

Targeted Standards-level Review of Disclosures

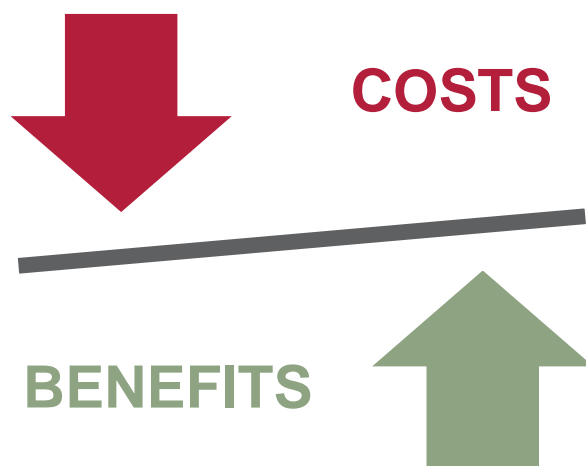
Accounting Standards Advisory Forum
April 2019

ASAF agenda paper 11

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Purpose of this session

- The purpose of this session is to seek the views of ASAF members on the feedback received from outreach with users of financial statements.
- In particular, we are seeking members' **views on** the costs and benefits of some existing and potential disclosure objectives and requirements relating to IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement*.



- Please review the summary of feedback received from users ([Agenda Paper 11A](#)). In particular, please review the information in Tables 1-4 of that paper. These tables summarise feedback from users on their:
 - disclosure objectives for employee benefits and fair value measurement; and
 - suggested items of information that could be used to meet their objectives.
- We have received a lot of detailed information from users and we would now like to seek the views of other stakeholders. [Agenda Paper 11B](#) contains a copy of the materials the staff used to facilitate meetings with users. This may be helpful if you perform any outreach in your jurisdiction.
- [During the meeting, we will ask you to comment on your highest priority areas](#)—that is, seek your views on those potential items of disclosure that you would most or least support.

Before the session

- Slides 17-20 include templates designed to help you summarise your feedback. Each column represents a question. It would be **very helpful if you are able to share any* detailed feedback you have in advance of the meeting** by emailing Kathryn (kdonkersley@ifrs.org) and Aishat (aakinwale@ifrs.org)
- When answering the questions, please refer to the following tables in **Agenda Paper 11A:**

Table 2	Specific items of information that could be used to meet objectives of disclosures about pension plans
Table 4	Specific items of information that could be used to meet objectives of disclosures about fair value measurement

*We do not expect every ASAF member to comment on every item in the table. Please feel free to leave any items you do not have strong views on.

Questions to ASAF members

- What are your views on these aspects of potential disclosure items identified by users?

Question 1

cost
consequences
for preparers



Question 2

consequences
for auditors



Question 3

consequences
for regulators¹



Question 4

expected benefits
to stakeholders
other than users?



¹ including whether potential disclosure objectives and requirements would be enforceable and any relationship with existing regulatory requirements.

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User outreach feedback (slides 12-13)

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Appendix—existing requirements



Project background and overview

Better Communication in Financial Reporting

Financial statements

Outside the
financial statements

Content

Primary
Financial
Statements

Disclosure
Initiative

Management
Commentary

Delivery

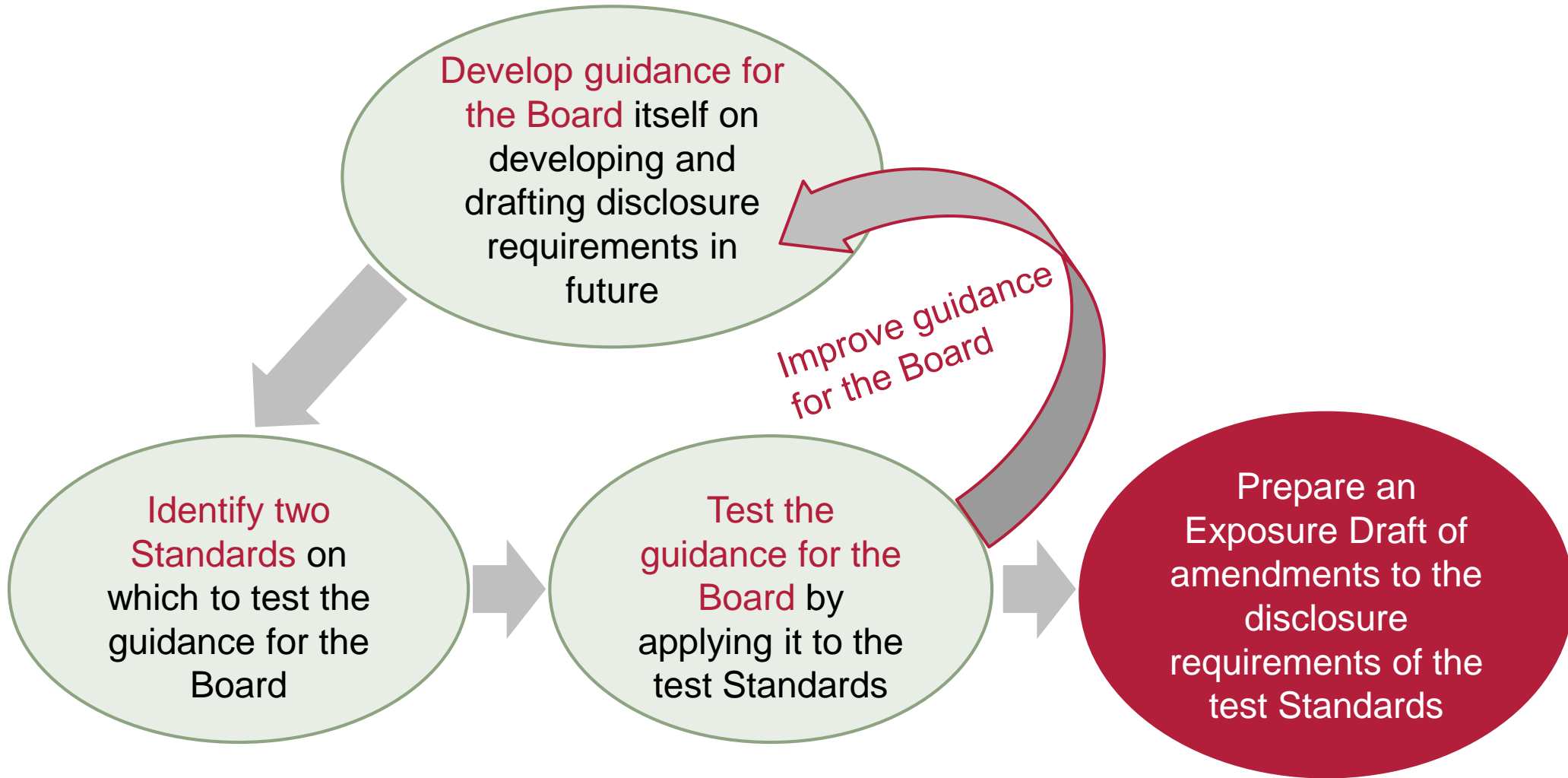
IFRS Taxonomy

The disclosure problem & project objective

- The Board has identified three main concerns about disclosures in financial statements:
 - not enough relevant information
 - too much irrelevant information
 - ineffective communication



An iterative process...



Project timeline

2018

March

...

May - Sep

2019

Nov - March

...

Q4

Project added to agenda in response to Discussion Paper



- Board developed draft guidance.
- IAS 19 and IFRS 13 selected to test the draft Guidance.

Meetings with users to understand their objectives and ideal information set(s)

- Meetings with consultative groups and other stakeholders.
- Board discussion on feedback and disclosure proposals.

Publish exposure draft

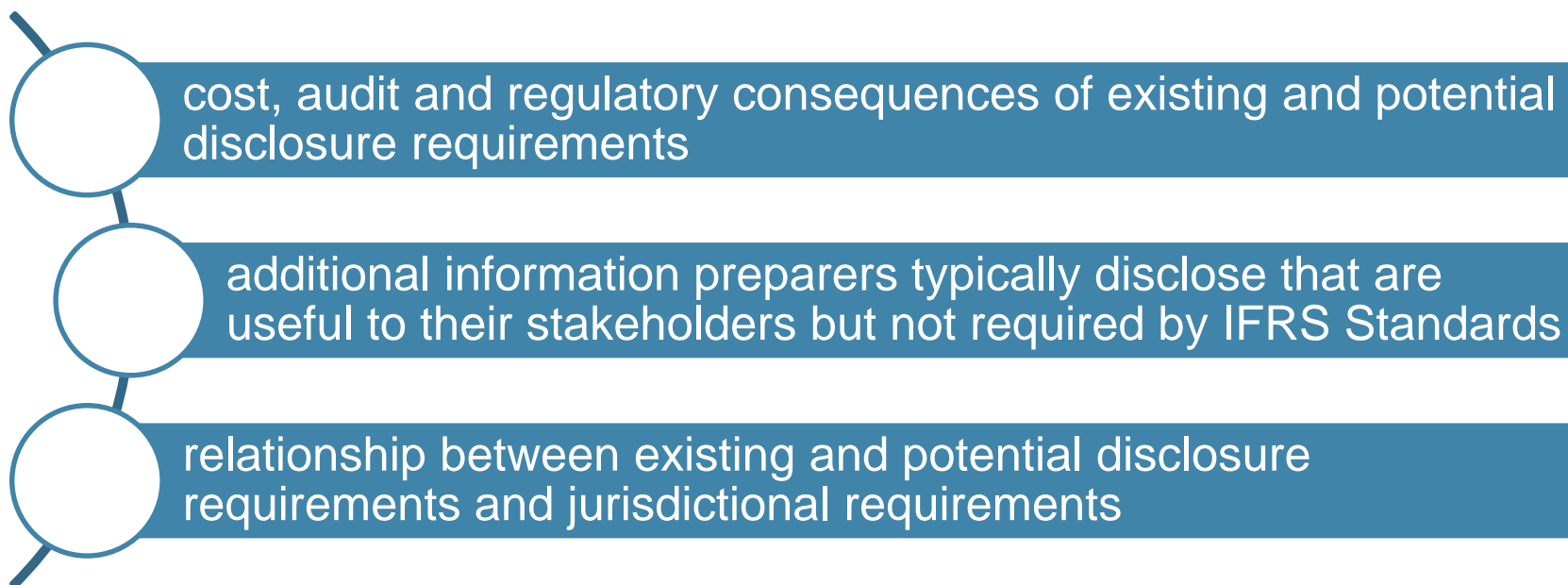
User outreach

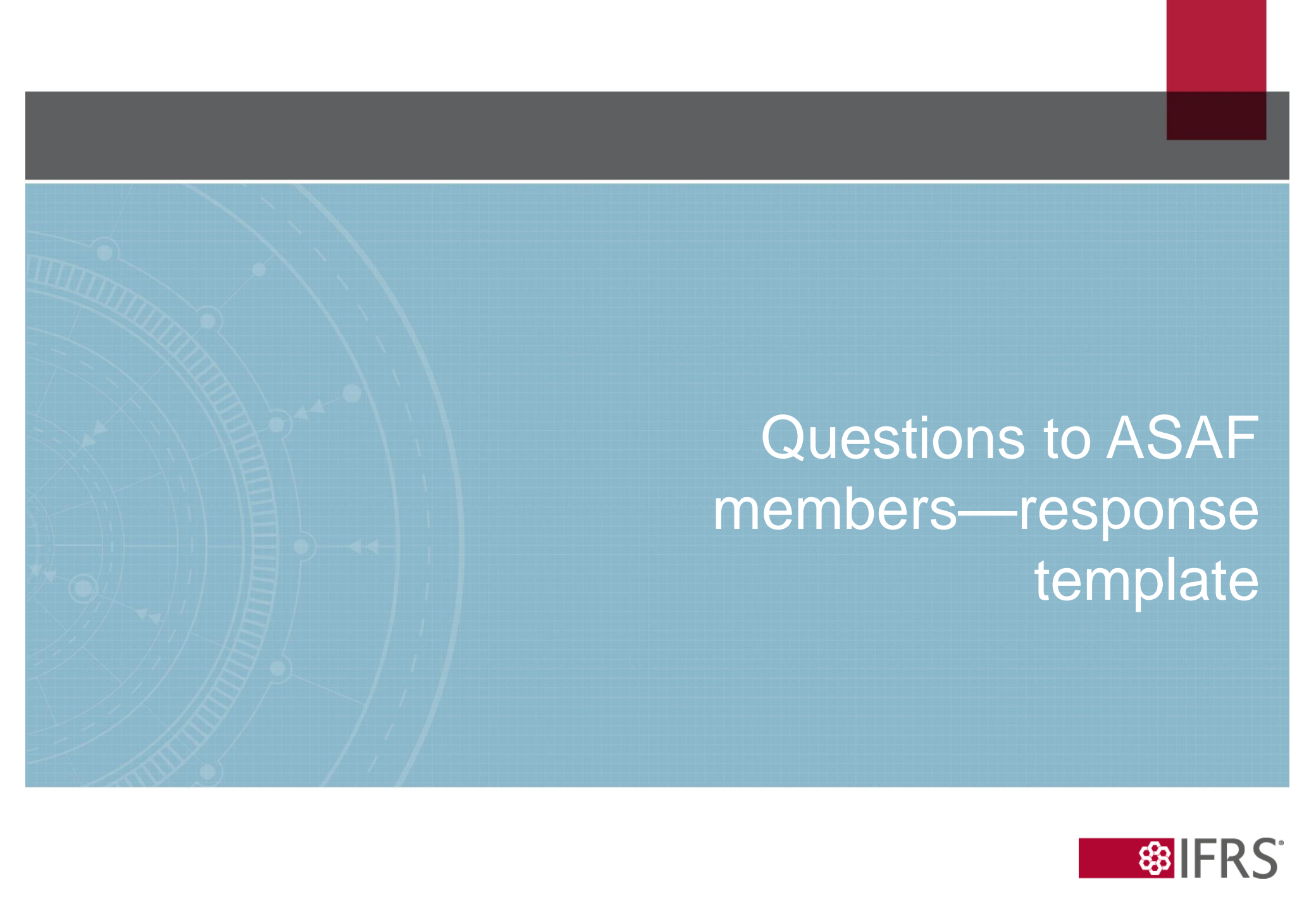
- Board Members, the project team and the investor engagement team held 21 meetings with 34 users.
- We met with users from buy-side, sell-side and credit rating agencies.
- **Agenda Paper 11A** summarises users':
 - primary disclosure objectives on IAS 19 and IFRS 13; and
 - suggested items of information that could be used to meet those objectives.



Cost-benefit considerations

- In addition to understanding the information needs of users, the draft Guidance states that the Board also needs to consult with other stakeholders to understand their priorities and concerns.
- Specifically, the Board needs to understand:





Questions to ASAF members—response template

Discussion on IAS 19



	Cost consequences	Audit consequences	Regulatory consequences	Expected benefits (other than users)
1. Explanation, and disaggregation of amount recognised in the financial statements. Disaggregation by geography, segments, member type and/or plan type.				
2. Narrative information about the nature and characteristics of defined benefit plans.				
3-4. Identification of the significant financial and demographic assumptions used in deriving the pension obligation. Including an explanation as to why those are the most significant.				
5. Wider sensitivity analysis of the principal actuarial assumptions. The analysis also shows the effect of changing multiple assumptions simultaneously (see Appendix A to Agenda Paper 11A).				
6. Explanation of differences between various pension plan valuations (IAS 19 valuation, funding/triennial valuation, buyout value).				

Discussion on IAS 19



	Cost consequences	Audit consequences	Regulatory consequences	Expected benefits (other than users)
7. Schedule of expected contributions into the plan(s), either as agreed with trustees/appropriate regulatory bodies or internally budgeted.				
8. Fair value of the plan assets disaggregated by asset types. Including information about associated risks, hedging activities and actual rate of return on specific asset types.				
9. Reconciliation between the opening and closing balances of the plan assets <u>and</u> pension obligation.				
10. Schedule of expected future benefit payments to members of closed plans. Including the maturity analysis and information about approach to managing remaining obligations.				

Discussion on IFRS 13



	Cost consequences	Audit consequences	Regulatory consequences	Expected benefits (other than users)
1. Breakdown by the type of instruments within each level of the fair value hierarchy. Including additional explanation for complex instruments.				
2. Narrative information about how an entity has determined which level an instrument belongs in.				
3. Identification and explanation of the inputs used in deriving the fair value measurements.				
4. Wider sensitivity analysis of level 3 fair value measurements. The analysis also shows the effect of changing multiple inputs simultaneously to reflect alternative assumptions. Provide effect(s) on profit or loss/OCI on a post-tax basis.				
5. Valuation techniques and processes applied to Level 3 fair value measurements.				

Discussion on IFRS 13



	Cost consequences	Audit consequences	Regulatory consequences	Expected benefits (other than users)
6. Reconciliation between opening and closing balances of Level 3 fair value measurement.				
7. Additional disclosures for Level 2 fair value measurement. Including those 4-6 above.				
8. Fair value of financial investments not held at fair value.				
9. Quantitative sensitivity analysis for investment property measured at fair value.				
10. Explanation and disaggregation of total fair value of assets and liabilities recognised on the balance sheet. Disaggregation by geography and instrument type.				



Appendix—existing disclosure requirements

Appendix A:

Existing IAS 19 disclosure requirements

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Disclosure requirements	Defined Benefit Plans (DBP)	Defined Contribution Plans (DCP)	Multi-employer plans (accounted for as a DBP)	Multi-employer plans (accounted for as a DCP)	DBP that share risks between entities under common control (accounted for as a DBP)	DBP that share risks between entities under common control (accounted for as a DCP)
Amount recognised as an expense		✓				
Characteristics of the plan and associated risks	✓		✓		✓	✓
Reconciliation from the opening balance to the closing balance of the net defined benefit liability (asset)	✓		✓		✓	
Reconciliation from the opening balance to the closing balance of any reimbursement rights	✓		✓		✓	
Description of the relationship between any reimbursement right and the related obligation	✓		✓		✓	
Disaggregation of the fair value of the plan assets into classes that distinguish the nature and risks of those asset	✓		✓		✓	✓
Fair value of the entity's own transferable financial instruments held as plan assets	✓		✓		✓	✓
Fair value of plan assets that are property occupied by, or other assets used by, the entity	✓		✓		✓	✓
Significant actuarial assumptions used to determine the present value of the defined benefit obligation	✓		✓		✓	✓
Sensitivity analysis to each significant actuarial assumption	✓		✓		✓	
Description of any asset-matching strategies used by the plan or the entity to manage risk	✓		✓		✓	
Description of any funding arrangements	✓		✓	✓	✓	✓
Expected contributions to the plan for the next annual reporting period	✓		✓	✓	✓	✓
Maturity profile of the defined benefit obligation, including the weighted average duration of the defined benefit obligation	✓		✓		✓	

Appendix A:

Existing IAS 19 disclosure requirements

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Disclosure requirements	Defined Benefit Plans (DBP)	Defined Contribution Plans (DCP)	Multi-employer plans (accounted for as a DBP)	Multi-employer plans (accounted for as a DCP)	DBP that share risks between entities under common control (accounted for as a DBP)	DBP that share risks between entities under common control (accounted for as a DCP)
Description of the extent to which the entity can be held liable to the plan for other entities' obligation			✓	✓		
Description of any agreed allocation of a deficit or surplus on wind-up of the plan or the entity's withdrawal from the plan			✓	✓		
Reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan				✓		
Information about any deficit or surplus in the plan that may affect the amount of future contributions				✓		
Indication of the level of participation of the entity in the plan compared with other participating entities				✓		
Contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy					✓	✓
Policy for determining the contribution to be paid by the entity					✓	✓

There are no specific disclosure requirements in IAS 19 for short-term employee benefits, other long-term employee benefits and termination benefits. Where necessary, disclosure requirements in other Standards (for example IAS 1 *Presentation of Financial Statements* and IAS 24 *Related Party Disclosures*) are to be disclosed.

Appendix B:

Existing IFRS 13 disclosure requirements

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Disclosure requirements	Item measured at fair value						Item measured at cost, fair value disclosed		
	Recurring			Non-recurring					
	L1	L2	L3	L1	L2	L3	L1	L2	L3
Fair value at end of reporting period	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reasons for the measurement				✓	✓	✓			
Level within fair value hierarchy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Transfers between the levels in the hierarchy	✓	✓	✓						
Policy for determining when transfers between hierarchy have occurred	✓	✓	✓						
Description of valuation technique and inputs used		✓	✓		✓	✓		✓	✓
Changes to valuation technique and reasons		✓	✓		✓	✓		✓	✓
Quantitative information about significant unobservable inputs			✓			✓			
Reconciliation of opening and closing balance (including information on transfers in or out)			✓						
Unrealised gains/losses recognised in profit or loss			✓						
Description of valuation processes and policies			✓			✓			
Sensitivity to changes in unobservable inputs (narrative)			✓						
Sensitivity to reasonably possible change in assumptions (quantitative, for financial instruments only)			✓						
If highest and best use differs from current use, reasons why (non-financial assets only)	✓	✓	✓	✓	✓	✓	✓	✓	✓
If portfolio exception in paragraph 48 of the standard is applied (financial instruments only)	✓	✓	✓						

Recurring fair value measurement

IFRS Standards require or permit FVM at the end of each reporting period. Applies to FVM for property, plant and equipment, financial instruments, intangible assets, investment property, and agricultural assets carried at fair value.

Non-recurring fair value measurement

IFRS Standards require or permit in particular circumstances. Applies to FVM for assets held for sale and impaired assets.

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