIONS

The key takeaways from this paper are that IFRS evolved to grow in guidance, exceptions, and length, primarily due to constituent demands; nonetheless, the IASB and the Committee followed a principles-based approach to standard-setting. Under this approach, the IASB outlined principles in IFRS, provided guidance on them, and emphasized that preparers should focus on principles rather than on guidance. Further, the IASB and the Committee frequently reminded constituents to apply their judgments in light of the principles and existing guidance when they asked for more guidance, including Interpretations.

A limitation of the paper is the subjective nature of the coding. This is germane to all coding studies. However, to enhance the reliability of the results, I detailed the coding process in the Supplemental Material document and cited relevant paragraphs from IASB documents. Further, the paper relies on the standard-setting justifications provided in BCs and other IASB documents. Given the self-interested behavior of a standard-setter (Kabir 2026; Ramanna 2015), the cited justifications may not always reflect the true reasons. However, the IASB's standard-setting process is highly visible to its constituents, thereby mitigating this possibility. Finally, the paper is descriptive. Despite these limitations, the study presents a rich array of evidence, thereby providing a holistic picture of IFRS evolution.

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TABLE 1
RBC Score Trends

Panel A: Mean RBC Scores

Year	RBC1 Mean	RBC1 t-statistic	RBC2 Mean	RBC2 t-statistic
2001	1.35	1.69**	1.41	0.59
2005	1.38	1.60*	1.35	1.01
2010	1.43	1.27	1.41	0.65
2022	1.67		1.51	
ANOVA F-statistic	1.46		0.38	

Both RBC1 and RBC2 capture four attributes: exceptions, bright-line thresholds, excessive details, and excessive guidance. These two measures differ in how guidance is measured. RBC1 and RBC2 measure guidance by the length (number) of mandatory guidance in IFRS. For details on RBC1 and RBC2, see the Supplementary Material document. The t-statistic is for the difference between the mean in that row and that in year 2022. ** and * indicate statistical significance at 5% and 10% levels.

Panel B: RBC1 Scores of Individual IFRSs

Topic	IFRS	2001	2005	2010	2022
First-time adoption of IFRS	IFRS 1		1	1	2
Share-based payments	IFRS 2		1	1	1
Business combinations	IAS 22 in 2001; IFRS 3 in 2005, 2010 & 2022	2	2	3	3
Non-current assets held for sale and discontinued operations	IAS 35 in 2001; IFRS 5 in 2005, 2010 & 2022	2	2	2	2
Exploration for and evaluation of mineral assets	IFRS 6		1	1	1
Financial instruments: Disclosure	IAS30, IAS32 & IAS39 in 2001; IFRS 7 in 2005, 2010, & 2022	1	1	1	2
Segment reporting	IAS 14 in 2001 and 2005; IFRS 8 in 2010 and 2022	2	2	2	2
Financial instruments: Recognition and measurement	IAS 39 in 2001 & 2005; IFRS 9 & IAS 39 in 2010 & 2022	3	3	3	3
Consolidated and separate financial statements	IAS 27 in 2001, 2005, and 2010; IAS 27 & IFRS 10 in 2022	2	2	2	2
Joint arrangements	IAS 31 in 2001, 2005 & 2010; IFRS 11 in 2022	1	1	1	1
Disclosure of interests in other entities	IAS 27, IAS 28 & IAS 31 in 2001, 2005 & 2010; IFRS 12 in 2022	1	1	1	1
Fair value measurement	IFRS 13				2
Regulatory deferral accounts	IFRS 14				1
Revenue recognition	IAS11 & IAS18 in 2001, 2005 & 2010; IFRS 15 in 2022	1	1	2	4
Leases	IAS 17 in 2001, 2005, and 2010; IFRS 16 in 2022	1	1	1	1
Insurance contracts	IFRS 4 in 2001, 2005 & 2010; IFRS 17 in 2022		1	1	4
Presentation of financial statements	IAS 1	2	2	2	3
Inventories	IAS 2	1	1	1	1
Cash flow statement	IAS 7	1	1	1	1
Accounting policies, estimates and errors	IAS 8	1	1	1	1
Post-balance sheet events	IAS 10	0	0	0	0
Income taxes	IAS 12	1	1	1	2
Information reflecting the effects of changing prices	IAS 15	1			

Property, plant and equipment	IAS 16	1	1	1	1
Employee benefits	IAS 19	3	3	3	3
Government grants and assistance	IAS 20	1	1	1	1
Effects of changes in foreign exchange rates	IAS 21	1	1	1	1
Borrowing costs	IAS 23	1	1	1	1
Related party disclosures	IAS 24	1	1	1	1
Accounting and reporting by retirement benefit plans	IAS 26	2	2	2	2
Investment in associates	IAS 28	2	2	2	2
Reporting in hyperinflationary economies	IAS 29	2	2	2	2
Financial instruments: Presentation	IAS 32	1	2	2	2
Earnings per share	IAS 33	1	1	1	1
Interim reporting	IAS 34	1	1	1	1
Impairment of assets	IAS 36	1	2	2	2
Provisions, contingent liabilities, and contingent assets	IAS 37	2	2	2	2
Intangible assets	IAS 38	1	1	1	1
Investment property	IAS 40	1	1	1	1
Agriculture	IAS 41	1	1	1	1

TABLE 2
Changes in IFRS Sections from the Replaced IAS to the New IFRS

Topic (Replaced IAS versus New IFRS)	IFRS Sections	Replaced IAS (#Words) (A)	New IFRS (#Words) (B)	Change (#Words) (C)=(B)-(A)	Change (%) (D)=(C)/(A)
Business combination (Replaced IAS: IAS 22, SIC 9 & SIC 22 versus New IFRS: IFRS 3)	Main body	10,729	6,156	-4,573	-42.62%
	Mandatory guidance	1,201	9,699	8,498	707.58%
	Non-mandatory guidance	813	7,335	6,522	802.21%
	Total	12,743	23,190	10,447	81.98%
Discontinued operations (Replaced IAS: IAS 35 versus New IFRS: IFRS 5)	Main body	3,175	4,104	929	29.26%
	Mandatory guidance	0	336	336	-
	Non-mandatory guidance	1,901	2,965	1,064	55.97%
	Total	5,076	7,405	2,329	45.88%
Financial instruments disclosures (Replaced IASs: IAS 30 (Full) + IAS 32 (Disclosures only) + IAS 39 (Disclosures only) versus New IFRS: IFRS 7)	Main body	12,354	4,293	-8,061	-65.25%
	Mandatory guidance	0	3,182	3,182	-
	Non-mandatory guidance	776	4,645	3,869	498.58%
	Total	13,130	12,120	-1,010	-7.69%
Segment disclosure (Replaced IAS: IAS 14 versus New IFRS: IFRS 8)	Main body	7,879	3,940	-3,939	-49.99%
	Mandatory guidance	0	0	0	-
	Non-mandatory guidance	1,737	1,279	-458	-26.37%
	Total	9,616	5,219	-4,397	-45.73%
Financial instruments (Replaced IAS: IAS 39 (excluding disclosures) versus New IFRS: IFRS 9)	Main body	19,135	21,092	1,957	10.23%
	Mandatory guidance	0	48,124	48,124	-
	Non-mandatory guidance	0	32,721	32,721	-
	Total	19,135	101,937	82,802	432.73%
Consolidation (Replaced IAS: IAS 27 (excluding separate financial statements and disclosures) & SIC 12 versus New IFRS: IFRS 10)	Main body	1,981	2,523	542	27.36%
	Mandatory guidance	765	13,175	12,410	1,622.22%
	Non-mandatory guidance	550	0	-550	-100.00%
	Total	3,296	15,698	12,402	376.27%
Joint arrangements (Replaced IAS: IAS 31 (excluding disclosures) & SIC 13 versus New IFRS: IFRS 11)	Main body	3,609	2,629	-980	-27.15%
	Mandatory guidance	613	4,464	3,851	628.22%
	Non-mandatory guidance	0	4,040	4,040	-
	Total	4,222	11,133	6,911	163.69%
Disclosure of interests in other entities (IAS 27 disclosures +IAS 28 disclosures + IAS 31 disclosures vs IFRS 12 (without effective date and transition)	Main body	599	3,026	2,427	405.18%
	Mandatory guidance	0	2,225	2,225	-
	Non-mandatory guidance	0	0	0	-
	Total	599	5,251	4,652	776.63%
	Main body	6,850	13,616	6,766	98.77%
	Mandatory guidance	0	8,566	8,566	-

Revenue (Replaced IAS: IAS 11 & IAS 18 versus New IFRS: IFRS 15)	Non-mandatory guidance	3,856	28,357	24,501	635.40%
	Total	10,706	50,539	39,833	372.06%
Leases (Replaced IAS: IAS 17 & SIC 15 versus New IFRS: IFRS 16)	Main body	5,127	9,839	4,712	91.91%
	Mandatory guidance	315	5,816	5,501	1,746.35%
	Non-mandatory guidance	506	14,737	14,231	2,812.45%
	Total	5,948	30,392	24,444	410.96%
All standards	Main body	71,438	71,218	-220	-0.31%
	Mandatory guidance	2,894	95,587	92,693	3,202.94%
	Non-mandatory guidance	10,139	96,079	85,940	847.62%
	Total	84,471	262,884	178,413	211.21%

The main body section comprises the primary requirements, definitions, and effective date and transition requirements. The primary requirements include the standard's objectives, scope, recognition, measurement, and disclosure requirements. The section of a replaced IAS, before its appendices, contains the primary requirements, definitions, effective date, and transition requirements, and is therefore its main body. The section of a new IFRS, before the appendices, specifies its primary requirements. I added the appendices on definitions, transition requirements, and effective date requirements to the primary requirements to calculate the length of the main body section of a new IFRS. The mandatory guidance includes application guidance and the mandatory part of Interpretations. The non-mandatory guidance comprises implementation guidance, illustrative examples, and appendices of Interpretations that do not form part of the Interpretations. Total comprises the sum of all these three sections. The BCs are excluded from the comparison.

TABLE 3
Impacts of Maintenance Projects on IFRS

IFRS Sections	**Added (a)**	**Amended (b)**	**Deleted (c)**	**Increase (d)=(a)-(c)**
Transition & Effective Date (#paras.)	216	44	4	212
Primary requirements (#paras.)	225	197	15	210
IEs (#paras.)	147	57	0	147
AG (#paras.)	120	54	8	112
Interpretations (#paras.)	102	13	0	102
IG (#paras.)	24	5	6	18
Exemptions (#paras.)	14	9	5	9
Practice Statement (#paras.)	7	0	0	7
Total (#paras.)	855	379	38	817
Definitions (#number)	6	19	0	6

TABLE 4
Post-Implementation Reviews: Constituent Concerns and IASB Responses

Post-Implementation <u>Review of</u>	**<u>Constituent Concerns</u>**	**<u>IASB Responses</u>**
IFRS 3	(1) Difficulty in the application of the definition of business, (2) justification for the differences in accounting treatments for combinations and asset acquisitions, (3) difficulty in comparing companies that grow organically and those that grow through acquisitions, (4) upward revaluations of acquired inventory reduce profit in the first period after acquisition, (5) identification and measurement of intangible assets separable from goodwill, (6) difficult-to-verify fair value measurement of contingent consideration and contingent liability, (7) presentation of gains from bargain purchases in profit or loss, (8) the subsequent accounting for goodwill, (9) the complexity of the impairment test, (10) the choice in the measurement bases for non-controlling interests (NCIs), (11) difficulty in measuring NCIs at fair value, (12) identification of the gain or loss on remeasurement of previously held equity interest and loss of control, (12) difficulty in assessing the subsequent performance of the acquired business, (13) pro-forma prior year comparatives for the combined entity for trend analysis, (14) difficulty in disclosing the revenue and profit or loss of the combined entity for the current year as if the acquisition had been made at the beginning of the year, (15) the subsequent accounting for contingent consideration, and (16) accounting for contingent payments to selling shareholders who become employees (IASB 2015d).	Two of these concerns were assigned high priority, two medium-to-high priority, four medium priority, and four low priority (IASB 2015d). Of these concerns, the IASB amended the definition of business, added to the existing guidance on the definition, and is considering amendments to the impairment test and disclosure requirements for the acquired business's subsequent performance (IASB 2018a, 2024b).
IFRS 8	(1) Segments are not comparable across entities, even within the same industry, (2) loss of trend data on reorganization, (3) concerns about the release of commercially sensitive information, (3) non-IFRS measures are not well-explained, (4) disclosure of the proportion of segment results attributable to shareholders, (5) absence of a defined sub-total for operating results in IFRS, (6) absence of specific line items, (7) unclear reconciliation requirements, (8) unclear aggregation criteria, (9) request for geographical segment analysis, (10) inconsistent entity-wide disclosures, (11) the management perspective is difficult to enforce, and (12) difficult to identify the chief operating decision maker (IASB 2013b).	No amendments addressed these concerns. The IASB proposed amendments to IFRS 8 to address some of these concerns, but withdrew them in 2019 (IASB 2019a).
IFRS 9 (classification and measurement requirements)	(1) Inconsistent application of the business model test, (2) challenging to apply the contractual cash flow characteristics assessment consistently to financial instruments with ESG-linked features and contractually linked instruments, (3) difficulty to determine whether a financial asset has a non-recourse feature, (3) transparency of the over-all performance of equity instruments for which the fair value through other comprehensive income (FVOCI) presentation has been elected, (4) request to require recycling of gain or loss of FVOCI equity instruments, (5) request to expand the scope of the FVOCI election, (6) difficulty to separate the fair value changes of financial liabilities arising from changes in own credit risk from other fair value changes, (7) inconsistent application of the requirements for modification of financial assets, (8) lack of guidance and clear principles on how to account for adjustments to contractual cash	The IASB designated four of these concerns as high-priority matters and one as a medium-priority issue (IASB 2022c). To address the high-priority issues, the IASB amended IFRS 9 AG and IFRS 7 and its IG (IASB 2024a). In other cases, the IASB decided to take no action because it believed that IFRS 9 already provided sufficient guidance and providing further guidance

	flows under the effective interest method, (9) electronic cash transfers as settlements for financial assets or financial liabilities, (10) purchased or originated credit-impaired financial assets, (11) the derecognition of financial assets, (12) contracts to buy and sell non-financial items, and (13) financial assets and liabilities held for trading (IASB 2022c).	would risk making the requirements rules-based, or because the issues were not widespread and were expected to have a material impact on financial statements.
IFRS 10, 11 & 12	(1) Information is lost when an investment entity parent measures an investment entity subsidiary at fair value, (2) IFRS does not specify the requirements of certain transactions that alter the relationship between an investor and an investee, (3) accounting for transaction that are structured as 'corporate wrappers' to achieve certain purposes, (4) prevalence of collaborative arrangements outside the scope of IFRS 11, (5) investors need additional information on interests in other entities, (6) challenges in assessment certain elements of the definition of control, (7) challenges in applying elements of the definition of investment entity, (8) challenges in classifying joint arrangements for certain fact patterns, and (9) lack of clarity on the application of IFRS 11 requirements to situations when a joint operator's share of output purchased differs from its ownership interest (IASB 2022b).	The IASB assessed five of these concerns as low priority and decided that no further action was needed on the other concerns (IASB 2022b).
IFRS 13	(1) Inappropriately aggregated disclosures, disclosure of immaterial information, and onerous disclosure (e.g., sensitivity analysis and reconciliation), (3) requirement to use unadjusted Level 1 input, (3) challenge in applying the highest and best use concept for non-financial asset, (4) insufficient guidance on assessing whether a market is active and whether an unobservable input is significant, (5) insufficient guidance on fair value measurement of biological assets, especially immature biological assets without active markets and unquoted equity instruments, (6) costliness of fair value disclosures for financial instruments in interim reports, and (7) diverse practices regarding valuation adjustments in measuring derivatives (IASB 2018b).	The IASB decided not to issue additional guidance because it would be difficult to develop useful, principles-based guidance, or the benefits of developing guidance would not exceed the costs, or practice is developing to resolve implementation challenges (IASB 2018b)

The IASB prioritizes matters raised in post-implementation reviews into four categories for standard-setting action; (a) high priority matters require action as soon as possible, (b) medium priority matters are added to the research pipeline of the IASB or the Committee before the next agenda consultation, (c) low priority matters are considered in the next agenda consultation, and (d) no action matters are not considered unless constituents identify them as a priority in future agenda consultations and the IASB decides to take action based on its deliberation of the consultation feedback (IASB 2022c).