

# Disclosure Initiative

## Principles of Disclosure project

### Better Communication: Disclosures, what do analysts and investors need?

18 September 2017

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# Background to the Disclosure Initiative

## Better Communication in Financial Reporting

Primary  
Financial  
Statements

Disclosure  
Initiative

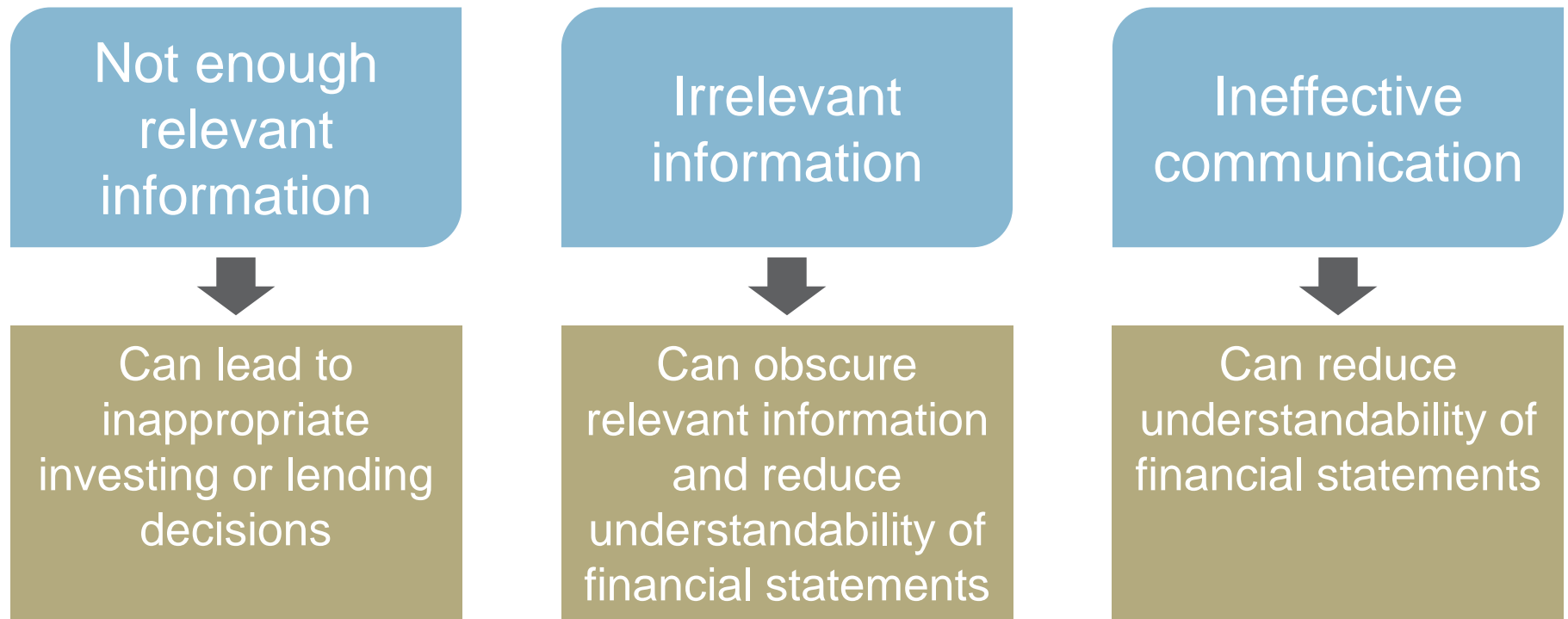
IFRS  
Taxonomy™

Content and its organisation

Content delivery

# The disclosure problem

- The Board has identified three main concerns about disclosures in the financial statements:



## Disclosure Initiative

Completed projects

Materiality implementation projects

Research projects

Related projects

Amendments to IAS 1 to remove barriers to application of judgement

Amendments to IAS 7 to improve disclosure of liabilities from financing activities

Materiality Practice Statement

Definition of material

Principles of Disclosure (this project)

Standards-level Review of Disclosures

Conceptual Framework

Primary Financial Statements

# Objective of the Principles of Disclosure project

# Objective of the project

- Request to develop **disclosure principles** that apply across IFRS Standards

Help entities apply judgement and communicate effectively

Help users by improving disclosures

Help the Board improve disclosure requirements

## Ultimate goal:

- New general disclosure standard or amendments to IAS 1 *Presentation of Financial Statements*
- Possibly with supporting guidance/education material

# Objective of the Discussion Paper

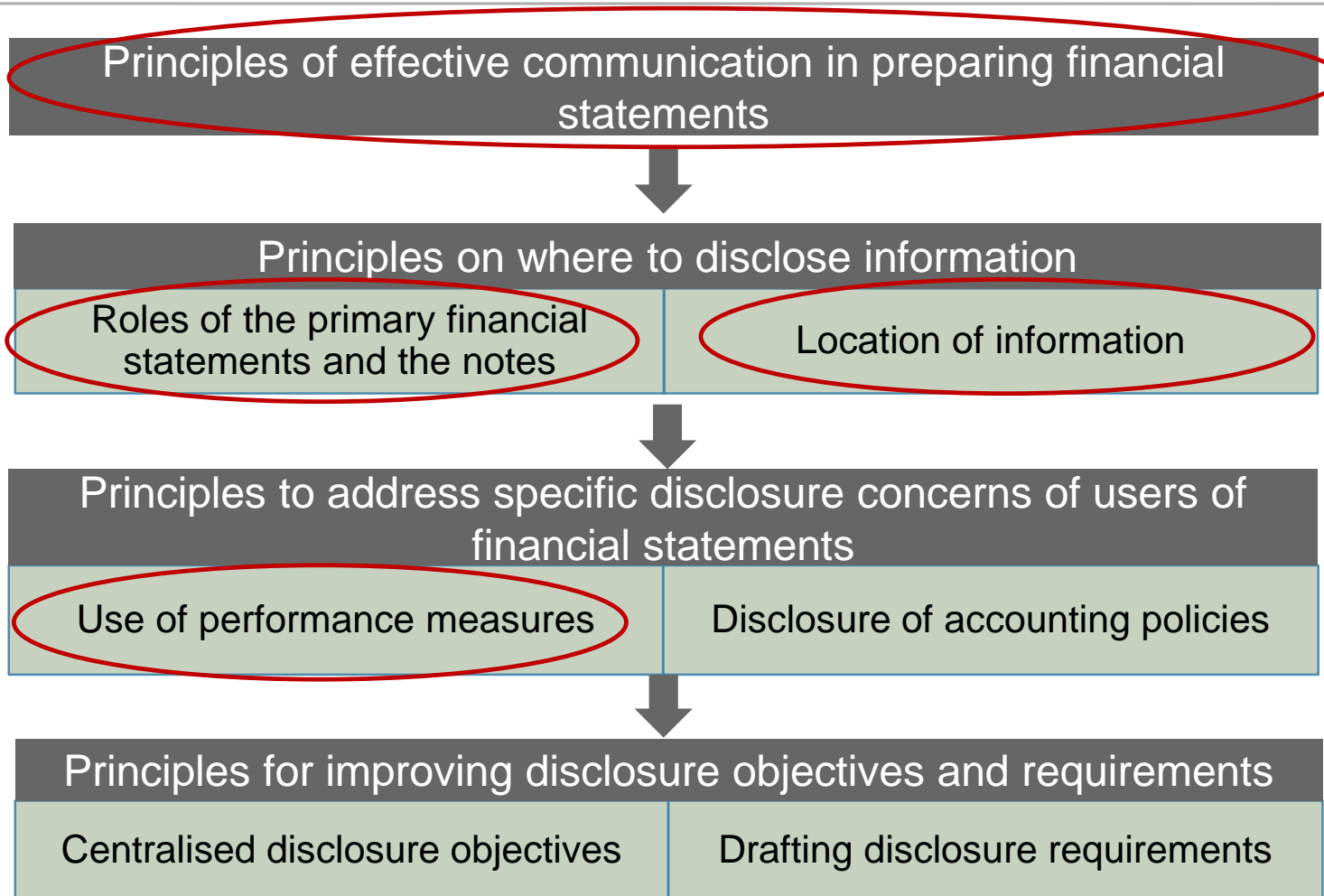
- Seek **feedback** on

Approaches to address identified disclosure issues

Whether there are other disclosure issues to consider



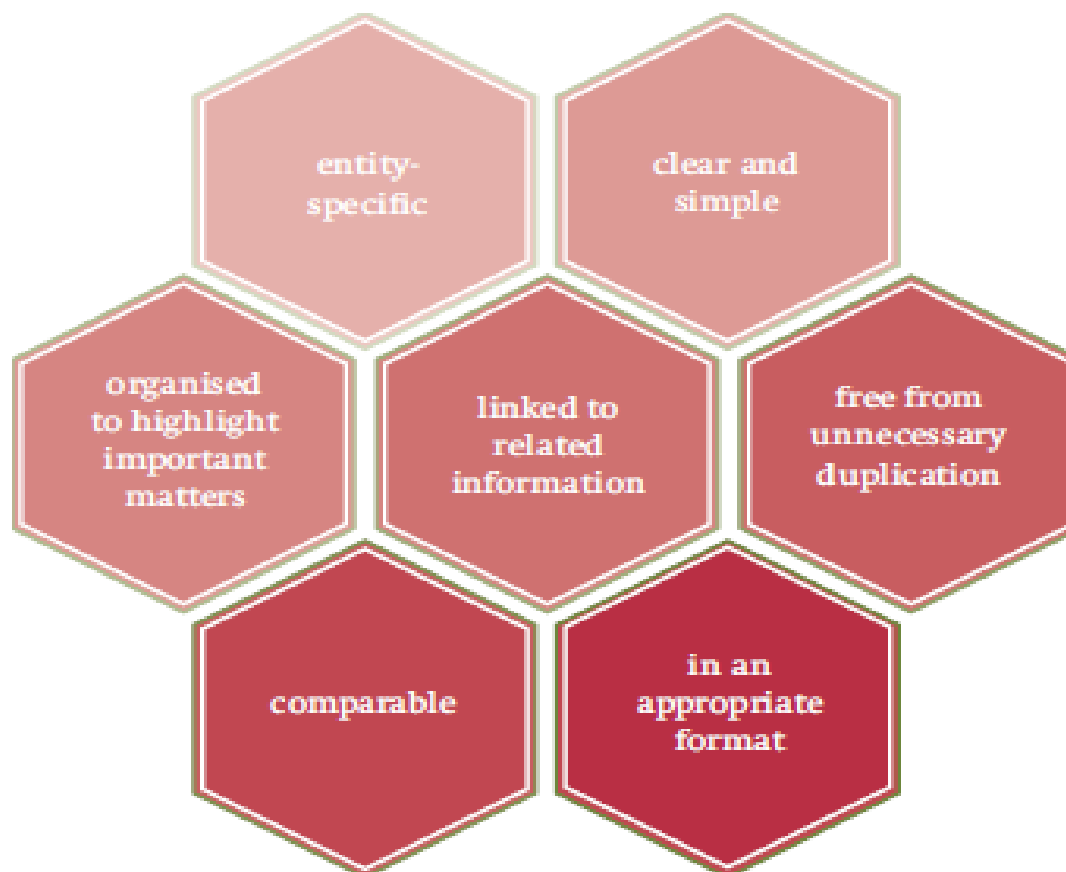
# Outline of Discussion Paper



# Disclosure issues and possible approaches to address them

# Principles of effective communication

- Ineffective communication can make financial statements difficult to understand and analyse
- Information in financial statements should be:



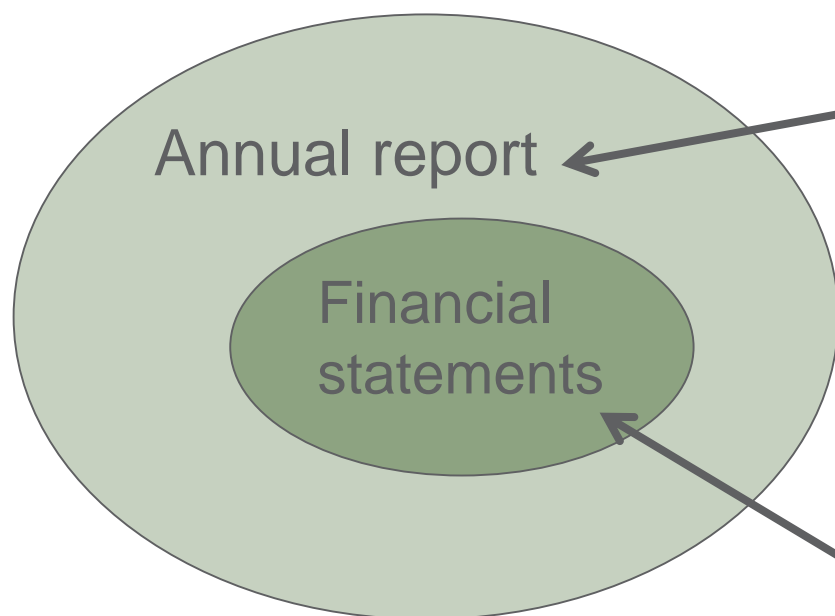
# Roles of primary financial statements and notes

- Entities have difficulty judging whether information should be provided in the primary financial statements or the notes

Component of financial statements	Role
Primary financial statements are statements of: <ul style="list-style-type: none"><li>• financial position</li><li>• financial performance</li><li>• changes in equity</li><li>• cash flows</li></ul>	To provide a structured and comparable summary of an entity's recognised assets, liabilities, equity, income and expenses
Notes	To explain and supplement the primary financial statements

# Location of information

- Information duplication and fragmentation can make financial statements less understandable and difficult to analyse



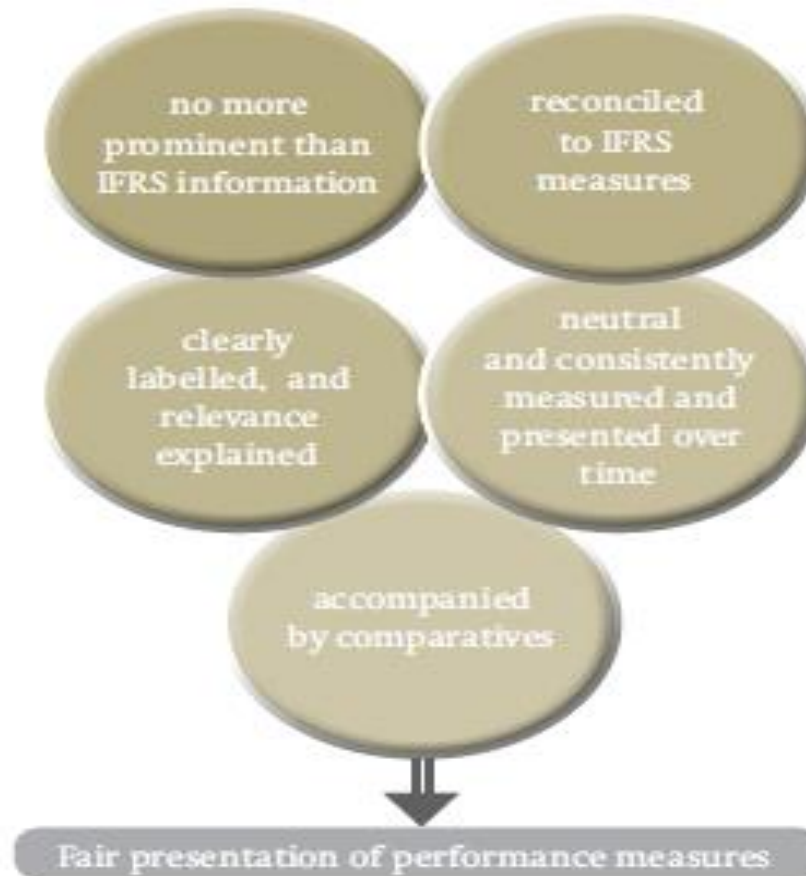
Information necessary to comply with IFRS Standards may be **placed outside financial statements**, but within annual report if

- annual report more understandable
- financial statements understandable
- information is faithfully represented, cross-referenced and clearly identified

Information labelled as 'non-IFRS' may be **placed within the financial statements** if listed, clearly identified and explained

# Use of performance measures

- Can provide useful information if used correctly
- Can be misleading if used incorrectly
- Use of performance measures should be:



# Timetable of project and further information

# Expected project timetable

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Feedback on Discussion Paper will also inform

- Primary Financial Statements project
- Standards-level Review of Disclosures project




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