

Disclosure Initiative— Principles of Disclosure Comment letter overview

Accounting Standards Advisory Forum meeting
December 2017

ASAF agenda paper 2

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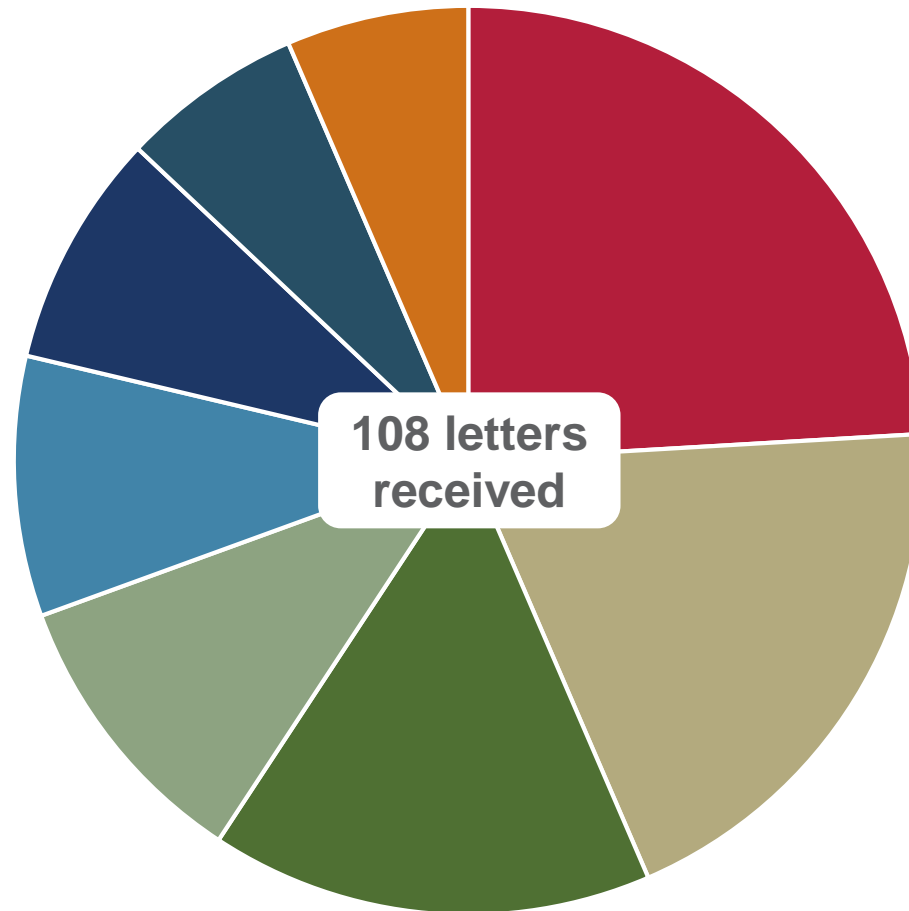


The objective of this session is to:

- Provide a preliminary high-level summary of the **key messages** received
- To ask for ASAF members' thoughts on the feedback, and advice on the project's **next steps**

Please note that the full comment letter database analysis is not yet complete and this summary is indicative only

Comment letter breakdown



- Preparer (26)
- Standard setter (21)
- Institute/prof. body (17)
- Regulator (11)
- Other (10)
- Accounting Firm (9)
- Individual (7)
- User (7)

- Consensus that **there is a disclosure problem**
- **Mixed views** on the primary cause
- However, virtually all agree that **the Board can contribute to achieving positive change**
- Feedback received can be split into two categories:
 - 1) Is the project focussing on the right things? (breadth and depth)
 - 2) Specific feedback on the preliminary views in the discussion paper

Is the project focussing on the right things?

General direction and focus

Respondents generally think the project needs more specific focus and in depth analysis. Feedback included:

Perception that it is difficult to fully understand the **practical consequences** of some preliminary views without further development

Board should focus on areas that will make the **most** difference to the disclosure problem and analyse them in more depth

Interaction between Better Communication projects

Some concerns expressed about overlap, fragmentation and coherency in overall approach:

Some think Better Communication should be **one holistic project**

Others think boundaries need to be more **clearly distinguished**

Conceptual Framework vs IFRS Standards requirements

Respondents generally think discussions should clearly distinguish between:

Guidance to assist the Board in setting standards
(eg **Conceptual Framework** material)

Requirements for companies (ie **IFRS Standards** material)

Technology / digital reporting

Respondents generally think digital reporting should be considered:

Disclosure problem is **not necessarily the same** if the information is reported or consumed electronically

Certain DP discussions are less relevant in a digital reporting environment (eg location, formatting)

Respondents generally supported a standards-level review of disclosure requirements:

Some think this should be prioritised by the Board as the most effective way to promote change

Others think the Board should *first develop disclosure principles then perform a standards level review*

Specific feedback on the preliminary views

Specific feedback on the preliminary views

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The disclosure problem	<ul style="list-style-type: none">• General agreement with the problem• Mixed views on the primary cause / best solution
Principles of effective communication	<ul style="list-style-type: none">• General agreement with the principles• Some concerns about tension between ‘entity specific’ and ‘comparability’• Some concerns about practical application and enforceability• Mixed views on whether developing principles of effective communication will help to solve the disclosure problem
Roles of the primary financial statements and the notes	<ul style="list-style-type: none">• Mixed views on whether defining these roles would help to solve the disclosure problem• General agreement that use of ‘present’ and ‘disclose’ should be clarified; mixed views on how this should be done

Specific feedback on the preliminary views

Location of information	<p><u>IFRS Standards information outside the financial statements</u></p> <ul style="list-style-type: none">• General agreement that this can be useful in some circumstances• Concerns about availability of information; fragmentation; and audit <p><u>'Non-IFRS information' within the financial statements</u></p> <ul style="list-style-type: none">• General agreement that this can be useful in some circumstances• Concerns about defining 'non-IFRS'; clouding IFRS Standards information; and audit
Use of performance measures	<ul style="list-style-type: none">• General view that these discussions should be developed within the context of the PFS project• General agreement with providing guidance / requirements on fair presentation of performance measures

Specific feedback on the preliminary views

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Disclosure of accounting policies	<ul style="list-style-type: none">• General agreement that providing guidance / requirements on which accounting policies to disclose could be useful• General disagreement with providing guidance / requirements on location of accounting policies
Centralised disclosure objectives	<ul style="list-style-type: none">• Mixed views on whether developing central disclosure objectives would help to solve the disclosure problem• General view that 'Method B' is not well developed enough to conclude on a preferred approach
NZASB approach	<ul style="list-style-type: none">• General view that practical consequences are difficult to determine without further development• Mixed views on whether the Board should further develop this approach

Questions for ASAF members

Questions for ASAF Members

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- 1) Do you have any comments on overall feedback we received on the Principles of Disclosure DP?
- 2) What advice would you give the Board about the project's next steps?

Contact us

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