

Disclosure Initiative

Principles of Disclosure project

Copenhagen, June 2017

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Agenda

- Introduction to the IASB Discussion Paper
 - Better Communication in Financial Reporting
 - Background to the Disclosure Initiative
 - Objective of the Principles of Disclosure project and Discussion Paper
- Key Topic 1—What is the disclosure problem?
- Key Topic 2—Roles of the notes and placement and linkage of information
- Expected project timetable

Introduction to the IASB Discussion Paper *Disclosure Initiative—Principles of Disclosure*

Better Communication in Financial Reporting

Better Communication in Financial Reporting

Primary
Financial
Statements

Disclosure
Initiative

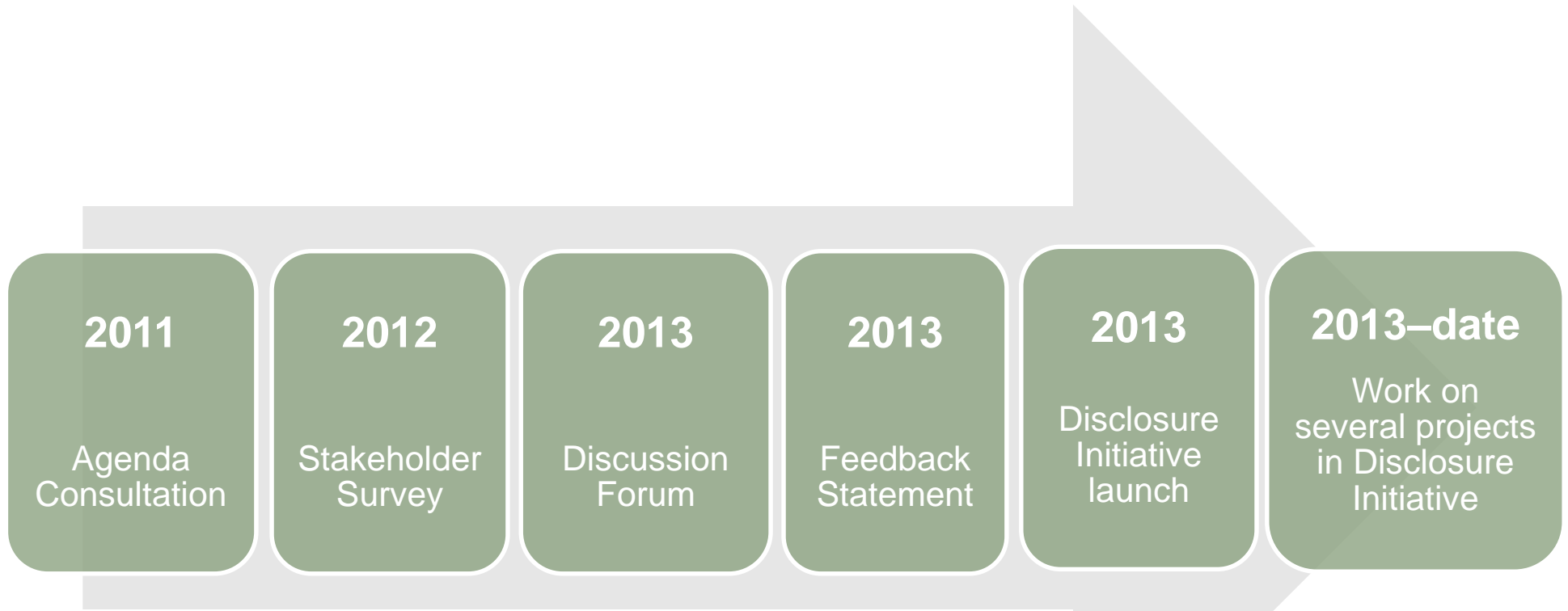
IFRS
Taxonomy™

Content and its organisation

Content delivery

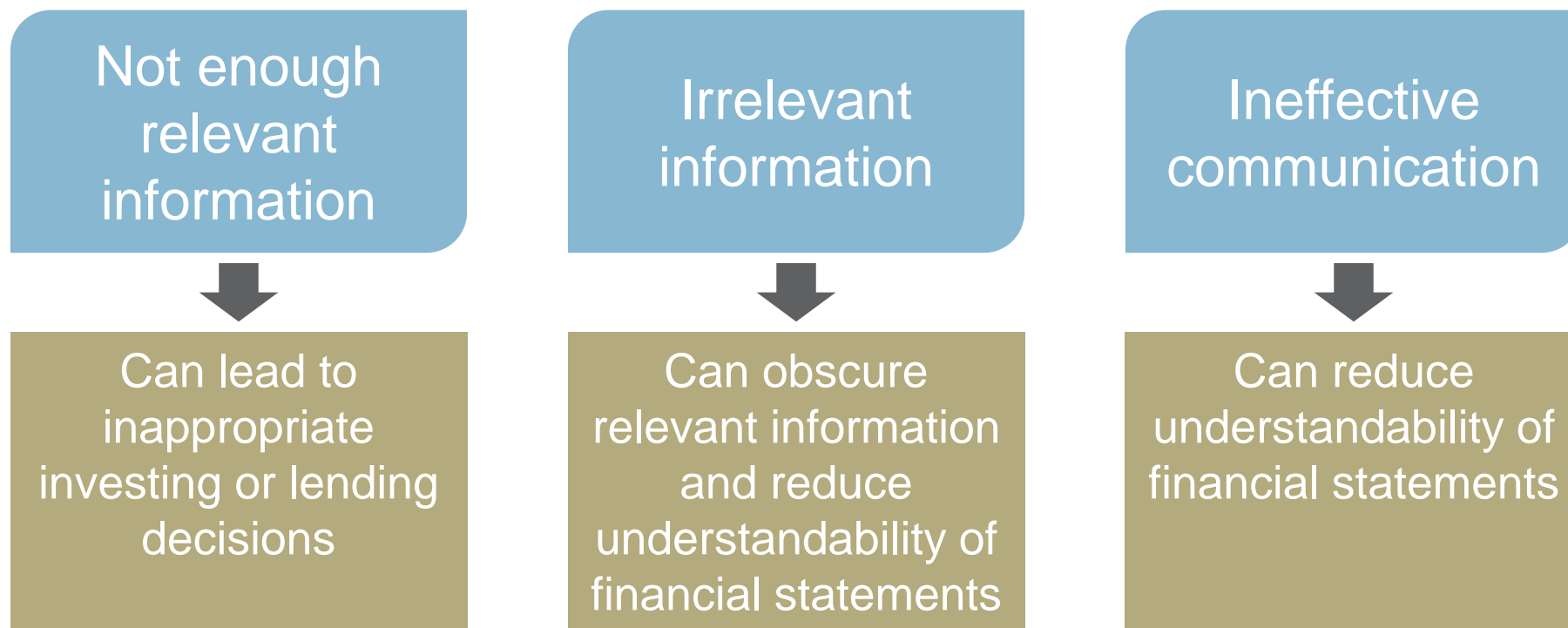
Background to the Disclosure Initiative

History of the Disclosure Initiative



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 and Discussion Paper

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

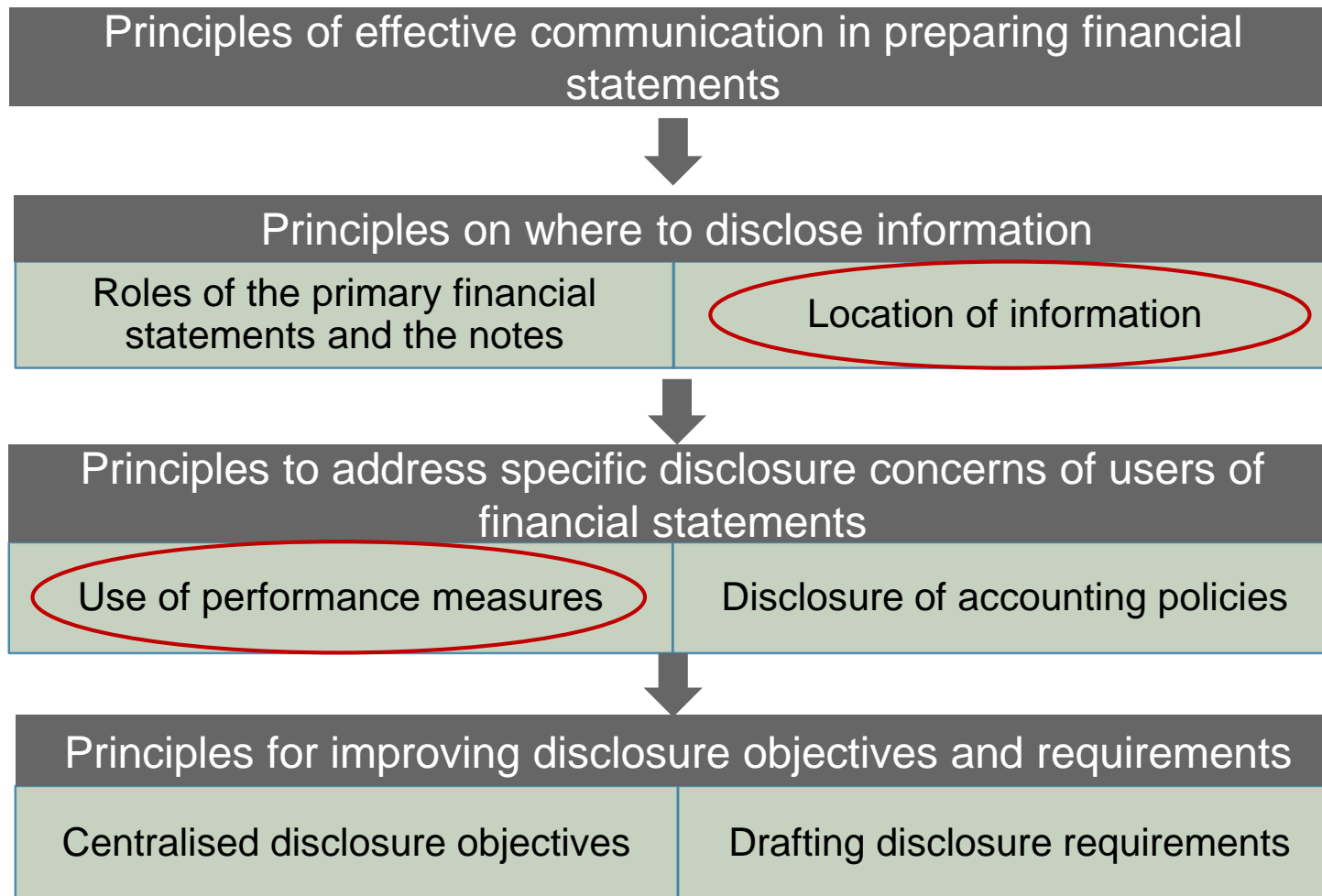
Objective of the Discussion Paper

- Seek **feedback** on

Approaches to address identified disclosure issues

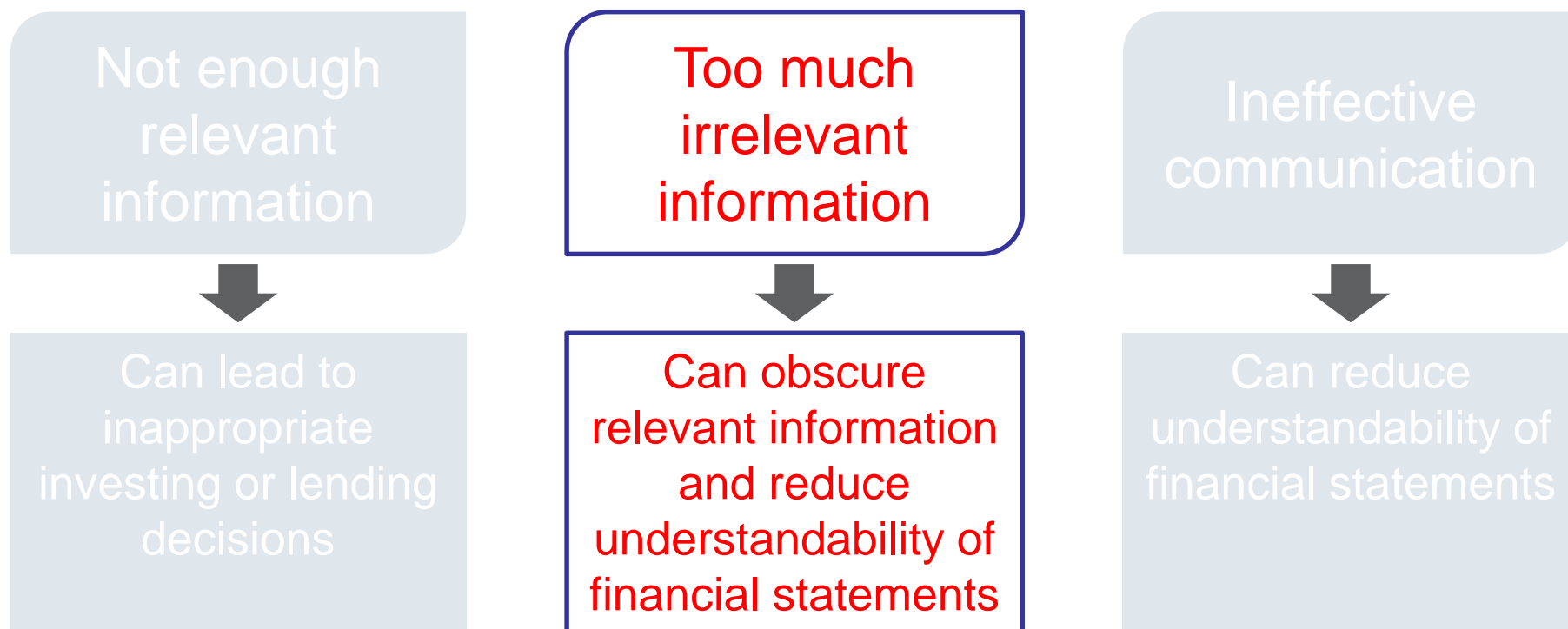
Whether there are other disclosure issues to consider

Outline of Discussion Paper (DP)



Key Topic 1— What is the disclosure problem?

- This section discusses problems caused by **excessive disclosures** of immaterial or irrelevant information:



What is Disclosure Overload?

- Wide variety of views on disclosure overload:

Some Users Say	Some Preparers Say
<ul style="list-style-type: none"> ➤ There is no such thing as too much information. ➤ Even small amounts can be useful – corroboration or confirmatory value for example. ➤ All disclosed information is ‘considered’ ➤ Investors own the company so the cost to prepare disclosures is ‘their money’ to spend 	<ul style="list-style-type: none"> ➤ Many disclosures are unnecessary for investment analysis. ➤ Financial statements are too complicated and lengthy. ➤ No one reads all the disclosures. ➤ Preparation and auditing are expensive, difficult and often complex. ➤ Out of date disclosures never seem to ‘go away’ – disclosure requirements only expand.

Too much irrelevant information

Multiple root causes including:

- Behavioural – e.g. checklist approach, repeating IFRS standards in accounting policy disclosures.
- Unclear roles and objectives for notes in general – the POD project
- How standards are written - ‘an entity shall disclose...’
- Lack of guidance in how to make materiality judgements.
- Regulatory and audit requirements sometimes add details beyond IFRS requirements.

- PIR of IFRS 13 just issued – amongst other items, seeking input on volume / difficulty of disclosures.
- PIR's of IFRS 10, 11 & 12 – commence by year end.
- Amendments to IAS 1 issued in 2014 (see slide 19).
- Materiality Practice Statement and proposed amendments to the definition of material expected in Q3 2017.
- Standards-level Review of Disclosures project – timing uncertain (see slide 20).

Amendments to IAS 1 issued in 2014

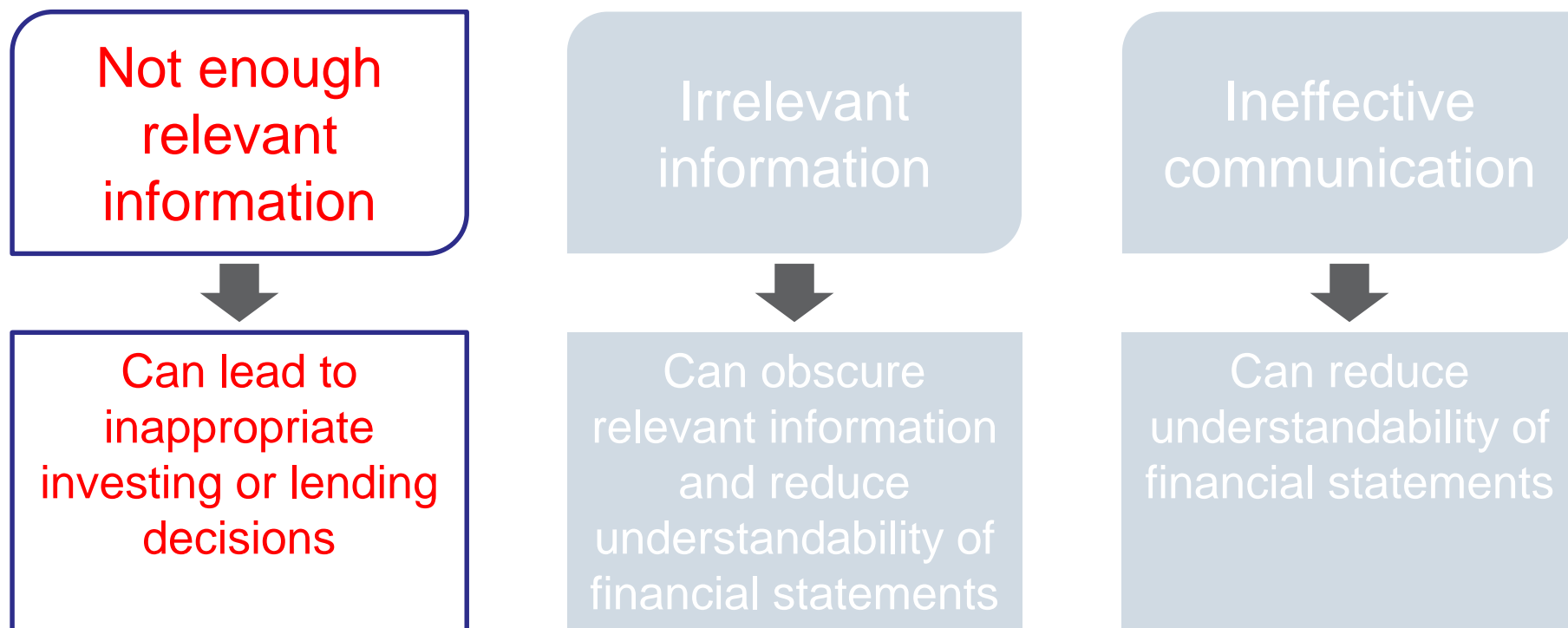
- Goal – remove barriers to using judgement in making disclosure decisions.
- ‘...Unshackling the preparers...’
- Key features include:
 - Flexibility in ordering of the notes;
 - Materiality assessments trumps Standards level phraseology such as ‘shall’, ‘at a minimum...’
 - Just because an element is material it does not automatically follow that every enumerated disclosure is also material
 - Materiality of note disclosures is assessed versus financial statements as a whole and not at the subject level
 - Some relief on aggregating / disaggregating information
 - Ability to use subtotals on face of statements is enhanced

Standards-level Review of Disclosures project

- This project will be informed by the feedback received on the Discussion Paper.
- As part of the outreach activities on the Discussion Paper, a few stakeholders have raised concerns relating to disclosure overload arising from a few Standards (IAS 19, IFRS 2, IFRS 7).
- Objectives are to determine efficacy of a targeted approach to a comprehensive standards-level review of disclosures *and* how future disclosure requirements might be drafted.
- Any changes are subject to normal IASB due process.
- Its worth noting that this project would seek to address all three aspects of the disclosure problem, ie its focus would not only be disclosure overload.

The disclosure problem

- The disclosure problem will also consider concerns about insufficient relevant information:



Re-opening a Standard is not all one way

Users typically have many disclosures they would like!

Input received in the Standards-level Review of Disclosures project could include and IASB would need to consider requests for:

More traditional disclosures

- Sensitivity analysis
- Variability
- Risks and contingencies
- Critical judgements and estimates
- More segment level info
- etc.

Emerging reporting trends

- Value creation
- Sustainability
- Environmental, social/societal and governance
- Non GAAP measures
- etc.

Key Topic 2—Roles of the notes and placement and linkage of information

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



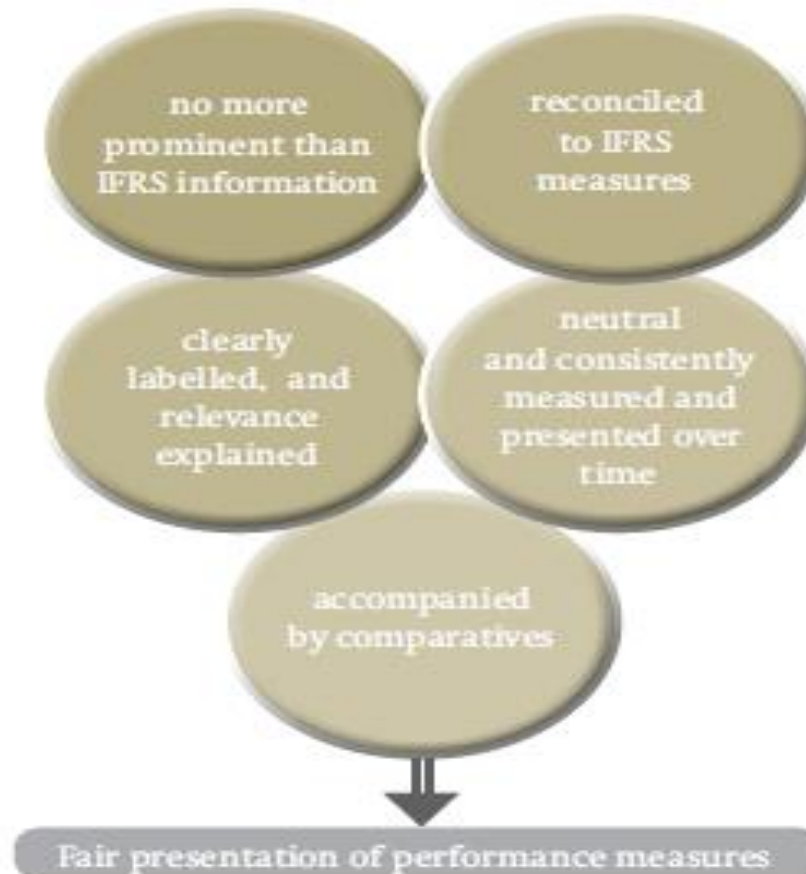
Information necessary to comply with IFRS Standards may be **placed outside financial statements**, but within annual report if

- 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:



Expected project timetable

Expected project timetable

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Feedback on Discussion Paper will also inform

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

Contact us

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