EFRAG

European Financial Reporting Advisory Group

AUDITO IR APSKAITOS TARNYBA

Joint Outreach Event

Towards a Disclosure Framework for the Notes

Vilnius - 30 October 2012

Introduction and participants

EFRAG Outreach events

EFRAG holds outreach events in partnership with National Standard Setters and user groups across Europe on a regular basis on topics of general interest to constituents.

For more details of the Autumn 2012 series of events, please see the EFRAG website.

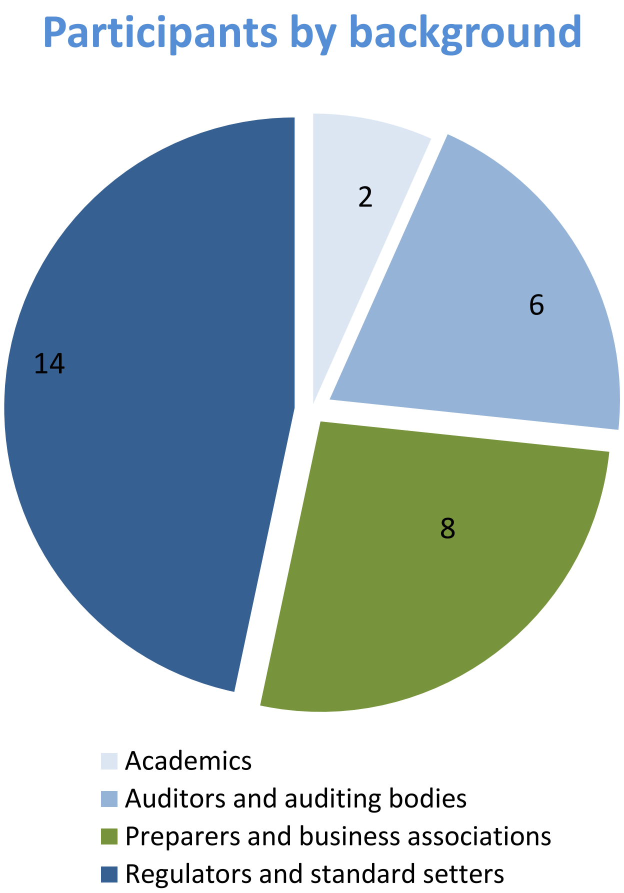
Joint Outreach Event, Vilnius, 30 October

The Lithuanian Authority of Audit and Accounting (AAT) and EFRAG held a joint outreach event in Vilnius on 30 October 2012 to obtain feedback from constituents on the EFRAG/ANC/FRC discussion paper *Towards a Disclosure Framework for the Notes.*

Purpose and use of this feedback statement

This feedback statement has been prepared to summarise the messages received from constituents at the outreach event and will be considered by EFRAG/ANC/FRC when deciding future steps for the project.

This feedback statement has been prepared by the EFRAG secretariat and the AAT for the convenience of constituents. The content of the report has not been subject to review or discussion by the EFRAG Technical Expert Group or by the AAT Accounting Standards Committee.



Towards a Disclosure Framework for the Notes

In July 2012 EFRAG, in partnership with the French Standard Setter ANC and the UK standard setter FRC, published a discussion paper *Towards a Disclosure Framework for the Notes.* The FASB published a discussion paper of their own on the same day.

Background

The objectives of Discussion Paper are to:

(a) identify what disclosures are relevant for the notes to the financial statements;
(b) discuss what materiality means from a disclosure perspective; and
(c) develop a set of principles for good communication of disclosures.

The objective of the Disclosure Framework is to ensure that <u>all</u> and <u>only</u> relevant information is disclosed in an appropriate manner, so that detailed information does not obscure relevant information in the notes to the financial statements.

Information to be considered together with this document

To view information related to this discussion paper please access EFRAG's [project webpage](). The comment period closes on 31 December. Please send comments to commentletters@efrag.org.

Key principles in the discussion paper

The discussion paper identifies a number of key principles for a disclosure framework for the notes:

(a) Purpose and content of the notes;
(b) Setting disclosure requirements;
(c) Applying the requirements; and
(d) Communicating information

Content of the discussion paper

Following an introduction from AAT Director Audrius Linartas, EFRAG Senior Project Manager Filippo Poli set out the content of the discussion paper, explaining each of the key principles identified above.

Open debate

An open debate, including questions on the discussion paper took place. The following pages summarise the key themes of the discussion and comments from constituents.

Summary of feedback received from constituents

Area	Constituent	Comment
General comments	User	There lot of useful information in disclosures, as well as in the primary statements, which may be at risk of being lost. It is very important that the needs of stakeholders other than investors is considered, as financial statements are used for many reasons.
The framework	Auditor	The disclosure framework should emphasise that each item of information disclosed should add value to the financial statements.
Setting the requirements	Auditor	The objective of disclosures set out in the discussion paper are good, and key to developing a framework. Replacing one set of average disclosures with another set is not a good idea, and different users have different requirements. Therefore, it is important to set out the objective of disclosures.
	Auditor	There is currently no auditor guidance on what is material in the context of disclosures.
Different approaches and differential disclosure regimes	Auditor	It would be a new challenge to think of materiality as something other than a figure. Clients would also need to be educated on thinking processes.
	Standard setter	It can be difficult to understand the financial statements of financial institutions anyway and any differential disclosure regime for the same type of financial institutions would lead to reduced comparability which could make the financial statements even more difficult to understand.
	Auditor	Disclosures contained with banks' financial statements are already very different from those from other companies.

AUDITO IR APSKAITOS TARNYBA

EFRAG European Financial Reporting Advisory Group

Summary of feedback received from constituents

Area	Constituent	Comment
Different approaches and differential disclosure regimes	Standard setter	Lithuanian GAAP includes a differential disclosures regime as the requirements change based on the size and the type of the company, also in line with the EU accounting directives. Based on these experiences, a disclosure regime based on size would generally be supported, however key judgements (including in relation to estimates) should be disclosed irrespective of size.
Communicating information	Auditor	Most companies would not welcome changing structure of their financial statements each year. Although it may be possible to emphasise the most important, most disclosures should stay in the same order year to year.
	Auditor	It is difficult to understand why companies include accounting policies that simply reproduced the content of IFRS. It is important to include judgements and options, but not the basics of the standards.
	Auditor	While it would possible to include most disclosures on a website rather than in the main financial statements, the key options chosen should be included in the financial statements.
	Standard setter	The entities could add a single page summarising the most important information related to financial statement, which could be standardised by industry. This would include disclosures such as estimates, impairment tests, judgements, items that were crucial for the company, its risks and other issues were material.