

STAFF PAPER

IASB Meeting

Project	Disclosure Initiative: Principles of Disclosure		
Paper topic	Project next steps—prioritisation of Discussion Paper topics		
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Accounting Standards Advisory Forum, April 2018, Agenda paper 2C

This paper was discussed at the Board meeting in March 2018.

Objective

1. The objective of this paper is to present staff analysis and recommendations to the Board about next steps on the Principles of Disclosure project.
2. In this paper, we propose a relative prioritisation of all topics addressed in the Discussion Paper and make a recommendation for next steps in each case. Analysis and staff recommendations relating to the highest priority topics—ie those directly related to resolution of the identified disclosure problem—are presented in Agenda Paper 11B.
3. This paper is structured as follows:
 - (a) Background and summary of the staff’s approach to developing next step recommendations (paragraphs 4-7);
 - (b) Summary of staff recommendations (paragraph 8);
 - (c) Category 1—Topics that are more relevant to the Primary Financial Statements project (paragraphs 9-17);
 - (d) Category 2—Topics that seem unlikely to contribute significantly to addressing the disclosure problem (paragraphs 18-36);

- (e) Category 3—Topics that can be dealt with separately from the main disclosure problem (paragraphs 37-46);
- (f) Category 4—Topics not addressed in the Discussion Paper but that received significant feedback from respondents (paragraphs 47-60);
- (g) Appendix A—Mapping of Discussion Paper topics to staff recommendations for project next steps.

Background and summary of the staff's approach to developing next step recommendations

4. The Board published the Discussion Paper in March 2017. The 180-day comment letter period closed on 2 October 2017. The staff presented a detailed summary of comment letter and outreach feedback to the Board at its February 2018 meeting.
5. We received a strong message from respondents about overall project direction and focus. In particular, respondents were concerned that the Discussion Paper appeared to be a piecemeal collection of different issues rather than a coherent vision as to how the Board could contribute to addressing the disclosure problem. Respondents asked the Board to prioritise the issues raised in the Discussion Paper and focus on those that are expected to make the most difference to the disclosure problem. Respondents also asked the Board to provide clarity about project next steps, expected project outcomes and expected timelines.
6. In light of this feedback, the staff think the Board should base its decisions about project next steps on an assessment of the relative priority of all topics raised in the Discussion Paper. We think that prioritising topics will help the Board to make clear and coherent decisions about next steps on the project and clearly communicate those decisions to stakeholders.
7. The table on the next page summarises our assessment of the relative priority of each area considered in the Discussion Paper and our recommended next steps. Appendix A summarises this same information organised by Section of the Discussion Paper. The Appendix demonstrates how feedback received on all Sections of the Discussion Paper has been, or will be, included in the Board's decision making about project next steps.

Summary of staff recommendations

8. The table below summarises the five categories of prioritisation and the staff recommendation for next steps in each case.

	Category 1	Category 2	Category 3	Category 4	Category 5 ¹
Description	Topics more relevant to the Primary Financial Statements project	Topics unlikely to contribute significantly to addressing the disclosure problem	Topics that can be dealt with separately from the main disclosure problem	Topics not addressed in the DP, but that received significant feedback	High priority topics—directly related to resolution of the main disclosure problem
Discussion Paper topics	<ul style="list-style-type: none"> a) roles of the primary financial statements and the notes b) presentation of EBIT and EBITDA c) presentation of unusual or infrequently occurring items d) fair presentation of performance measures 	<ul style="list-style-type: none"> a) use of formatting in the financial statements b) use of ‘present’ and ‘disclose’ c) location of accounting policy disclosures d) location of disclosure objectives and requirements in IFRS Standards 	<ul style="list-style-type: none"> a) location of information b) which accounting policies to disclose 	<ul style="list-style-type: none"> a) interaction with other Board projects b) technology and digital reporting c) materiality 	<ul style="list-style-type: none"> a) guidance for the Board to use, including NZASB staff’s approach to drafting disclosure requirements b) principles of effective communication c) centralised disclosure objectives d) standards-level review of disclosure e) educational material
Staff recommendation for next steps	Consider this feedback in the Primary Financial Statements project. No further consideration in Principles of Disclosure.	No further consideration as part of this project. Incorporate feedback received on (b) into broader considerations about how the Board drafts IFRS Standards.	Staff to perform further analysis about whether and how to address these topics; then ask the Board to make a decision on next steps in June 2018.	Staff to perform further analysis on a) and b) and ask the Board to decide next steps in May/June 2018. Revisit c) in Q2 2019 when effect of other related Board activities is better understood	Initial staff analysis and recommendations presented in this (March 2018) Board meeting.
Reference to staff analysis	Paragraphs 9-17	Paragraphs 18-36	Paragraphs 37-46	Paragraphs 47-60	Agenda Paper 11B

¹ Some of the topics listed in Category 5 were not specifically discussed in the Discussion Paper, but are included in Agenda Paper 11B on the basis of feedback received from respondents

Category 1—Topics that are more relevant to the Primary Financial Statements project

9. Many respondents expressed concerns about potentially unhelpful overlap between some topics in the Discussion Paper and elements of other Board projects. In particular, respondents thought some topics in the Discussion Paper were relevant to the Board’s work on the Primary Financial Statements project. We recommend that the Board consider the feedback received on these topics within the Primary Financial Statements project and not the Principles of Disclosure project.

Roles of the primary financial statements and the notes

10. Section 3 of the Discussion Paper considered whether the Board should describe the roles of the different components of the financial statements and how those roles meet the objective of financial statements. The objective of such guidance would be to help entities determine the appropriate location of information in the financial statements.
11. Respondents provided relatively few comments on this section of the Discussion Paper compared to other sections. In addition, there were fewer strong views expressed—unlike other areas of the Discussion Paper, many respondents answered the questions without providing additional opinions or detailed information.
12. Nevertheless, most respondents that provided an opinion agreed that it would be helpful for the Board to provide guidance about the roles of the different components of the financial statements. A few thought the Board should not develop guidance because it might reduce entities’ flexibility to decide where best to disclose information and would not solve any significant reporting challenges. Some also said that the guidance in IAS 1 *Presentation of Financial Statements* is sufficient.
13. In light of the feedback received, the staff recommend that the Board does not develop any guidance about the role of the primary financial statements and the notes within the Principles of Disclosure project. This is because we think that

other activities considered in the Discussion Paper would have a more direct effect on the disclosure problem. However, we think that some of the feedback received might be relevant to the Primary Financial Statements project. Consequently, we recommend the Board considers feedback received on Section 3 of the Discussion Paper within the Primary Financial Statements project.

Use of performance measures in the financial statements

14. Section 5 of the Discussion Paper considered whether the Board should develop guidance or requirements relating to:
 - (a) presentation of EBIT and EBITDA;
 - (b) presentation of unusual or infrequently occurring items; and
 - (c) fair presentation of performance measures.
15. The Board stated in the Discussion Paper that it would consider feedback received on the topics described in paragraph 14(a) and 14(b) as part of the Primary Financial Statements project.
16. Many respondents thought that the Board should consider *all* of the issues in Section 5 of the Discussion Paper—including that described in paragraph 14(c)—as part of the Primary Financial Statements project and not as part of the Principles of Disclosure project. Respondents thought these topics were unrelated to the main objectives of the Principles of Disclosure project. Furthermore, some respondents said that it was not possible to provide opinions about the fair presentation of performance measures until they have clarity about what, if any, performance measures the Board will define in the Primary Financial Statements project.
17. The staff agree with the feedback provided by these respondents. Consequently, we recommend the Board considers feedback received on the topics in Section 5 of the Discussion Paper within the Primary Financial Statements project and not within the Principles of Disclosure project.

Staff recommendation and question for the Board

Question 1

Does the Board agree with the staff recommendation that the Board should consider the feedback received on the following topics in the Primary Financial Statements project, and not consider these topics any further as part of the Principles of Disclosure project:

- (a) roles of the primary financial statements and the notes;
- (b) presentation of EBIT and EBITDA;
- (c) presentation of unusual or infrequently occurring items;
- (d) fair presentation of performance measures?

Category 2—Topics that seem unlikely to contribute significantly to addressing the disclosure problem

18. Some topics considered in the Discussion Paper received relatively little feedback or relatively little support from respondents in comparison to other topics. The staff think that further development of these topics is unlikely to contribute significantly to addressing the disclosure problem. Consequently, we think the Board should not consider them further.
19. We acknowledge that further development of each of the topics in this section would be useful to some stakeholders. However, in light of the feedback received on project direction and focus, we think it is important that the Board narrow the scope of the project down to only those topics expected to have the *most* effect on improving the disclosure problem.

Guidance on formatting in financial statements

20. Section 2 of the Discussion Paper considered whether the Board should develop non-mandatory guidance on the use of formatting in the financial statements.
21. Respondents expressed some mixed views on this area. Many respondents, including most standard-setters, thought that non-mandatory guidance on the use

of formatting would be helpful. Some others, including most accounting firms, thought such guidance would be unnecessary and may be unhelpful because it may discourage innovation in the communication of information. A few others did not object to such guidance but did not think it was a priority.

22. The staff agree with those respondents who thought that guidance on formatting in the financial statements should not be a priority for the Board. We think that developing guidance in this area would not contribute significantly to addressing the disclosure problem. For example, one comment made by some users of financial statements is that more use of tables in financial statements would be helpful. The staff think it would not be possible for the Board to specify all of the circumstances in which tables should be used and, consequently, any guidance could only encourage entities to use tables when it is helpful. Such guidance would still leave entities needing to make similar judgements about formatting as they do today.
23. Consequently, the staff recommend that the Board does not develop any guidance about the use of formatting in the financial statements. Whilst we acknowledge that such guidance could be helpful to some stakeholders, we think that the Board should prioritise other areas that are likely to have more effect on helping to address the disclosure problem.

Use of ‘present’ and ‘disclose’ in IFRS Standards

24. Section 3 of the Discussion Paper also considered whether the Board should clarify the meanings of the terms ‘present’ and ‘disclose’ when used in IFRS Standard disclosure requirements.
25. Relatively few respondents commented on this section of the Discussion Paper compared to other sections. However, many of the respondents that did comment agreed that it would be helpful if the Board specified the intended location of information when these terms are used – for example by requiring an entity to ‘present [information] in the primary financial statements’ or to ‘disclose [information] in the notes to the financial statements’.
26. The staff agree with respondents that clarifying the use of ‘present’ and ‘disclose’ would be useful to stakeholders. However, we think this is one of many

considerations about how the Board drafts disclosure requirements and that it should not be addressed in isolation. For example, we think that the way the Board uses the terms ‘present’ and ‘disclose’ is a relevant consideration if and when the Board decide to take either of the following approaches (see Agenda Paper 11B):

- (a) develop guidance for the Board to use when developing IFRS Standard disclosure requirements, or
- (b) perform any standards-level activity relating to disclosure requirements.

27. Consequently, the staff recommend that the Board does not pursue its considerations about how to use ‘present’ and ‘disclose’ as a separate strand of activity. Instead, we recommend that feedback received in this area is taken into account within any broader considerations about improving the way disclosure requirements are drafted in IFRS Standards (see paragraph 19(c) of Agenda Paper 11B).

Location of accounting policy disclosures

28. Section 6 of the Discussion Paper considered whether the Board should develop requirements on determining which accounting policies to disclose, and non-mandatory guidance on the location of accounting policies.

29. Respondents provided relatively few comments about the location of accounting policies compared to other sections of the Discussion Paper. In addition, respondents thought the Board should prioritise developing requirements about which accounting policies to disclose rather than focusing on location.

30. Of those that did comment on the location of accounting policies, many thought that guidance from the Board would be helpful. Some others expressed concerns and did not support the Board developing guidance in this area. In addition, respondents that commented on the format and content of any potential guidance on the location of accounting policies had mixed views as to what they thought would be helpful. This included users of financial statements who expressed some mixed views on their preferred location of accounting policies.

31. The staff agree with those respondents who thought that the location of accounting policy disclosures should not be a priority for the Board. We think

that developing guidance in this area would not contribute significantly to addressing the disclosure problem. Furthermore, we think that the mixed views of respondents mean that it would be difficult for the Board to develop guidance or requirements that would be helpful for a majority of stakeholders.

32. Consequently, the staff recommend that the Board does not develop any guidance about the location of accounting policy disclosures. Whilst we acknowledge that such guidance could be helpful to some stakeholders, we think that the Board should prioritise other areas.

Location of disclosure objectives and requirements in IFRS Standards

33. Section 7 of the Discussion Paper considered the possibility of relocating disclosure objectives and requirements in IFRS Standards—either by locating all disclosure objectives and requirements in a single Standard; or by grouping them into several disclosure Standards, each covering related topics.
34. Respondents provided relatively few comments on these proposals compared to other sections of the Discussion Paper. Those that did provide comments expressed mixed views, with many expressing concerns about the two approaches described in the Discussion Paper. In particular, some respondents thought that disclosure requirements are best located in individual Standards along with the related recognition and measurement requirements—as is the case today.
35. Furthermore, some respondents thought the Board should not spend time considering the location of disclosure objectives and requirements, because this would absorb a large amount of resources without significantly improving disclosures.
36. In light of this feedback, the staff recommend that the Board does not pursue location of disclosure objectives and requirements in IFRS Standards any further. This is because we think relocating disclosure objectives and requirements would be unlikely to contribute significantly to addressing the disclosure problem. Consequently, we think Board should prioritise other areas.

Staff recommendations and questions for the Board

Question 2

Does the Board agree with the staff recommendation that the Board should not pursue the following activities any further:

- (a) developing non-mandatory guidance about the use of formatting in financial statements;
- (b) developing non-mandatory guidance about the location of accounting policy disclosures;
- (c) relocating existing disclosure objectives and requirements in IFRS Standards?

Question 3

Does the Board agree with the staff recommendation that the Board should not clarify the use of 'present' and 'disclose' in IFRS Standards as a separate activity and should instead consider the feedback received on the use of these terms if it develops guidance on how the Board drafts IFRS Standards?

Category 3—Topics that can be dealt with separately from the main disclosure problem

37. In this section, we have summarised Discussion Paper topics that we think the Board should consider developing further, but are of lower priority than those discussed in Agenda Paper 11B. These topics:
- (a) received relatively strong support from respondents;
 - (b) would benefit from some additional staff analysis or research to enable the Board to make an informed decision about whether and how to pursue them further; and
 - (c) are separable from the main disclosure problem. In other words, these topics could be pursued independently of, or alongside, the activities discussed in Agenda Paper 11B.

38. For these topics, we recommend that the staff perform the further analysis described in each case, and subsequently bring a recommendation about whether, and how, to pursue these topics to the June 2018 Board meeting.

Location of information

39. Section 4 of the Discussion Paper considered whether the Board should develop any requirements relating to entities providing:
- (a) information that is necessary to comply with IFRS Standards ('IFRS information') outside the financial statements; and
 - (b) information that is not necessary to comply with IFRS Standards ('non-IFRS information') inside the financial statements.
40. Most respondents agreed that both IFRS information outside the financial statements and non-IFRS information inside the financial statements should be permitted in some circumstances. Furthermore, many respondents agreed with the Board developing requirements in these areas. However, those respondents also had many concerns that they thought the Board would need to address before developing any such requirements. In particular, respondents thought the Board would need to liaise with other parties such as national standard-setters, regulators and the International Auditing and Assurance Standards Board in order to fully understand the potential implications of any requirements in this area and to address any potential problems that might be created by such requirements.
41. The staff think that, in order to make an informed decision about whether to further develop the considerations in this section of the Discussion Paper, the Board need additional information about:
- (a) the potential benefits of developing guidance or requirements in this area—ie whether such guidance is expected to lead to a substantial improvement in communication. This is particularly relevant in the light of feedback from respondents that:
 - (i) IFRS Standards already explicitly permit IFRS information to be provided outside the financial statements in some circumstances;

- (ii) many entities already provide voluntary non-IFRS information inside the financial statements today; and
 - (iii) the information described in (i) and (ii) above is often useful to users today.
- (b) the potential risks and costs of developing guidance or requirements in this area. For example, the potential interaction with local laws and regulations and potential audit implications.

42. Consequently, we recommend that the staff:

- (a) perform some limited outreach with respondents that provided feedback on the location of information, with the objective of developing a better understanding of the risks and costs described in paragraph 41. For example, we think it would be helpful to talk to some of the national standard-setters and regulators who raised concerns about interaction with local laws and regulations; and
- (b) bring that analysis and a recommendation about whether, and how, the Board should further develop considerations about location of information to the June 2018 Board meeting.

Which accounting policies to disclose

43. Section 6 of the Discussion Paper considered whether the Board should develop requirements on determining which accounting policies to disclose.
44. Many respondents supported the Board developing guidance or requirements about which accounting policies to disclose. As described in paragraph 29, respondents thought the Board should prioritise this area rather than focusing on the location of accounting policies. However, respondents expressed concerns about the approach to developing guidance that the Board described in the Discussion Paper. Many suggested that the Board should instead focus any guidance on how an entity determines whether an accounting policy is material.
45. Consequently, the staff think it would be helpful to perform the following further analysis to enable the Board to make an informed decision about whether to pursue this area of the Discussion Paper further:

- (a) analysis of the potential effect on accounting policy disclosures of the recently issued Board publications relating to the application of materiality. In particular, how entities might apply guidance in the Materiality Practice Statement to help make judgements around which accounting policies to disclose; and
- (b) high-level assessment of alternative approaches the Board could take to developing guidance for entities about which accounting policies to disclose.

46. We recommend that the staff perform the further analysis described in paragraph 45 and, subsequently, bring this analysis and a recommendation about whether, and how, the Board should develop requirements on which accounting policies to disclose to the June 2018 Board meeting.

Staff recommendation and question for the Board

Question 4

Does the Board agree with the staff recommendation that:

- (a) with respect to the considerations in Section 4 of the Discussion Paper on location of information: the staff should perform the additional analysis described in paragraph 42, and subsequently bring that analysis and a recommendation about next steps to the Board?
- (b) with respect to the considerations in Section 6 of the Discussion Paper on which accounting policies to disclose: the staff should perform the additional analysis described in paragraph 45, and subsequently bring that analysis and a recommendation about next steps to the Board?

Category 4—Topics not addressed in the Discussion Paper but that received significant feedback from respondents

47. The Board received feedback on a number of topics that it did not specifically address in the Discussion Paper. Respondents recommended that the Board include these topics within the scope of the project, or otherwise perform additional work in relation to them.

48. In each case, we recommend that the staff perform some analysis to help the Board make a decision about whether, and how, to include these topics within the Principles of Disclosure project. This does not necessarily mean we will recommend adding these topics to the scope of the project. At this stage we are only asking the Board whether it agrees with the staff performing the indicated further analysis. This analysis would be intended to help the Board make an informed decision about what, if any, next steps it should take in respect of these topics.

Interaction with other Board projects

49. Many respondents expressed concerns about the interaction between the Principles of Disclosure project and other Board projects. In particular, respondents were concerned about overlap—ie the Board considering similar issues in different projects. In addition, respondents were confused about the boundaries between the projects. They suggested that the Board consider aligning related issues across the projects or combining the various Better Communication projects into one coherent project. Furthermore, respondents asked the Board to clarify for stakeholders how the various Better Communication projects interact with each other.
50. The staff agree that some of the topics included in the Discussion Paper could create confusion for stakeholders about the boundaries between projects—in particular between the various Better Communication projects. Consequently, we recommend that the staff:
- (a) prepare a high-level summary of the interaction between the Better Communication projects. In particular, we would aim to clearly explain the distinction between the projects—ie what the boundaries between them are; and
 - (b) bring this summary to a future Board meeting and ask the Board to confirm whether it is happy with the interaction between the projects or whether it would like to make any changes. We anticipate bringing this summary to the May 2018 Board meeting.

51. The staff also note that the material described in paragraph 50 above could also be used to provide clarity to stakeholders about project boundaries in response to the feedback received. For example, the Board could share this material on the Better Communications page of the IFRS Foundation website.

Staff recommendation and question for the Board

Question 5

Does the Board agree with the staff recommendation that the staff should prepare a high-level summary of the interaction between the Better Communication projects, as described in paragraph 50, and ask the Board to confirm whether it is happy with the interaction between the projects or whether it would like to make any changes?

Effect of technology and digital reporting

52. The Discussion Paper did not include any direct discussion of the effect of technology and digital reporting on the disclosure problem. However, many respondents commented on these areas. In particular, they were concerned that the Board based the Discussion Paper on an assumption that users consume financial statements in a paper-based format. These respondents thought the Board should consider:
- (a) how the topics in the Discussion Paper might be affected by the move from paper-based to digital reporting; and
 - (b) whether there are any additional disclosure issues in a digital environment that should be considered as part of the project.
53. The staff agree with the feedback provided by respondents about the potential effects that the increasing use of technology might have on the communication of financial information. We also note that this area is likely to be relevant to more areas of the Board's work than just the Principles of Disclosure project. We think that further analysis is required to enable the Board to make an informed decision about whether, and how, the potential effect of technology should be included within the scope of this project.

54. We recommend that the staff:
- (a) liaise with other project teams about this area, including the taxonomy team. We note that a team is being formed to consider the potential implications of technology on financial reporting and that a broader strategy is being developed in this area. We think it is essential that if the Board decides to undertake any activity related to the effects of technology and digital reporting on the Principles of Disclosure project, this must be performed in conjunction with other related activities;
 - (b) discuss the feedback received with the Board's IFRS Taxonomy Consultative Group at its April 2018 meeting; and
 - (c) bring a staff analysis and recommendation to the Board about what, if any, response it could take to the feedback received about technology and digital reporting within the Principles of Disclosure project. We anticipate bringing such a paper to the Board at the June 2018 Board Meeting.
55. The staff do not think the further work and analysis proposed in paragraph 54 should delay the Board continuing to make progress on other areas of the Principles of Disclosure project. This is because paper-based financial statements continue to have an important place in financial communication. Consequently, we think that undertaking activities to help address the disclosure problem as described in the Discussion Paper remains important. In addition, many of the considerations in the Discussion Paper relate to *what* information an entity discloses rather than *how* it communicates that information. Consequently, we think these considerations remain valid irrespective of the communication method.

Staff recommendation and question for the Board

Question 6

Does the Board agree with the staff recommendation that the staff should perform the further work described in paragraph 54 and bring an analysis and recommendation to the Board about what, if any, response it could make to feedback received about technology and digital reporting?

Materiality

56. The Discussion Paper did not directly consider any potential Board activities relating to the application of materiality as a solution to the disclosure problem. However, this is largely because the Board has undertaken other activities to help entities to make materiality judgements. These activities included:
- (a) 2014 amendments to IAS 1 relating to materiality and aggregation. These amendments became effective for annual periods beginning on or after 1 January 2016;
 - (b) development of the Materiality Practice Statement (issued in September 2017);
 - (c) development of Better Communication: Making Disclosures More Meaningful case studies (issued in October 2017); and
 - (d) the separate Disclosure Initiative project on the Definition of Material (Exposure Draft published in September 2017).
57. Nevertheless, many respondents provided comments about materiality in their responses to the Discussion Paper. Many stated that the Board cannot address the disclosure problem without considering the role materiality judgements play in deciding what information should be provided. These respondents thought the Board should consider ways it could help entities to apply better judgements about materiality and that, in their view, this might have more effect on improving the disclosure problem than some of the topics in the Discussion Paper. Some of these respondents noted that the Board had developed the Materiality Practice Statement after publishing the Discussion Paper and thought that the Practice

Statement might be helpful. A few thought that further non-mandatory guidance would also be helpful.

58. The staff agree with the feedback from respondents that the proper application of materiality judgements is essential to addressing the disclosure problem. Furthermore, we agree with those respondents who said that if the Board could help entities to better apply materiality to disclosure requirements, this would help to address the disclosure problem.
59. However, because the Board issued the documents described in paragraph 56 relatively recently, we have only limited feedback on the practical effect that those documents have had, or are expected to have, on the application of materiality to disclosure. Therefore, we think that it is difficult for the Board to make an informed decision about whether, and to what extent, it should consider further activities aimed at helping entities to better apply materiality judgements. In addition, we think that additional activity in this area before the practical effect of those documents is well understood could be confusing and unhelpful for stakeholders.
60. Nevertheless, we think that the feedback from respondents in response to the Discussion Paper is something the Board should consider when more information is available. Consequently, we recommend that the Board does not perform any further activity relating to materiality at this time, but, instead plans to re-consider this in Q2 2019. By that time, we expect to have:
 - (a) more information about the practical effect of the documents listed in paragraph 56. For example, by Q2 2019, many companies will have been through two complete reporting cycles since the issue of the documents described in paragraph 56; and
 - (b) made significant progress on the Definition of Material project. Within the feedback received on that project, some respondents have commented on the application of materiality to disclosure requirements. We are planning to bring comment letter feedback on this project to the Board at its April 2018 meeting and make recommendations about next steps in May 2018.

Staff recommendation and question for the Board

Question 7

Does the Board agree with the staff recommendation that the Board should consider whether to perform any further activity relating to materiality when it has more information about the practical effect of recent Board publications about the application of materiality?

Appendix A—Mapping of Discussion Paper topics to staff recommendations for project next steps

A1. The table below summarises the topics in each section of the Discussion Paper and references the recommended next steps for each topic. The purpose of this Appendix is to demonstrate how all Sections of the Discussion Paper, and the feedback received on those Sections, has been, or will be, included in the Board’s decision-making about project next steps.

Discussion Paper topic	Staff recommendation for next steps
<i>Section 1—Overview of the ‘disclosure problem’ and the objective of this project</i>	
The need for principles of disclosure	Agenda Paper 11B
The objective of this project (the question for respondents on this section was: “Are there any other disclosure issues that the Board has not identified in this Discussion Paper that you think should be addressed as part of the Principles of Disclosure project? What are they and why do you think they should be addressed?”)	Agenda Paper 11A—Category 4/Agenda Paper 11B (standards-level review)
<i>Section 2—Principles of effective communication</i>	
Principles of effective communication	Agenda Paper 11B
Inclusion of principles in a general disclosure standard or in non-mandatory guidance	
Provision of guidance on formatting	Agenda Paper 11A—Category 2
<i>Section 3—Roles of the primary financial statements and the notes</i>	
Use of the term ‘primary financial statements’	Agenda Paper 11A—Category 1
The role of the primary financial statements	
The implications of the role of the primary financial statements	
The role and content of the notes	
Use of the terms ‘present’ and ‘disclose’	Agenda Paper 11A—Category 2/Agenda Paper 11B (guidance for the Board)

Discussion Paper topic	Staff recommendation for next steps
<i>Section 4—Location of information</i>	
Including information necessary to comply with IFRS Standards outside the financial statements	Agenda Paper 11A—Category 3
Providing information identified as non-IFRS within the financial statements	Agenda Paper 11A—Category 3
<i>Section 5— Use of performance measures in the financial statements</i>	
Performance measures that are line items or subtotals in the statement(s) of financial performance	Agenda Paper 11A—Category 1
Presentation of EBIT and EBITDA	
Depiction of unusual or infrequently occurring items in the statement(s) of financial performance	
General requirements for all performance measures in the financial statements	
<i>Section 6—Disclosure of accounting policies</i>	
Which information about a significant accounting policy should be disclosed	Agenda Paper 11A—Category 3
Where should accounting policy disclosures be located in the financial statements	Agenda Paper 11A—Category 2
Location of accounting policy disclosures	
Location of significant judgments and assumptions disclosures	
<i>Section 7—Centralised disclosure objectives</i>	
Developing centralised disclosure objectives	Agenda Paper 11B
Method A—focusing on types of information	
Method B—focusing on the entity’s activities	
Hybrids of methods A and B	
Considering a single Standard, or a set of Standards, for disclosures	Agenda Paper 11A—Category 2

Discussion Paper topic	Staff recommendation for next steps
<i>Section 8—New Zealand Accounting Standards Board staff’s approach to drafting disclosure requirements in IFRS Standards</i>	
The NZASB staff’s approach	Agenda Paper 11B (guidance for the Board)
Disclosure objectives	
Two tiers of disclosure requirements	
Emphasising the use of judgment	
Less prescriptive language	
The way disclosures are drafted in IFRS Standards	Agenda Paper 11B (guidance for the Board and Standards-level review)