

Disclosure Initiative

Principles of Disclosure project

Poland, 12 September 2017

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Background to the Disclosure Initiative

Better Communication in Financial Reporting

Primary
Financial
Statements

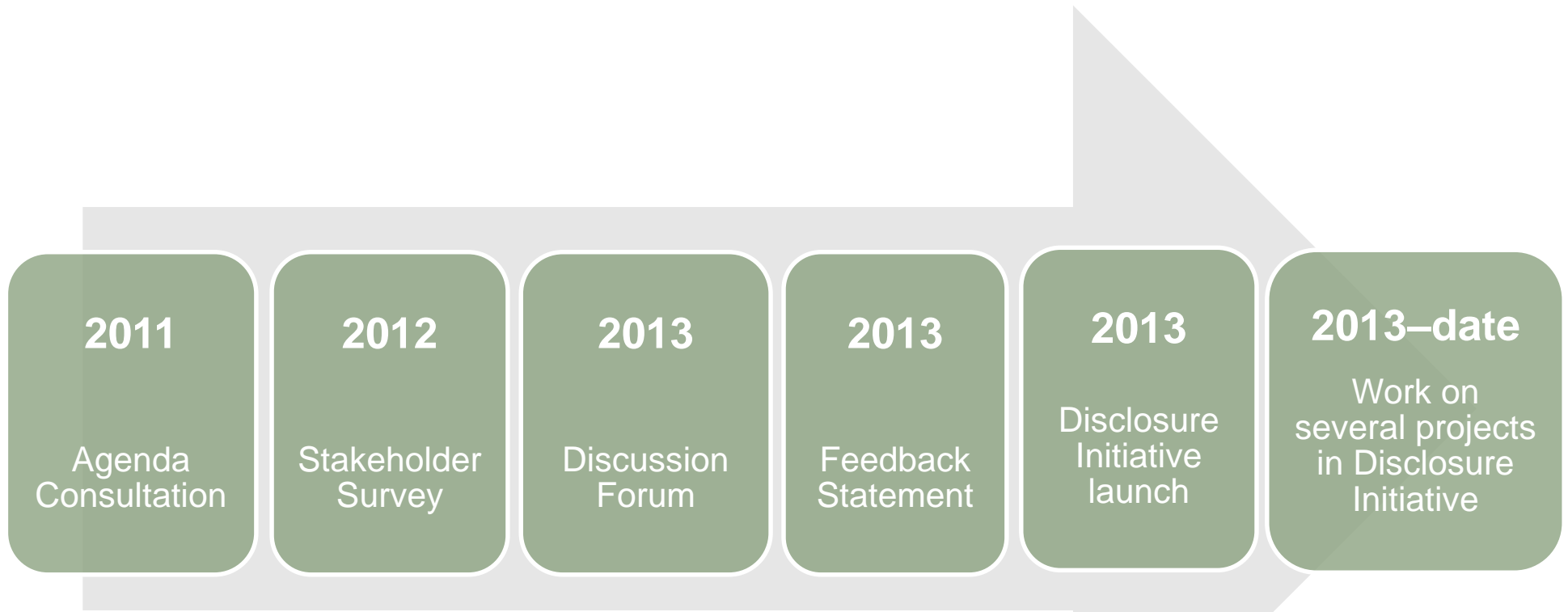
Disclosure
Initiative

IFRS
Taxonomy™

Content and its organisation

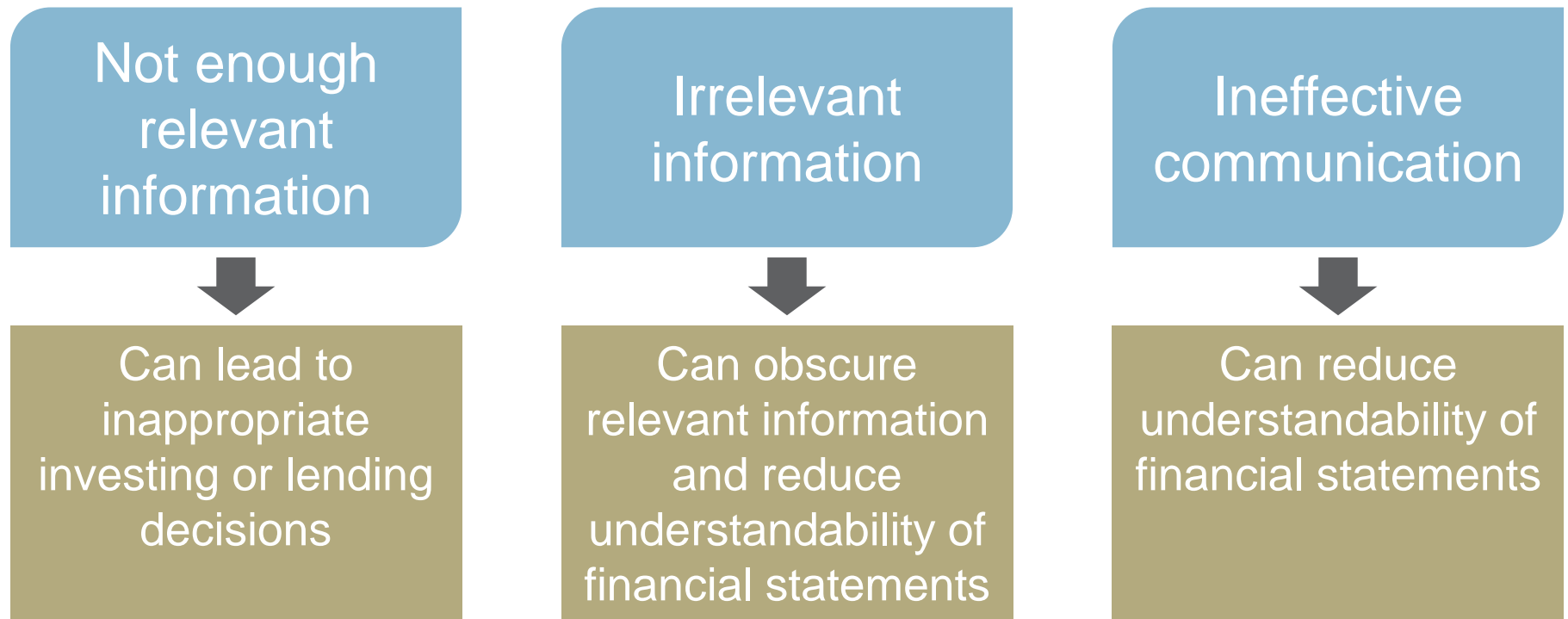
Content delivery

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

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

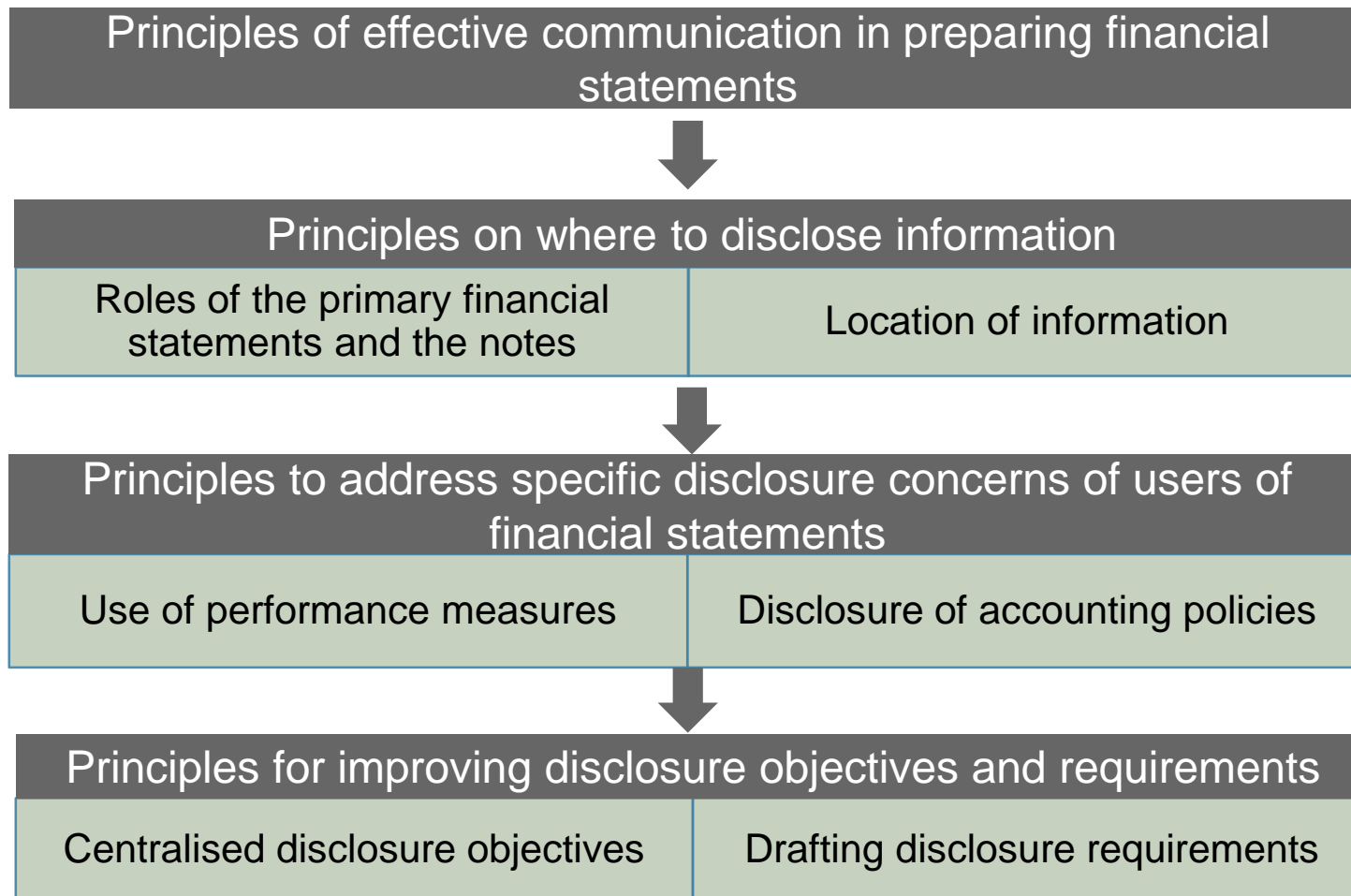
Objective of the Discussion Paper

- Seek **feedback** on

Approaches to address identified disclosure issues

Whether there are other disclosure issues to consider

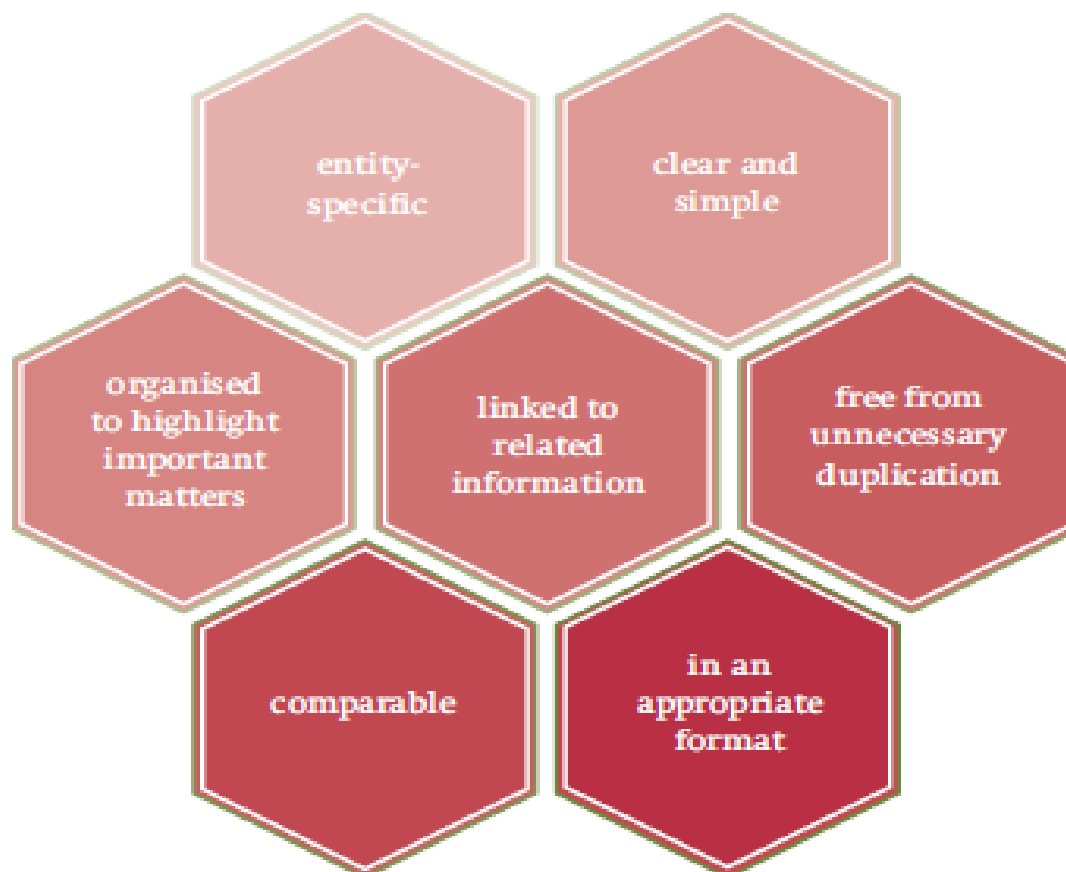
Outline of Discussion Paper



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:



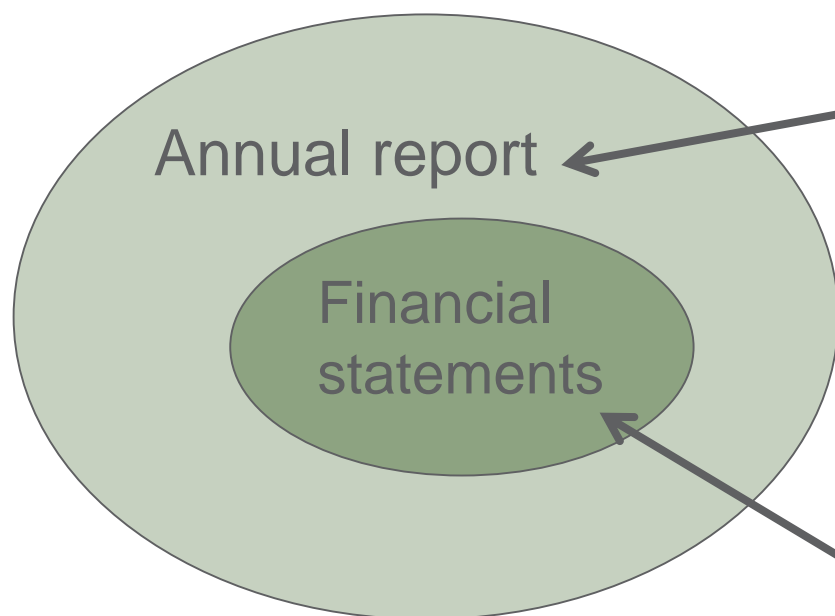
Roles of primary financial statements and notes

- 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">• financial position• financial performance• changes in equity• cash flows	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



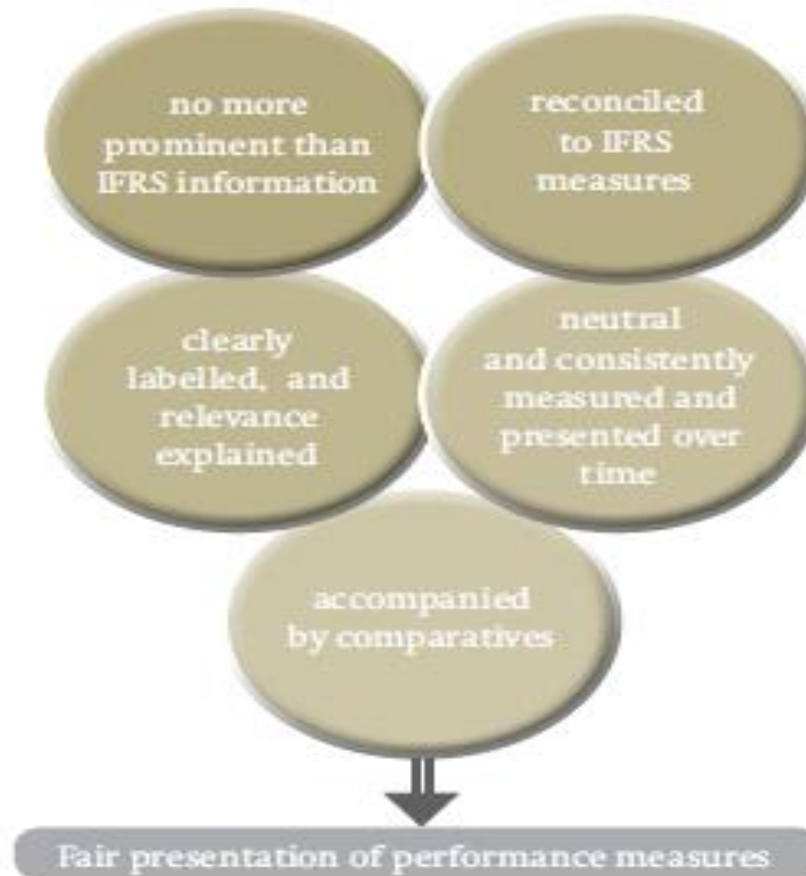
Information necessary to comply with IFRS Standards may be **placed outside financial statements**, but within annual report if

- 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:



Disclosure of accounting policies

- Users commonly **express concerns** about ineffective disclosure of accounting policies
- Guidance could:

Clarify which accounting policies are necessary for understanding the financial statements

Explain how to better organise and locate accounting policies and significant judgements and assumptions

Disclosure objectives and requirements

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Problems

Some Standards lack clear disclosure objectives

Prescriptive disclosure requirements

Some inconsistencies and unclear relationships between disclosures requirements

Possible approaches

Central set of disclosure objectives as a basis for more unified disclosure objectives and requirements

Approach developed by the NZASB staff for drafting disclosure objectives and requirements in Standards

Focusing on types of information

Information about:

- the reporting entity;
- methods, assumptions and judgements;
- items in the primary financial statements;
- unrecognised items;
- risks and other uncertainties
- management's stewardship;
- events after the end of the reporting period.

Example of centralised disclosure objective

Disclose information about changes in an entity's investment in property, plant and equipment for users to understand how transactions and events during the reporting period have changed the entity's financial position, financial performance or cash flows.

Focusing on entity's activities

Information about:

- the reporting entity;
- methods, assumptions and judgements;
- operating and investing activities;
- financing activities;
- discontinued operations; and
- taxation.

Example of centralised disclosure objective

An entity shall provide disclosures that enable users of financial statements to evaluate changes arising from financing activities, including both changes arising from cash flows and non-cash changes. [*]

Objectives (standard-level)

Overall disclosure objective

Disclosure subobjectives

Disclosure requirements

Tier 1—Summary information

Tier 2—Additional information
(if necessary)

The approach:

- emphasises the use of judgment; and
- uses less prescriptive language.

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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