SURVEY FEEDBACK STATEMENT – SMALLER ENTITIES

Disclosure Requirements in IFRS Standards - A Pilot Approach

EFRAG
European Financial Reporting Advisory Group

Index

Introduction

About this report

EFRAG conducted a questionnaire-based survey, in order to gather views from constituents on *Disclosure Requirements in IFRS Standards - A Pilot Approach*, both on the general guidance and the proposed amendments to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*.

This report summarises the feedback of respondents to this survey.

EFRAG, in close coordination with the IASB, has conducted field-testing activities on the ED since May 2021. Smaller and medium sized entities applying IFRS do usually not participate in such field tests. Therefore, the survey questionnaire was particularly targeted at small and medium entities, and 45 entities participated in the survey. 76% of the respondents were small and medium sized entities applying IFRS. In addition to this survey, EFRAG conducted a limited number of interviews with the auditors of smaller and medium-sized entities applying IFRS. The related report has been uploaded as a separate paper for the EFRAG TEG meeting on 22 Dec 2021. Through the interviews with auditors, EFRAG aimed to understand the challenges that the proposed approach raises for smaller and less structured entities relating to their own processes and the audit of their disclosures.

About the Exposure Draft

The survey was a response to the Exposure Draft *Disclosure Requirements in IFRS Standards - A Pilot Approach* (the ED), which is available here (see here to get a brief overview). The ED proposes a new approach for the IASB to develop disclosure requirements and tests this approach by applying it to IFRS 13 and IAS 19. The IASB has heard three main concerns about the usefulness of the information disclosed in financial statements. Collectively known as the 'disclosure problem', these concerns are that financial statements sometimes include too little relevant information; too much irrelevant information; and information is disclosed ineffectively. The feedback received by the IASB suggested that a significant cause of the disclosure problem are the disclosure requirements in IFRS Standards being treated as a checklist without applying effective judgement. In addressing the overall disclosure problem, the new approach would require entities to comply with:

- Overall disclosure objectives that describe the overall information needs of users of financial statements; and
- in several selected situations, specific disclosure objectives that describe the detailed information needs of users of financial statements.

The ED also identifies the items of information required to meet each specific disclosure objective. Entities would need to apply judgement to determine the information they should disclose to satisfy the specific disclosure objective instead of applying disclosure requirements as a checklist. The proposed items of information related to specific disclosure objectives are only in some cases required to be disclosed to satisfy that objective. As illustrated in the application of the proposals to IFRS 13 and IAS 19, items of information will be mandated only if they are deemed necessary to meet a specific objective. In general, items of information are examples that should be only used if relevant to fulfil the specific objectives.

Following the proposed new approach, the overall and specific objectives should be fulfilled, but judgement is required with regards to how these objectives are best fulfilled. As a matter of fact, this new approach will make minimum requirements an exception. The proposed approach would require preparers to determine the information that would meet the needs of users of financial statements, whose perspectives may differ from their own, and to determine and justify that they have met the stated objectives. The determination and justification that the needs of the users are met, and the disclosure objectives are reached has to be done at each reporting date. This is because users' needs might change over time, similarly, the importance and relevance of some information might change over time.

Use of this feedback statement

The questionnaire was tailored to avoid questions that were not applicable to some entities. There were 29 questions in the technical part of the questionnaire of which 11 addressed the general approach proposed by the IASB. The questions related to IFRS 13 and IAS 19 were optional depending on the business model of the responding entity.

Summary of the responses received

Overview of the feedback received

Participants generally considered that the proposed ED approach would be ***more useful to users*** than a list of prescriptive requirements. However, some participants noted that ***comparability could be lost*** as subjectivity and more judgement should be applied, as a consequence, auditing these disclosures may be more difficult. For that reason, ***a list of minimum disclosure requirements would be useful***, notably to ensure better comparability between companies and to support the process of preparation of the disclosures.

Most of the participants considered that the proposed approach would affect the amount of time that it takes to agree and prepare the disclosures on a recurrent basis, including disclosures alignment between entities as well as discussions with auditors. In addition, there would be a need for changes to the disclosure systems, processes, and skills of the involved resources. However, participants' views were split regarding the significance of those changes.

The participants considered that the implication of or consequences for satisfying the disclosure objectives under the proposed new approach would be:

a) additional and extensive dialogue with auditors;
b) the timing to prepare disclosures has to be changed to apply the necessary judgement and allow sufficient discussion with auditors; and
c) the additional involvement of management in deciding what to disclose.

Participants had different assessments on the overall cost of applying the proposed new requirements compared to applying the existing ones. However, more than half of the participants noted that **the most significant would be the combination of one-off implementation costs plus a minor increase** in annual costs.

The majority of the participants considered that the new approach and requirements were clear. They noted that 'While not mandatory…' made clear that companies **need to apply judgement** to determine the information to provide.

A frequently mentioned concern was the lack of clarity on the concepts of: "users' needs", "overall" and "specific" disclosure objectives; their meaning should be made more understandable, precise and practical.

Additionally, participants agreed that, for some selected areas, the information to be included in the financial statements would materially change under the new approach.

Finally, the majority of the participants agreed that ***the benefits*** of implementing this objective-based approach would ***outweigh its cost*** and emphasised that it would provide more meaningful information.

IFRS 13 – Fair value measurement

Half of the respondents that had material assets/liabilities measured at fair value expected to easily obtain the information needed to meet the specific disclosure objectives for IFRS 13. However, the other half expected difficulties to arise in obtaining the information needed.

Furthermore, most of the participants agreed that ***all the relevant specific disclosure objectives*** related to assets/liabilities measured at FV and assets/liabilities not measured at FV but for which FV is disclosed ***are identified in the ED***.

The majority of the participants were ***sceptical in regard to disclosing alternative FV*** and did not believe that ***providing alternative FV*** would result in a reasonable ***cost/benefit trade-off*** when compared ***to the disclosure of sensitivity analysis***. Some of the respondents noted that the resulting information would not be useful and/or understandable. For them, the disclosure of sensitivity analysis is more meaningful.

The majority of participants also expected that ***challenges would arise from disclosing such alternative FV***. For example, the lack of viable alternative assumptions may require making very complicated calculations (assessments) or the need to prove that there are no alternative FV measures.

IAS 19 – Employee Benefits

The majority of the respondents that had material pension plans expected to ***easily obtain the information needed to meet the specific disclosure objectives*** for IAS 19. But a sizeable number of the participants also expected to have difficulties in obtaining the information.

Most of the participants agreed that the relevant specific disclosure objectives related to defined benefit plans are identified in the ED. In addition, the majority of the participants agreed that an overall disclosure objective is sufficient information to cover the main risks related to defined contribution plans, but some participants were unsure if this was the case for hybrid pension plans.

The majority of participants agreed that the disclosure of ***sensitivity analysis should not be required since its benefits do not outweigh the costs***. For example, the sensitivity analysis can be costly to prepare and is often provided with insufficient context. The user needs can be fulfilled in less costly ways. Some participants even stated that they would discontinue the sensitivity analysis. The majority of the participants agreed that the information about future outflows of defined benefit obligations is more important to users than detailed sensitivity analysis.

Analysis of responses

The following sections provide a more detailed analysis of the 45 survey responses. The 45 participants came from eight different jurisdictions with the majority of them from Poland. Most of the participants are preparers. The other types of respondents are financial professions, auditors and one academic. Even though the survey was targeted to smaller sized entities, EFRAG received 11 responses from larger entities. These caveats need to be considered when analysing the results. Therefore the survey is not meant to provide a statistically valid representation of European preparers' assessments on the ED but to gather insight into views of smaller and medium sized entities about the proposals. Wherever the responses from large entities differ significantly from those from smaller entities a mention is made in the summary. The following graph provides an overview of the different areas.

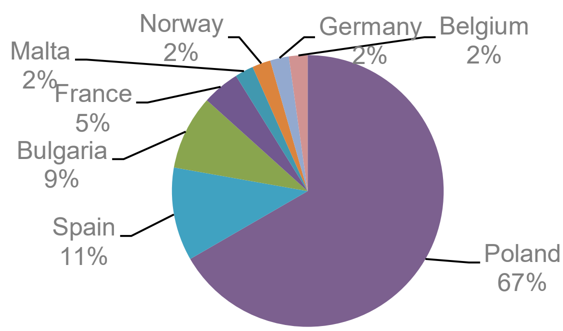

Figure 1: Participants' jurisdiction

Country	%	Count
Poland	67%	30
Spain	11%	5
Bulgaria	9%	4
France	5%	2
Belgium	2%	1
Germany	2%	1
Malta	2%	1
Norway	2%	1
	Total	45

General approach

Question 1 – Do you think the new approach would provide information that is more useful to users compared to an approach with a list of prescriptive requirements to disclose particular items of information?

The majority of the participants considered that the proposed ED approach ***would be more useful*** to users than a list of prescriptive requirements. In addition, some participants noted that this current direction was the most appropriate as IFRS Standards are not tailored to satisfy the specific needs of individual industries or the size of the entities, (e.g., SME) which results in a burden and ineffective cost approach.

One participant highlighted that the new approach would allow entities to tailor the disclosures more to the specific circumstances that are relevant for users of the financial statements to understand the financial performance of the entity.

However, many participants considered that the proposed ED approach ***would not be more useful*** to users than a list of prescriptive requirements for the following reasons:

a) it could bring more subjectivity and more judgement involved and, as a consequence, the audit of disclosures may be more difficult;
b) judgment based on materiality is currently applied, and the proposed changes would not better meet analysts' needs (e.g., the derivatives area);
c) excess disclosures may mislead the user; and
d) comparability could be lost, and a company can already disclose significant additional information in accordance with existing requirements.

One respondent proposed to change the focus from "trying to include all the information" to "assess what is useful and important". Another respondent considered that a minimum list should be provided for illustrative purposes.

One participant added that the "information needs of users" is subjective, and an entity may present irrelevant information and make ineffective communication to the users to be compliant with the requirements of the objectives.

Below are the survey results showing whether participants considered that the new approach would provide information that is more useful to users compared to an approach with a list of prescriptive requirements to disclose particular items of information.

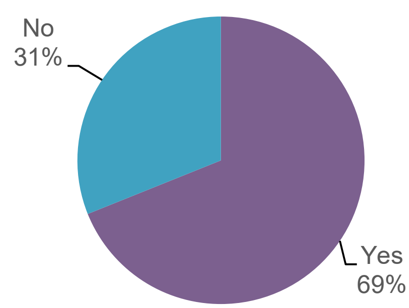

Figure 2: The new approach would provide more useful information

Response	%	Count
Yes	68.9%	31
No	31.1%	14
	Total	45

Question 2 - Do you think that the amount of time it takes to agree and prepare your disclosures on a recurrent basis would be affected?

Most of the participants considered that the proposed ED approach ***would affect*** the amount of time that it takes to agree and prepare their disclosures on a recurrent basis. Some noted that the increase in time needed for preparing the disclosures was very likely, considering the new requirements would be applied for the first time. In addition, it is expected that the discussion with the auditor, changing the scope of financial instruments and application of judgement will also contribute to the increase in time. Furthermore, the time to prepare the information will be extended by the scope of the information, the assessment of usefulness, and the necessary consultations on the disclosure of individual information. Notwithstanding, it may also allow entities to remove some disclosures that are not relevant for users of the financial statements to understand the financial performance of the entity.

In addition, one participant explained that all mandatory and additional information would need to be collected on a group-wide basis even though such information would not be published in the disclosures. The valuation services are provided by several service providers for that reason a separate agreement and understanding with these providers would be required. In case decisions about disclosure requirements due to a change when defining what is material would occur, there would be a significant amount of time needed to agree and prepare disclosures (e.g., internal alignment as well as discussions with auditors and auditor's quality review department).

One participant noted that this is expected at least for the first application of the new set of disclosure requirements, and the items and corresponding explanations to be disclosed would need to be discussed and agreed internally and then discussed with and reviewed by the auditors. In addition, some specific objectives as defined in the ED approach (i.e., the alternative FV measurements under IFRS 13) require producing information that is not currently available. These would result in the need for more time to prepare disclosures, both for the first-time application and on a recurrent basis.

Below are the survey results showing whether participants considered that the amount of time it takes to agree and prepare their disclosures on a recurrent basis would be affected. Here large entities have different views than smaller and medium entities.

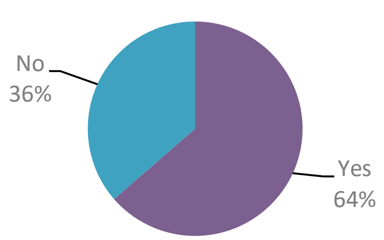

Figure 3: The approach would affect time – larger entities

Response	%	Count
Yes	63.6%	7
No	36.4%	4
	Total	11

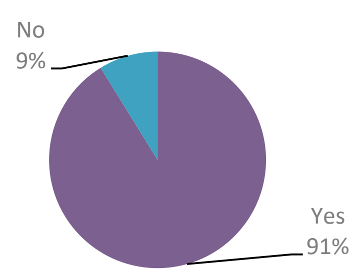

Figure 4: The approach would affect time – smaller entities

Response	%	Count
Yes	91.2%	31
No	8.8%	3
	Total	34

Question 3 - Are you expecting that a need for changes to your disclosure systems, processes and skills of the involved resources would arise?

Most participants considered that the need for changes to the disclosure systems, processes, and skills of the involved resources ***would arise***. However, half of them noted that it would be minor while the other half noted that it could be significant.

The reasons for the changes were explained as follow:

a) increase of skills of those employees involved in the preparation of the information;
b) at a group level, data are usually collected from the subsidiaries with standardised tables at each reporting date. Most of these tables are numerical and quite easy to collect and transform into a group disclosure. With the new approach, local and group accountants should have a better and deeper understanding of the accounting items – an understanding that goes beyond the numbers. This "new" information would not be so easily collected and categorised with an automatic (or semi-automatic) procedure;
c) the majority of IAS 19 quantitative disclosures are prepared by external service providers. Therefore, there will be no significant change in the disclosure systems and internal processes. However, significant implementation costs are expected to reach an agreement with external auditors as well as various external service providers on what to disclose;
d) to decide on disclosures to be made on a recurring basis, all mandatory and additional information needs to be collected on a group-wide basis even though such information won't be published in the disclosures;
e) a change in reports and system settings is expected; and
f) some changes to disclosure systems/processes for the first-time application of disclosures will need to be implemented and, to a lesser extent, for disclosures made on a recurrent basis.

Below are the survey results showing whether participants considered that the need for changes to the disclosure systems, processes and skills of the involved resources would arise. Here large entities have different views than smaller and medium entities.

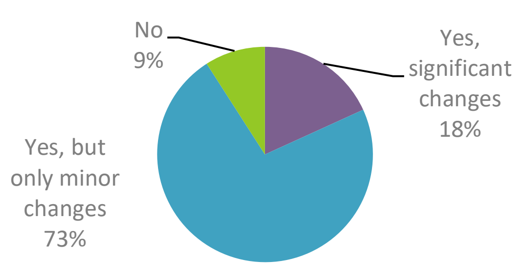

Figure 5: Changes expected with new approach – larger entities

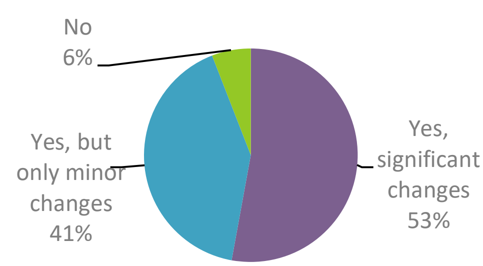

Figure 6: Changes expected with new approach – smaller entities

Response	%	Count
Yes, significant changes	18.2%	2
Yes, but only minor changes	72.7%	8
No	9.1%	1
	Total	11

Response	%	Count
Yes, significant changes	18.2%	18
Yes, but only minor changes	41.2%	14
No	5.9%	2
	Total	34

Question 4 - What consequences are you expecting as a result of satisfying the disclosure objectives only rather than prescriptive requirements to disclose particular items of information under the current approach?

Participants highlighted different expected consequences as a result of only satisfying the disclosure objectives to disclose particular items of information rather than prescriptive requirements under the current approach. The mentioned consequences were:

d) additional and extensive dialogue with auditors;
e) the timing to prepare disclosures has to be changed to apply the necessary judgement and allow sufficient discussion with auditors; and
f) the additional involvement of management in deciding what to disclose.

In addition, one participant mentioned that the scope of disclosures would be subject to management judgement to a greater extent, and this might deviate from the expectations of users, especially in the initial years after the implementation. This might lead to a recurring adjustment of the disclosures scope. New disclosures might be required after the implementation of new ED requirements. The reasons would be discussions with auditors/regulators or comparisons of the best practice between different companies, which will result in additional costs. As a consequence, this might lead to a situation where all possible information needs to be collected in order to be on the safe side to include the information. After the establishment of the best practice, no additional costs should be expected in the long run (except for changes in the underlying materiality).

Another participant emphasised that the dialogue between auditors, regulators and management would be more time-consuming. Moreover, accountants may not have a direct relationship with the users (existing or potential investors, lenders, and other creditors). Consequently, accountants may miss (or misunderstand) some of the users' needs. As a result, the preparation period would be expanded, especially at first adoption.

It was also noted that reporting entities would not always be aware of the actual needs of users (obviously related to the area affected by the changes) and how these needs change over time. Therefore, in some areas, it may be difficult to determine whether the disclosures meet these needs.

In addition, it was mentioned that with the proposed changes, it may be difficult to obtain comparable data, in particular in the case of consolidated financial statements of large groups.

Below are the survey results showing whether participants considered the consequences expected as a result of satisfying the disclosure objectives only rather than prescriptive requirements to disclose particular items of information under the current approach (more than one response could be chosen).

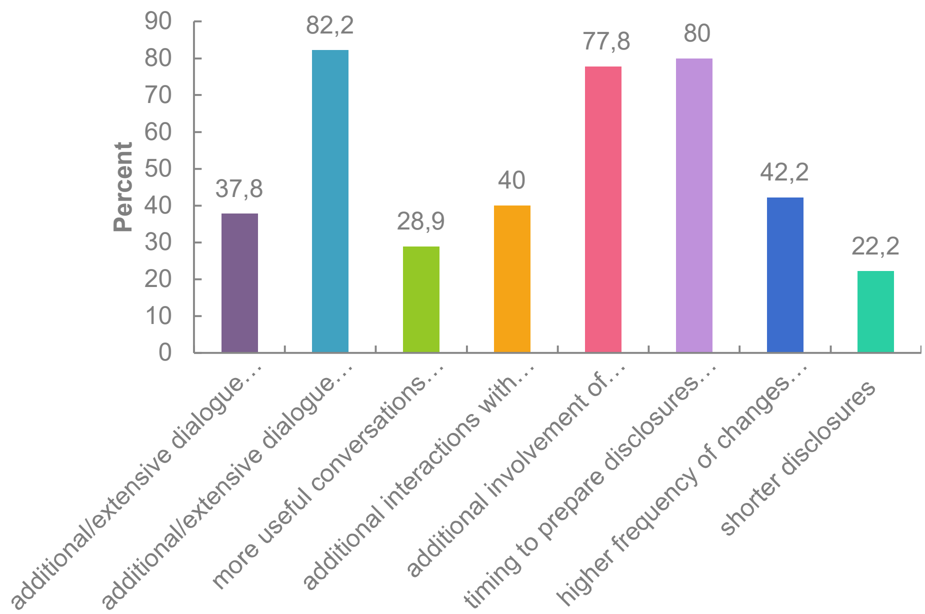

Figure 7: Consequences of the new approach

Response	*%*	***Count***
additional/extensive dialogue with users	*37.8%*	*17*
additional/extensive dialogue with auditors	*82.2%*	*37*
more useful conversations with auditors	*28.9%*	*13*
additional interactions with regulators	*40.0%*	*18*
additional involvement of management in deciding what to disclose	*77.8%*	*35*
timing to prepare disclosures has to be changed to apply the necessary judgement and allow sufficient discussion with auditors	*80.0%*	*36*
higher frequency of changes to the presented disclosure items (e.g. should the need of users change from a period to another)	*42.2%*	*19*
shorter disclosures	*22.2%*	*10*

Question 5 - How would you assess the overall cost of applying the proposed new requirements compared to applying the existing prescriptive requirements to disclose particular items of information?

Participants had different assessments on the overall cost of applying the proposed new requirements compared to applying the existing prescriptive requirements to disclose particular items of information. More than half of the participants noted that the most significant costs would be the combination of one-off implementation costs plus a minor annual cost increase.

In addition, some of them noted different reasons for the incremental costs including:

a) the overall costs also depend on Sustainability Policy within the organisation;
b) the cost of working time and the cost of organisational effort of employees (discussions, brainstorming, unifying conflicting views on the necessary scope of disclosures); and
c) the time spent to thoroughly understand the new requirements possibly with the support of an adviser or getting training, and time spent on discussions with auditors.

Below are the survey results showing what participants considered would be the overall cost of applying the proposed new requirements compared to applying the existing prescriptive requirements to disclose particular items of information. Here large entities have different views than smaller and medium entities.

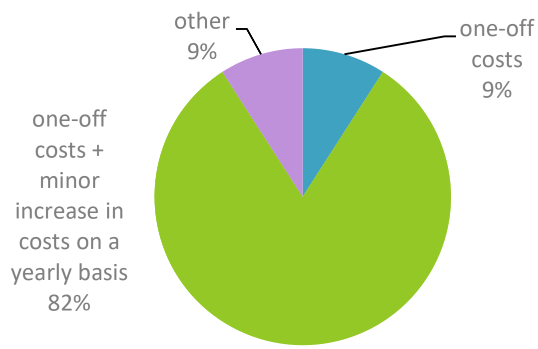

Figure 8: Cost implications of the new approach – larger entities

Response	%	Count
one-off costs	9.1%	1
one-off costs + minor increase in costs on a yearly basis	81.8%	9
other	9.1%	1
	Total	11

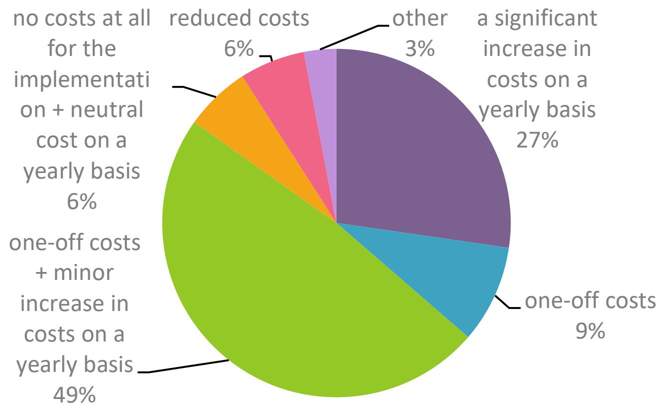

Figure 9: Cost implications of the new approach – smaller entities

Response	%	Count
a significant increase in costs on a yearly basis	27.3%	9
one-off costs	9.1%	3
one-off costs + minor increase in costs on a yearly basis	48.5%	16
no costs at all for the implementation + neutral cost on a yearly basis	6.1%	2
reduced costs	6.1%	2
other	3.0%	1
	Total	33

Question 6 - Do you consider that the IASB should, besides requiring to meet disclosure objectives, also mandate a list of minimum disclosure requirements necessary to meet the disclosure objectives?

Most of the participants considered that the IASB should, besides requiring to meet disclosure objectives, ***also mandate a list of minimum disclosure requirements*** necessary to meet the disclosure objectives. One often-mentioned reason was that a pure objective-based approach would not only involve more judgement from management and more internal discussions but also create the need to achieve auditors' approval and obtain market consensus. For that reason, a list of minimum disclosure requirements would be useful, notably to ensure better comparability between companies as well as to most efficiently inform users. The minimum requirements would also be sufficient and less costly for small entities.

Other reasons to include a minimum list of requirements were:

a) simplify the preparation of financial statements and disclosures.
b) help the implementation of the first standard(s)' amendments even if the use of minimum disclosure requirements would be a transitional stage. The transitional stage will give time for entities to develop the necessary skills and/or to adjust their processes. Consequently, companies would adopt the new approach more easily; and

c) enable the development of the scope of disclosures in the future, and not only for disclosing "significant judgments".

Below are the survey results showing the extent to which participants considered the IASB should, besides requiring to meet disclosure objectives, also mandate a list of minimum disclosure requirements necessary to meet the disclosure objectives. Here large entities have different views than smaller and medium entities.

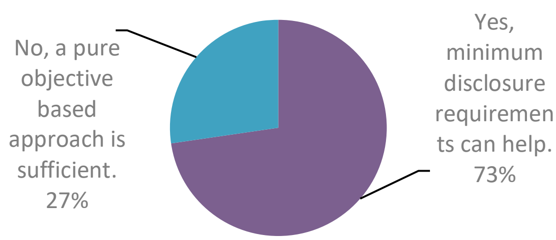

Figure *10*: Preference minimum disclosure requirements – – larger entities

Response	***%***	***Count***
Yes, minimum disclosure requirements can help.	*72.7%*	*8*
No, a pure objective-based approach is sufficient.	*27.3%*	*3*
	Total	*11*

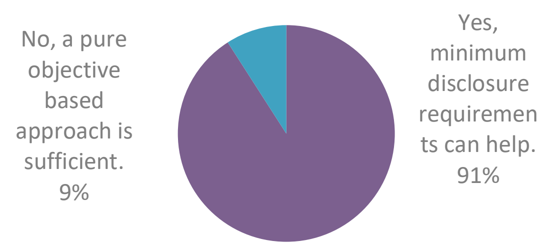

Figure 11: Preference minimum disclosure requirements smaller entities

Response	***%***	***Count***
Yes, minimum disclosure requirements can help.	*90.9%*	*30*
No, a pure objective-based approach is sufficient.	*9.1%*	*3*
	Total	*33*

Question 7 - Is the information that the Exposure Draft provides on the new approach and requirements clear?

The majority of the participants considered that they ***could not give a response*** at the current stage on whether the information that the ED provided on the new approach and requirements was clear.

However, one participant noted the IASB proposals were confusing and not clear on why current requirements must be changed and the need for this project. Another noted that further analysis is required. A clear definition of the minimum disclosure requirements would be helpful, especially regarding defined contribution plans.

A frequently-mentioned concern was the lack of clarity on concepts such as "users' needs", "overall" and "specific" disclosure objectives and that their meaning should be made more understandable, precise and practical.

Below are the survey results showing whether participants considered the information that the Exposure Draft provided on the new approach and requirements were clear.

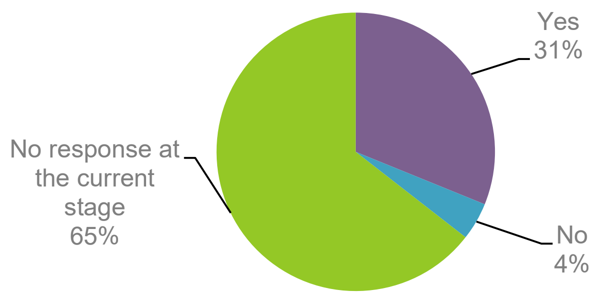

Figure 12: Clear information in the ED

Response	***%***	***Count***
Yes	*31.1%*	*14*
No	*4.4%*	*2*
No response at the current stage	*64.4%*	*29*
	Total	*45*

Question 8 - In the Exposure Draft, the IASB proposes to use the language 'While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph XX...' to identify items of information. Is the language worded in a way that makes it clear that you need to apply judgement to determine the information to provide in order to meet the specific disclosure objectives?

The majority of the participants considered that the use of language 'While not mandatory…' made clear that companies ***need to apply judgement*** to determine the information to provide in order to meet the specific disclosure objectives.

However, three participants mentioned that the need to apply judgement was not clear as:

a) in disclosures requirements of effective standards, examples or lists are used as a checklist in practice. If this will be the case, such lists should be minimum requirements. If "the following information may enable an entity to meet the disclosure objective..." is to be used as an example, it should be in the annotation of the standards (i.e., as an implementation example);
b) "the following information may enable…" directly indicates that the information listed below becomes optional and may result in this information not being presented in the financial report. By deleting this provision, the preparers would pay more attention to additional information that could potentially be disclosed; and
c) whether the provision applies to every IAS principle, or it is formulated generally to the Conceptual Framework.

Below are the survey results showing whether participants considered that the use of language 'While not mandatory…' made clear that companies need to apply judgement to determine the information to provide in order to meet the specific disclosure objectives. Here large entities have different views than smaller and medium entities.

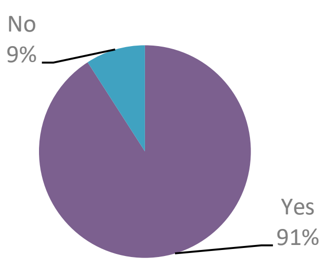

Figure 13: Wording of the ED – large entities

Response	***%***	***Count***
Yes	*90.9%*	*10*
No	*9.1%*	*11*
	Total	*11*

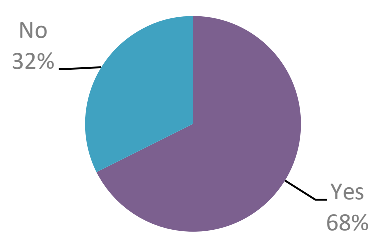

Figure 14: Wording of the ED – smaller entities

Response	***%***	***Count***
Yes	*67.6%*	*23*
No	*32.4%*	*11*
	Total	*34*

Question 9 - Considering the above-described approach do you think that the information to be included in your financial statements would materially change under the new approach?

The majority of the participants considered that the information to be included in the financial statements would ***only*** materially change ***for some selected areas*** under the new approach. One such area is the scope of disclosures related to the statement of cash flows. One participant expected a change, but could not predict its materiality and another participant did not expect a revolutionary change in this regard. One participant mentioned that they already apply materiality and, therefore, provide useful information. Other comments from participants were:

a) the initial years will be characterised by uncertainty and concerns of preparers and auditors as to how far the subjectivity can be accommodated. Preparers may be concerned about the extent to which they may "shorten" their reports in order not to expose themselves to claims that they have concealed certain information. It should also be noted that continuity and comparability are important.
b) the new approach might lead to an increase in the number of qualitative disclosures. The impact on the quantitative disclosures must be further analysed (e.g., whether it will be appropriate to skip sensitivity analysis under IAS 19); and
c) based on the proposed disclosure approach for the two pilot standards, the information currently disclosed by the company globally would meet the overall disclosure objectives as drafted. Concerning IAS 19, only several specific disclosures and related comments may be added if they appear to be relevant and useful for their investors. As for IFRS 13, except for the alternative FV measurement disclosures (see below), there are no other material changes in the disclosures under the new approach expected.

Below are the survey results showing the extent to which participants considered the above-described approach that the information to include in the financial statements would materially change under the new approach

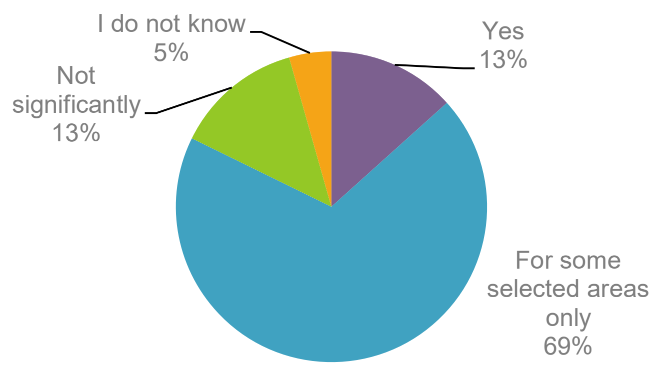

Figure 1515: Changes to the financial statements

Response	*%*	*Count*
Yes	*13.3%*	*6*
For some selected areas only	*68.9%*	*31*
Not significantly	*13.3%*	*6*
I do not know	*4.4%*	*2*
	Total	*45*

Question 10 - Do you think the benefits of implementing this objective-based approach would outweigh its cost?

The majority of the participants agreed that **the benefits** of implementing this objective-based approach would **outweigh its cost** and one participant added that it would provide much more meaningful information.

A few participants agreed but mentioned exceptions such as only if the approach includes measures for objectives to be achieved and measures for achievements on those objectives, cash flow disclosures for IAS 19, and as long as the standards include a possibly wide range of goals (obtained through consultation with users).

Another participant thought that it would be more effective to train auditors in this area so that they could better assess the scope of disclosures made by the entity. One participant considered that the potential overall cost-benefit balance of the project may be improved, notably by removing the extensive use of alternative FV measurement under IFRS 13.

Another participant commented that the new approach might lead to different disclosures in entities' financial statements, and this would result in a loss in comparability. Additionally, in order to take decisions on materiality and disclosures, all information needs to be collected even though it won't be disclosed.

Below are the survey results showing whether participants considered that the benefits of implementing this objective/based approach would outweigh its cost.

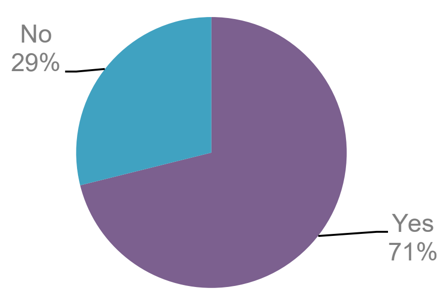

Figure 1616: Benefits outweigh the cost

Response	*%*	*Count*
Yes	*71.1%*	*32*
No	*28.9%*	*13*
	Total	*45*

Question 11 - Is there any other view on the discussed objective-based disclosure requirements as opposed to prescriptive requirements to disclose particular items of information that you would like to provide?

Seven participants commented additionally on the discussed objective-based disclosure requirements as opposed to prescriptive requirements to disclose particular items of information.

One noted that the IFRS Standards should be clear and propose some application examples to clarify its application.

Another respondent stated that the report must include an explanation of the way the objectives have been fulfilled during the period, and the reasons for any deviations observed.

It was also noted that assessing whether the information is useful is subjective and will result in increased consultations with auditors.

Furthermore, after establishing the market practice and expectations of auditors and supervisors, using the principle of proportionate approach for smaller entities, the proposed changes can help simplify the financial statements and make them more transparent for the entity.

Another view was that disclosures should "tell" the story of the entity's business year and "answer" the "why" questions of the users when they analyse the number of the financial statements. It seems that the "objective-based disclosure requirements" approach will provide much more "meaningful answers" than the "prescriptive requirements" approach.

Another respondent expressed their concern whether all the substantive units, which are the source of information disclosed in the financial statements, and which are very large in their organisation, will be able to quickly and correctly adopt the philosophy of the new approach. They also had concerns about whether the gradual introduction of changes will not result in accidental duplication of requirements, e.g., the requirements of IAS 1 in par. 125-133 on the reasons for the uncertainty of estimates may coincide with similar changed disclosure requirements to IFRS 13, e.g., regarding disclosure of alternative FV.

It was also commented that the approach may be too general, and it leaves room for significant judgments. It may lead to the non-disclosure of information of minor importance, but which is important and less comfortable for the company, e.g., hiding operational events and costs.

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IFRS 13 – FAIR VALUE MEASUREMENT

Question 12 - Do you have material assets and/or liabilities recognised at fair value (FV) in your statement of financial position, or do you have to disclose FV information for material assets and/or liabilities not measured at FV?

More than half of the participants ***have material assets and/or liabilities recognised at FV*** in their statement of financial position or ***disclose FV information for material assets and/or liabilities not measured at FV***. However, around one-third of the participants do not have those assets in their statements of financial positions.

Below are the survey results showing the extent to which participants either had material assets and/or liabilities measured at FV or had to disclose FV information for material assets and/or liabilities that are not measured at FV. Only the participants that possessed such material assets/liabilities answered as follows:

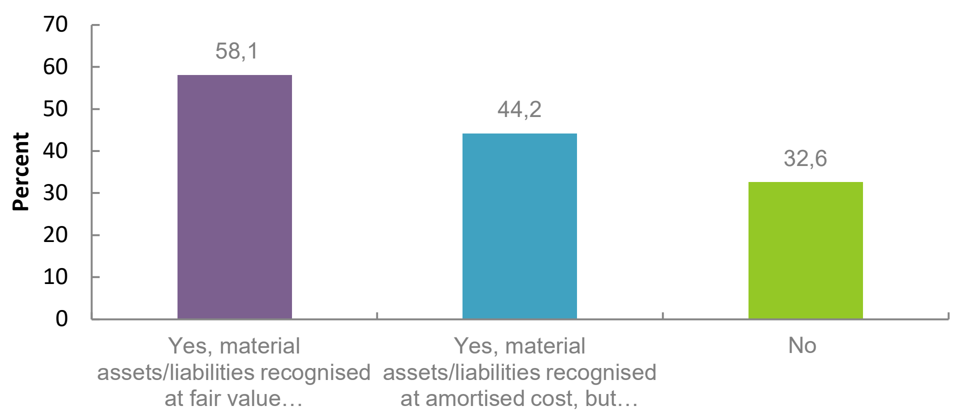

Figure 1717: Material assets/liabilities at FV

Response	%	Count
Yes, material assets and/or liabilities recognised at FV in the statement of financial position	58.1%	25
Yes, material assets and/or liabilities recognised at amortised cost, but for which FV is disclosed in the notes	44.2%	19
No	32.6%	14

Question 13 - Do you expect to easily obtain the information needed to meet the specific disclosure objectives for IFRS 13?

Half of the participants expected to ***easily obtain the information needed*** to meet the specific disclosure objectives for IFRS 13. However, the other half of participants expected ***difficulties to arise for obtaining the information*** needed. Participants who expected difficulties made the following comments:

a) for large institutions with large volumes, the obligatory reconciliations of changes would require an extensive amount of work;
b) group of entities should collect data from many different external valuators, or consultants etc. Every person in the "data flow" should be properly educated to provide the relevant data;
c) difficulties for other than level 3 instruments would increase, for example, shares of not public entities;
d) determining the information scope for each category of wide-ranging and complex instruments would cause a significant limitation in obtaining information.;
e) in addition, the information mentioned above would be usually available at additional cost and time investment;
f) information is generally available but not in a form that is easy to use in financial reporting;
g) because of the much more detailed disclosures, systems solutions are required;
h) many factors must be considered in valuation, including inputs. It can be difficult to describe this in a synthesised and understandable way for the user. It can be difficult when investing in a fund that has a lot of FV investments and applies a different approach when valuing portfolio investments;
i) alternative valuation methods;
j) labour and the access to additional data will be costly;
k) the requirement to disclose alternative FV measurements would be both costly and difficult to comply with because, for Level 1 and Level 2 financial instruments, this information is not easily available (the entity does not currently need nor use this information); and
l) this new disclosure would have to be audited and that will imply additional recurrent costs.

One participant who thought the information was easy to obtain conceded that there may be financial instruments (such as intercompany loans) for which it will be difficult to provide alternative FV.

Below are the survey results showing whether participants expected to easily obtain the information needed to meet the specific disclosure objectives for IFRS 13.

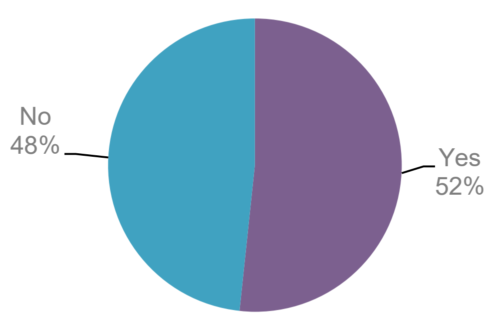

Figure 1818: Information collection under the new approach for IFRS 13

Response	%	Count
Yes	51.7%	15
No	48.3%	14
	Total	29

Question 14 - Which items currently disclosed would you discontinue under the new approach?

Some (14) participants answered the question about which items currently disclosed would be discontinued under the new approach. From those:

a) seven participants stated that they would not discontinue any items or expect any significant changes;
b) four participants could not answer the questions since more analysis was needed;
c) one added that they would like to discontinue detailed disclosures on other assets. These are not material to the entity but are required by the auditor to check the box in the disclosure checklist; and
d) one participant would likely continue with all its disclosures unless the sensitivity analysis is replaced by disclosure of alternative FV.
e) one participant would discontinue disclosing the following items: alternative valuation methods, descriptions of characteristics, risks and features

Question 15 - Which new items would you add to your current disclosure under the new approach?

A few participants either did not expect any changes or indicated further analysis was required in order to respond to what they would add to their current disclosures under the new approach.

Other participants mentioned the following items would be added to their current disclosures:

a) more information should be included at a risk level;
b) explanation of FV changes in the reporting period;
c) a tabular reconciliation of the FV measurement;
d) alternative FV;
e) information about CVA from par. 106 b;
f) information on the assumptions for the valuation, the model input data for the instruments valued at the invoice, explanation of alternative measurement methods;
g) reasons for periodic FV changes, explanation of alternative measurement methods.
h) additional disclosures related to the current approach; and
i) the main new item to be disclosed is related to the extensive use of alternative FV measurement and corresponding explanations.

One participant noted that this would primarily depend on the current internal and external circumstances and that they would add disclosures that would provide relevant information based on circumstances relevant to the environment in which the entity operates.

Question 16 - Do you think that all the relevant specific disclosure objectives related to assets/liabilities measured at FV are identified in the ED?

Most of the participants agreed that ***all the relevant specific disclosure objectives*** related to assets/liabilities measured at FV are identified in the ED.

One participant who disagreed mentioned that the FV disclosure requirement has no material value for the user of the report and obtaining information to determine the FV is costly and time-consuming.

Another participant who disagreed commented that the requirement to systematically disclose alternative FV measurements should be removed. In addition to being costly and difficult to obtain, this information may also be misleading for financial instruments with FV determined based on observable market data. If we disclose two different “FV” for the same financial instrument (a basic one and an alternative one), it would be unclear for the users of financial information which FV should be considered and why.

Below are the survey results showing whether participants agreed or disagreed that all the relevant specific disclosure objectives related to assets/liabilities measured at FV are identified in the ED.

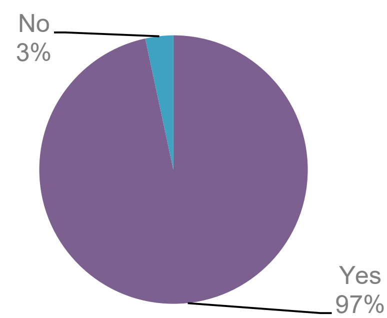

Figure 1919: Identified all relevant specific disclosure objectives for assets/liabilities measured at FV

Response	***%***	***Count***
Yes	*96.6%*	*28*
No	*3.4%*	*1*
	Total	*29*

Question 17 - Do you think that all the relevant specific disclosure objectives related to assets/liabilities not measured at FV but for which FV is disclosed are identified in the ED?

Most of the participants agreed that ***all the relevant specific disclosure objectives*** related to assets/liabilities not measured at FV but for which FV is disclosed are identified in the ED. One participant who disagreed stated that the FV of assets and liabilities that are not measured in the statement at FV, especially for items measured at the third level of the hierarchy, is highly subjective and requires a lot of work.

Below are the survey results showing whether participants agreed or disagreed that all the relevant specific disclosure objectives related to assets/liabilities not measured at FV but for which FV is disclosed are identified in the ED.

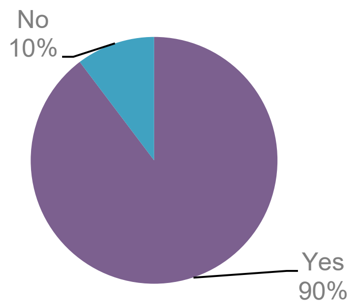

Figure 2020: Identified all relevant specific disclosure objectives for assets/liabilities not measured at FV

Response	%	Count
Yes	89.7%	26
No	10.3%	3
	Total	29

Question 18 - Do you think that providing alternative FV as described in paragraphs 111 and 113(c) of the ED is promoting a reasonable cost/benefit trade-off when compared to the sensitivity information currently required for level 3 instruments?

The majority of the participants did ***not*** believe that ***providing alternative FV*** was promoting a reasonable cost/benefit trade-off when compared to the sensitivity analysis.

Some of the responses noted that the resulting information would not be useful and sensitivity analysis is more meaningful. In addition, it also would not be understandable. One participant commented that the sensitivity analysis is a good and proven disclosure that adequately meets the information needs of users of financial statements.

Another participant noted that too much information may cause confusion and misunderstanding for financial statements users, especially for individual users (investors).

Below are the survey results showing whether participants agreed or disagreed that providing alternative FV is promoting a reasonable cost/benefit trade-off when compared to the sensitivity information currently required for Level 3 instruments.

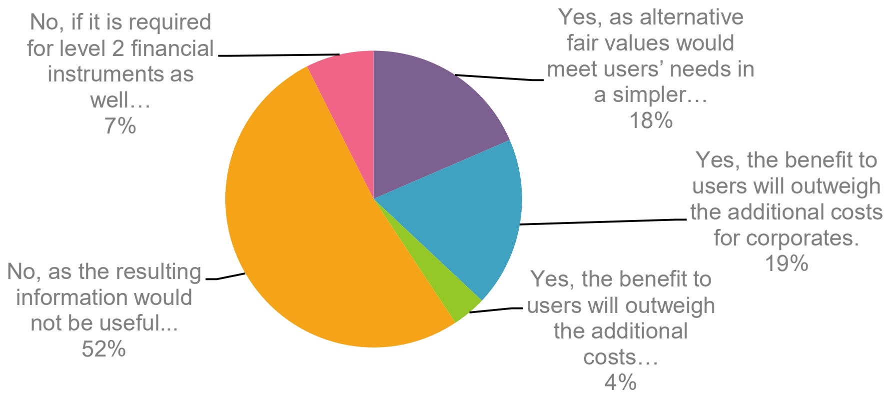

Figure 2121: Alternative FV vs Sensitivity analysis

Response	%	Count
Yes, an alternative FV would meet users' needs in a simpler and less costly way than the current sensitivity analysis.	*21.4%*	*6*
Yes, the benefit to users will outweigh the additional costs for corporates.	*17.9%*	*5*
Yes, the benefit to users will outweigh the additional costs for financial institutions or insurance companies.	*3.6%*	*1*
No, as the resulting information (presenting different possible values of FV) would not be useful/understandable and sensitivity is more meaningful.	*50.0%*	*14*
No, if it is required for Level 2 financial instruments as well. Otherwise, it would be the same level of work as currently required.	*7.1%*	*2*
	Total	*28*

Question 19 - Do you see any challenges from disclosing alternative FV that you would like to address to us?

The majority of the participants expected ***challenges to arise from disclosing alternative FV***. The mentioned challenges were:

a) alternative methods may not be adequate to measure the given asset/liability. It may be required to request an external expert;
b) with large volumes, the need to build valuation models, involve human and IT resources in alternative calculations would arise;
c) time and cost challenges;
d) the lack of viable alternative assumptions of the expectation for such disclosures may require making very complicated calculations (assessments) or the need to prove that there are no alternative FV measures;

e) there are too few guidelines to assess what should be provided in the description of these alternative methods, whether it is evaluative, will it be more specific, or will there be examples that would facilitate the preparation of the description;
f) lack of information, insufficient knowledge, labour intensity; and
g) identification and estimation of alternative FV.

Below are the survey results showing whether participants expected that challenges would arise from disclosing alternative FV. Here large entities have different views than smaller and medium entities.

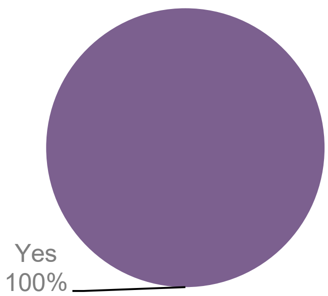

Figure 2222: Challenges due to alternative FV – large entities

Response	%	Count
Yes	100%	8
	Total	8

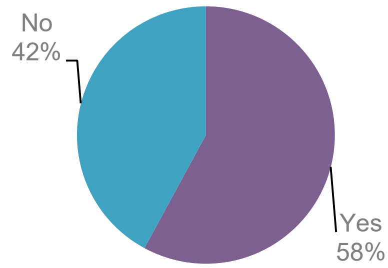

Figure 2323: Challenges du to alternative FV – smaller entities

Response	%	Count
Yes	57.9%	11
No	42.1%	8
	Total	19

Question 20 - Do you have any other comments on the proposed amendments to IFRS 13 in this Exposure Draft?

One participant noted that they do not see any changes that would affect the scope of disclosures.

Another respondent stated that the requirement to disclose alternative FV measurements of financial assets under IFRS 13 may have significant implications for the financial information disclosed applying other standards. In particular, under IFRS 17 *Insurance Contracts*, the measurement of liabilities arising from insurance contracts is strongly dependent on the valuation of financial instruments backing those contracts, especially for contracts measured applying the Variable Fee Approach (VFA). Disclosing alternative FV for those underlying financial assets would create uncertainty for the measurement of insurance contracts under IFRS 17.

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IAS 19 – EMPLOYEE BENEFITS

Question 21 - Do you have material defined benefit plans and/or material defined contribution plans?

Below are the survey results showing whether participants ***had material defined benefits plans*** and/or material defined contribution plans. Only the participants with material plans answered the questions 22-29.

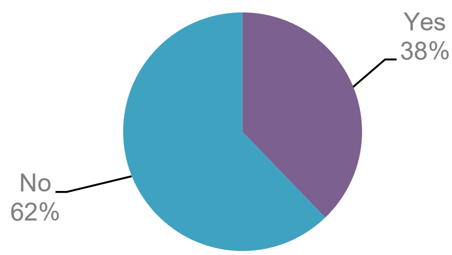

Figure 2424: material DBP/DCP

Response	%	Count
Yes	37.8%	17
No	62.2%	28
	Total	45

Question 22 - Do you expect to easily obtain the information needed to meet the specific disclosure objectives for IAS 19?

The majority of the participants expected to **easily obtain the information needed** to meet the specific disclosure objectives for IAS 19. But a sizeable part of the participants also expected to have difficulties in obtaining the information. Those who expected difficulties commented that:

a) a significant one-off cost would arise in meeting the new disclosure requirements due to additional alignment need with the external auditors as well as adjusting the scope of services for external service providers/actuaries;
b) as in IFRS 13, there would be different actuaries that should be properly educated to provide the same relevant information;
c) disclosing information about the effect on profit or loss would not be a problem but disclosing the effect on cash flow can be a major challenge, requiring changes to records and IT systems;
d) the difficulties would mainly arise due to the size of the group and the subsidiaries operating in different jurisdictions; and
e) information relating to deferred tax assets (DTA) and deferred tax liabilities (DTL) arising from defined benefits plans would be irrelevant for IAS 19 disclosures. Indeed, financial impacts due to employee benefits used to be presented gross of tax in all accounting schedules and reporting under IAS 19. Only the impact in shareholder's equity is shown net of tax in a separate section of their financial statements. DTA or DTL arising from the company's defined benefit plans and

share-based compensations would be aggregated and already presented in the tax-related Note in the financial statements.

Below are the survey results showing whether participants expected to easily obtain the information needed to meet the specific disclosure objectives for IAS 19. Here large entities have different views than smaller and medium entities.

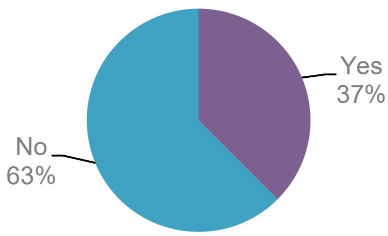

Figure 25: Collection of the information – large entities

Response	%	Count
Yes	37.5%	3
No	62.5%	5
	Total	8

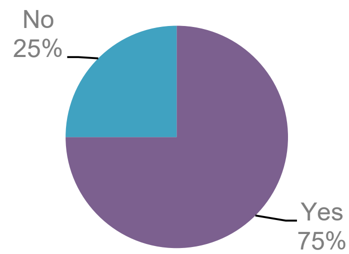

Figure 26: Collection of the information – smaller entities

Response	%	Count
Yes	75.0%	6
No	25.0%	2
	Total	8

Question 23 - Which items currently disclosed would you discontinue under the new approach?

Eight participants answered the question about which items currently disclosed would be discontinued under the new approach. Six respondents to the question mentioned the following items:

a) less detailed tabular information;
b) sensitivity analysis;
c) life expectancy at retirement in 10 years (10 years after the reporting date): the information at the closing date seems to be sufficient; and
d) asset mix quoted (or not) in an active market: Half of their plan assets is invested in debt and equity instruments; the other half is invested in investment funds. The first category of instruments (debt and equity instruments) is usually quoted in an active market, only investment held via funds can be both quoted and unquoted.

One participant commented that the usefulness of the sensitivity analysis must be further analysed under the new approach. In case the decision is taken to keep the sensitivity analysis in the disclosures, its scope should be reviewed, especially which actuarial assumptions are considered to be significant.

One participant stated that all disclosures are expected to continue, and another participant stated that this still needs to be analysed.

Question 24 - Which new items would you add to your current disclosure under the new approach?

Eight participants answered the question about which new items they would to their current disclosure under the new approach. Five respondents of the question mentioned the following items:

a) more forward-looking and descriptive information;
b) disclosure of the actual cash flows for defined benefit plans, other long-term benefit plans, and defined contribution plans;
c) reconciliation of the disclosed amounts with the elements of the primary statements;
d) detailed actuarial assumptions and information on planned cash flows, they currently present information on paid benefits; and
e) key results following funding valuation of main funded plans: perspective on future employer contributions or minimum funding requirement.

Two participants noted that they would add all the mandatory information, especially the tabular reconciliation of opening/closing balances and the nature of the benefits will be incorporated as both provide very useful information. In addition, the existing qualitative disclosures would be reviewed and extended, if necessary.

One participant stated that this still needs to be analysed to assess which disclosures should be added.

Question 25 - Do you think that all the relevant specific disclosure objectives related to defined benefit plans are identified in the ED?

Most of the participants agreed that ***all the relevant specific disclosure objectives*** related to defined benefit plans are identified in the ED. One participant who disagreed stated that cash flow requirements (impact on the statement of cash flows) should be removed because they are difficult to obtain and carry little information value.

Below are the survey results showing whether participants agreed or disagreed that all the relevant specific disclosure objectives related to defined benefits plans are identified in the ED.

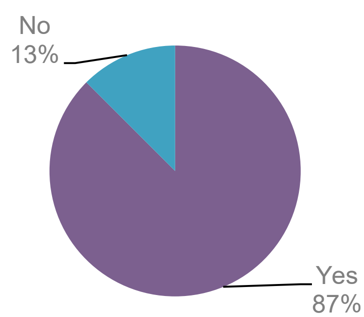

Figure 2727: Identified all the relevant specific disclosure objectives for DBP

Response	%	Count
Yes	87.5%	14
No	12.5%	2
	Total	16

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Question 26 - In the case of defined contribution plans the ED only requires an overall disclosure objective. Do you think that this is sufficient information to cover the main risks related to these pension plans?

The majority of the participants agreed that an ***overall disclosure objective is sufficient*** information to cover the main risks related to defined contribution plans, but some participants were unsure if this was the case for hybrid pension plans. One participant commented that the ED does not mention hybrid pension plans but in order to comply with the overall disclosure objective, they would mention that new category of plan if its design or its qualification under IAS19 (DC or DB) and its future contributions are significant.

A participant who disagreed mentioned that minimum mandatory disclosure requirements (specific disclosure objective) would be helpful, especially to ensure the comparability of financial statements.

Below are the survey results showing whether participants agreed or disagreed that an overall disclosure objective is sufficient information to cover the main risks related to defined contribution plans. Here large entities have different views than smaller and medium entities.

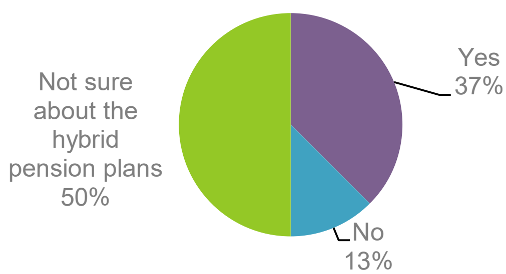

Figure 2828: Overall disclosure objective for DCP- large entities

Response	Percent	Count
Yes	37.5%	3
No	12.5%	1
Not sure about the hybrid pension plans	50.0%	4
	Total	8

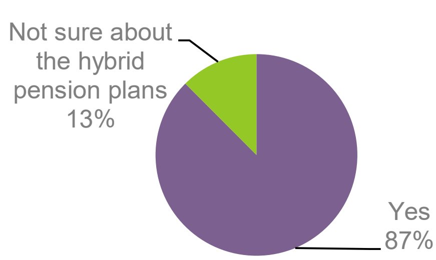

Figure 2929: Overall disclosure objective for DCP- smaller entities

Response	Percent	Count
Yes	87.5%	7
Not sure about the hybrid pension plans	12.5%	1
	Total	8

Question 27 - Do you agree with the IASB's proposal that benefits provided by the current sensitivity analysis would not outweigh the cost to entities of providing that information and, therefore, should not be required?

The majority of the participants agreed that the ***sensitivity analysis should not be required*** since the benefits do not outweigh the costs.

One participant commented that sensitivities are costly to prepare, and are often provided with insufficient context. User needs can be fulfilled in less costly ways.

Another respondent noted that the sensitivity analysis is produced on the discount rate, inflation rate, salary increase and life expectancy. Not disclosing these sensitivities would not allow users to understand how market conditions can affect the liabilities. So, the sensitivity information on discount rate may be interesting to disclose, however, other detailed sensitivity information would not be relevant.

One participant who disagreed noted that the sensitivity analysis is not complicated, in particular, with regard to the applied actuarial methods of valuation of employee benefits liabilities and obtaining such information is not difficult.

It was also mentioned that it may not have a significant impact on costs, in particular, actuarial costs. Another participant stated that they disagreed based on the feedback provided by external services providers.

Below are the survey results showing whether participants agreed or disagreed that benefits provided by the current sensitivity analysis would not outweigh the cost to entities providing that information and, therefore, should not be required. Here large entities have different views than smaller and medium entities.

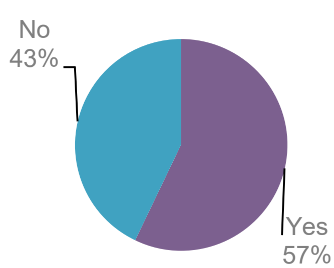

Figure 30: Sensitivity analysis vs cost – large entities

Response	%	Count
Yes	57.1%	4
No	42.9%	3
	Total	7

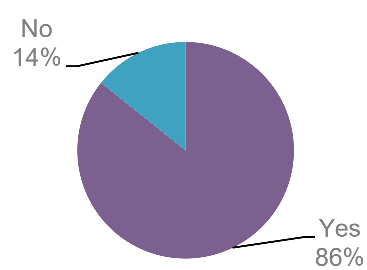

Figure 31: Sensitivity analysis vs cost – smaller entities

Response	%	Count
Yes	85.7%	6
No	14.3%	1
	Total	7

Question 28 - Do you consider that the information about future cash outflows of defined benefit obligations is more important to users than detailed sensitivity analysis?

The majority of the participants agreed that the information about **future outflows** of defined benefit obligations is **more important** to users than detailed sensitivity analysis. The next favoured response held by a minority of participants was that the timing of cash outflows and sensitivity information were both equally important and should be provided, but nobody considered the sensitivity analysis more important to users than information about future cash outflows.

Below are the survey results related to the above-mentioned statements.

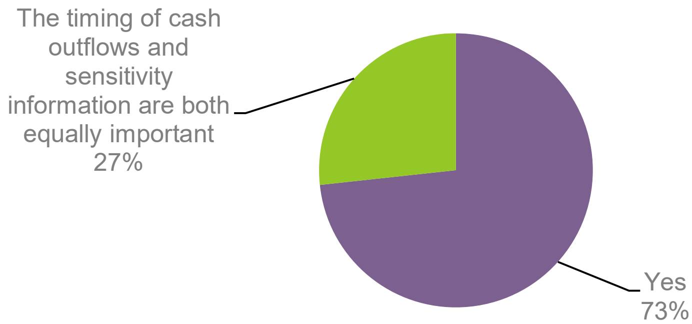

Figure 3232: Importance of future cash outflows of DBP and sensitivity analysis

Response	***%***	***Count***
Yes	*73.3%*	*11*
The timing of cash outflows and sensitivity information are both equally important and should be provided.	*26.7%*	*4*
No	*0%*	*0*
	Total	*15*

Question 29 - Do you have any other comments on the proposed amendments to IAS 19 in this Exposure Draft?

One participant commented that the request to disclose information on the impact of employee programs on the statement of cash flows is in contradiction with the indirect method of preparing this statement. They do not collect data in a way that allows easy reporting of such information. Moreover, they do not see any added value in this information for users of financial statements. A change in liabilities is sufficient information.

Another participant is not expecting any significant change in the scope of disclosures (IAS 19). The additional disclosures on cash flow data will provide useful information if directly presented in the cash flow statement. It was also mentioned that IAS 19 should be simplified and amended to make the information provided based on the standard more understandable to users.