Towards a Disclosure Framework for the Notes

A discussion paper, issued by the European Financial Reporting Advisory Group (EFRAG)

Comments from ACCA
21 December 2012

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

We support our 154,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities.

www.accaglobal.com

Further information about ACCA's comments on the matters discussed here may be obtained from the following:

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

Paul Cooper
Corporate Reporting Manager, ACCA
Email: paul.cooper@accaglobal.com

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

ACCA welcomes the opportunity to comment on the discussion paper ('DP') Towards a Disclosure Framework for the Notes. ACCA's Global Forum for Corporate Reporting has considered the DP, and its views are reflected in the following general comments, and in the answers to the specific questions raised by EFRAG.

GENERAL COMMENTS

ACCA believes that the focus of an appropriate framework for the notes to the financial statements should be to encourage both the disclosure of good-quality information (rather than information which is merely compliant), and a presentation which directs the users of the financial statements towards the key areas.

When considering how disclosures should be selected and structured, ACCA believes that the framework should be based on a limited number of high-level principles. As a result, a general disclosure standard could be adopted in numerous countries with little risk of a conflict with existing local legal requirements. By comparison, the principles set out in the DP are more detailed and prescriptive.

It is unavoidable that certain specific note disclosures will be required, especially as a result of specific accounting standards and legislation. In order to cope with the volume of potential disclosures, a traditional checklist-ticking approach is insufficient. The content and structure of disclosures should result from a process of preparers applying judgement and thought to the overall message they need to portray. We believe that the high-level principles in a disclosure framework should emphasise the use of this judgement. When doing so, preparers need to be supported by other groups, such as regulators and auditors, who would adopt and encourage a similar mindset rather than one which focusses mainly on compliance.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

ACCA

ACCA believes that a disclosure framework should focus on the information needs of the user groups identified in the IASB's Conceptual Framework, such as investors and other providers of finance (para. OB2). Other interested groups may prefer more information in financial statements. However, where these additional disclosures would not achieve a benefit beyond the interests of the particular stakeholder group, ACCA does not believe that they should influence the content of a disclosure framework.

One reason for growing and excessive disclosures is likely to be that those which have lost relevance are not removed as new requirements are introduced. A new framework, which focuses on information which is proportionate and meaningful (i.e. 'material') to the particular financial statements, will also help preparers to avoid such 'clutter'. However, as set out below, we believe that materiality, like disclosure, should be subject to high-level principles which retain a great deal of scope for preparers to apply their judgement, including whether to disclose information which by itself, appears immaterial under straightforward criteria, such as an absolute monetary amount.

In general however, we are unsure that the problem with disclosure is as widespread and entrenched as Chapter 1 of the DP may imply. We would be able to comment further on this matter had the DP set out the evidence which it has found to support its view.

In addition to developing a disclosure framework, a change in mindset by preparers, regulators and external auditors, when approaching their work, could result in similar improvements within a shorter period of time. This 'cultural' change would need to be adopted by all three of the aforementioned groups, for example by regulators commenting on excessive or unclear disclosure, in addition to their current monitoring for any non-compliance with accounting standards or legislation.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM

T +44 (0)20 7059 5000
F +44 (0)20 7059 5050

www.accaglobal.com

In the specific responses below, ACCA aims to show our wider consideration of the issues raised in each question, as reflected in our above comments.

ACCA also believes that the framework proposed by EFRAG will have the greatest impact if it fits into the current IASB Conceptual Framework.

With respect to the scope and content of the DP, we understand that EFRAG has to attempt to provide structure in an increasingly complex area. In view of the inevitably wide scope of a discussion of a common disclosure framework, we do not believe that the DP should limit itself to the note disclosures and the specific definition it gives for the notes (as commented on in our response to Question 2.2 below). On this point, we are more in agreement with the scope of the DP 'Thinking about disclosures in a broader context', issued by the Financial Reporting Council in the United Kingdom.

The scope of the discussion also calls for a DP whose content clearly supports the principles which it sets out, and the questions which it raises. EFRAG's views will then be fully explained, and respondents will be able to provide focussed, relevant answers to well-understood questions.

The DP attempts to achieve the above by including principles within the body of the discussion text, and by grouping questions according to the chapter to which they relate. However, the links between the discussion text and the principles or questions are unclear at times. For example, it is not apparent that the three principles set out in Chapter 2, para 14 are entirely justified by the preceding discussion text. In

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

view of their importance, the seven principles for standard-setters in Chapter 3, para 39 would also benefit from cross-references to the sections of discussion text which EFRAG considers to be of particular relevance to each principle.

With respect to the questions raised in the DP, it would be helpful for these to be replicated within the chapters, having been preceded by the sections of the discussion text which are of particular relevance to that question. There is an element of repetition in our responses to specific questions below, as indicated by the cross-references to similar comments we have made elsewhere. We included these references to assist the understanding of our views, but the need for them does indicate that repetition could have been avoided through setting fewer, more open questions in the DP.

SPECIFIC COMMENTS

We now give our comments on the specific questions raised in the DP.

Question 1.1

Do you agree with the key principles? If not, what alternative principles would you propose?

ACCA's overall views on the principles supporting a disclosure framework are given above in our general comments. In particular, we believe that fewer principles, set at a higher level, will provide the requisite guidance without encroaching on the important role of the exercise of judgement by preparers.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

We also have the following comments on the individual key principles set out on Pages 2-3 of the DP:

Principles 1 and 2 – please see our response to question 2.2 below, which questions the scope of the definition of the notes.

Principle 3 – this is not contentious, being in line with current good practice.

Principles 4 and 5 appear somewhat contradictory, as they firstly link disclosure with other concepts such as recognition and measurement (Principle 4 and also Chapter 3, para 39), but then disassociate disclosure from these (Principle 5). We believe that the concepts need to be considered together, as this is how they are dealt with by preparers, auditors and regulators in seeking to achieve or monitor a fair presentation in financial statements.

Principles 6 - 8 are generally not contentious, being in line with current good practice. However, as mentioned in our response to Question 3.4 below, we believe that an element of rules-based disclosure will always be necessary. Overall, we believe that there is (and has been historically) greater support for a principles-based framework than a rules-based one.

Principle 9 - we agree with this principle. Our response to Question 3.5 below gives our views on how we believe that alternative disclosure regimes may be set up in practice.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

Principles 10 – 11- as with Principles 6-8, these are not contentious generally.

Principle 12 – also agreed, though we would also like to see a confirmation here that the omission of material disclosures is a more serious matter than the inclusion of immaterial information. Our response to Question 4.1 below also argues that the unnecessary disclosure of immaterial items is not the sole or possibly even the main cause of "clutter" in the notes to the financial statements.

Principles 13 and 14 – ACCA agrees that there needs to be a greater emphasis on communication in the notes, as opposed to focussing primarily on their compliance. We agree that this change, along with implementation of good disclosure principles generally, needs to be incorporated into the working methods of external auditors and regulators, as well as preparers.

Other - as set out in out in our response to Question 5.1 below, we question why communication principles are reflected in just one of 14 key principles.

Question 1.2

Do you agree with the two main areas for improvements?

The main areas for improvement are stated as being the following:

a. the avoidance of disclosure overload, which may be caused by excessive requirements in IFRS, and by the ineffective application of materiality in the financial statements, and

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

b. the need to enhance how disclosures are organised and communicated in the financial statements, making them easier to understand and compare.

ACCA agrees that there is a need to address the above matters. For example, excessive disclosure requirements leave insufficient scope for entities to use their discretion in presenting information, thereby impeding the development of best practice in individual areas of disclosure over time.

However, as explained in the General Comments section above, we are unsure that the problem is as widespread and entrenched as Chapter 1 may imply.

In addition, we believe that pending the development of a framework, smaller changes could be made, if consistent with the framework and generally accepted by interested parties.

Chapter 2: clarify the purpose of the notes

Question 2.1
Do you think that there is a need to define the purpose of the notes? If not, please provide your reasoning.

As set out in our response to Question 2.2. below, ACCA believes that it is more useful to describe the key purposes and characteristics of the notes. We do not believe that this is achieved within a succinct definition, such as that given in the DP.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

<u>Question 2.2</u>

Is the proposed definition of the purpose of the notes helpful in identifying relevant information that should be included in the notes? If not, how would you suggest it should be amended?

The proposed definition reads as follows (Chapter 2, para 8):

> The purpose of the notes is to provide a relevant description on the items presented in the financial statements and of unrecognised arrangements, claims against and rights of the entity that exist at the reporting date.

We have two reservations about the above definition. Firstly, it is followed by five sub-paragraphs of explanations which are termed essential, but are not fully reflected in the definition. Furthermore, the definition describes items in the primary financial statements in very general terms, but goes on to set out certain other items in specific terms (such as claims against the entity). The scope of the other items is not comprehensive as in our view, it insufficiently encompasses disclosures such as going concern issues (please refer to our following response in respect of whole-of-entity information) and also not, in fact, remoter contingencies which have not crystallised in an actual claim.

In view of our reservations, ACCA much prefers that a Statement of Principles is set out instead, to clarify both the purpose and key characteristics of the notes to the financial statements. It would then be possible to incorporate the principles stated in para 14 of Chapter

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

2, and provide an opportunity to justify more fully the changes from current practice, such as those set out in Appendix 1 in respect of non-adjusting post balance sheet events and related parties (further discussed in our response to question 3.3 below).

Chapter 3: develop principles for the content and form of the notes

Question 3.1

(a) Is the description of the approach clear enough to be understandable? If not, what points are unclear?

(b) If you do not support this approach, what alternative would you support and why?

(c) Do you think that a category on "information about the reporting entity as a whole" should be included? If so, why?

It appears to us that the approach referred to in this question is described across various parts of the DP. As indicated in our general comments above, ACCA believes that an effective overall disclosure framework can only be general ('high-level'), although this does not weaken the effectiveness of the principles which would be included, such as those relating to concise entity-specific information. Disclosures meeting these general criteria, but which are specific to a particular accounting area, are best set out in the Standard which deals with that particular area.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

We do believe that there should be a category on information about the entity as a whole. There is information within this category which could be of great relevance to users and which consequently, accords with the criteria for inclusion indicated by EFRAG and set out in the Conceptual Framework (as quoted in Chapter 3, para 2). Under a disclosure framework based on high level principles, we do not believe that this information would need to be defined so prescriptively as to cause difficulties (this concern is expressed in Chapter 3, para 11).

Question 3.2

Are the proposed users' needs and indicators in chapter 3 helpful to identify the relevant information? If not, how would you suggest amending them, or what other basis would you suggest to identify relevant information to be included in the notes?

ACCA agrees with the user needs set out in Chapter 3, para 5, and replicated in the table in para 31. These are broadly-phrased needs, which should meet with a high level of agreement from interested parties.

In view of our support for a generally-based disclosure framework, we are less in agreement with the way in which the proposed indicators are presented. These, along with the resulting content of information required, would best be reworded as principles and outcomes which are more readable and potentially of wider scope, whilst avoiding repetition of terms between the indicators and content of the disclosure. For example:

What the item is

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

Consider whether all relevant attributes are disclosed for the understanding of an item, including its title, specific terms and conditions, and unusual restrictions or enhancements.

Question 3.3

Do you agree with the way in which risk and stewardship are addressed in the Discussion Paper? If not, what are your views about how risk and stewardship information should be provided in the notes?

ACCA agrees that risk is sufficiently important for users of the financial statements to merit coverage in the DP, which provides more analysis of this topic than of other areas in Chapter 3, paras 12-20. The extent of this coverage may reflect the concerns expressed in the DP about the setting of disclosure requirements in individual Standards (Chapter 3, paras 33-34).

However, we believe that the complex nature of risk, and its varying impact on items in the primary financial statements (such as income and financial instruments), mean that there is little choice other than to deal with it primarily within individual Standards. These Standards, could however, have regard to a disclosure framework which is to be followed when setting or amending individual standards. We note that the DP does not, in any event, intend to cover risk reporting comprehensively (Chapter 6, para 3).

Stewardship is dealt with more briefly than risk in Chapter 3, paras 21 – 24, and whilst its importance is acknowledged, it is not in itself planned to generate notes to the financial statements unless these

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

accord with the definition of the notes in the DP (which links the notes to specific items, rather than general circumstances). However, general information on stewardship, as with related party matters, can be critical to meeting the objective of financial reporting, as set out in the Conceptual Framework:

> The objective of general purpose financial reporting is to provide financial
> information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.

It is preferable for such information to be included in the notes, where it will then have proximity to other disclosures which do already meet the definition set out in the DP, and in many jurisdictions, it will then be subject to external audit.

Question 3.4

Do you think that standard setters should change their practice of mandating detailed disclosure requirements in each standard? If so, which of the alternative approaches discussed do you think will be the most effective in improving the quality of the notes?

ACCA sets out below our views on the five approaches described in the DP, indicating our preference for a hybrid of the fourth and fifth of these, being a generally-expressed set of standards, supplemented by the inclusion of specific requirements within individual Standards.

Rely exclusively on preparers

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

This would give preparers the greatest freedom to provide entity-specific information. However, the resultant risks of under-disclosure and lack of comparability between entities are key factors in the development of detailed Accounting Standards which include disclosure requirements.

Provide general objectives, which preparers use in deciding what to disclose
This method provides a high level of opportunity for relevant entity-specific information to be disclosed. General objectives alone are, however, prone to manipulation by entities wishing to conceal facts or alternatively, over-emphasise positive news.

Develop industry-based disclosure requirements
ACCA believes that there is a role for Standards to cover particular industries whose accounting practices set them apart from other industries. Current examples include insurance, banking and leasing. We still believe that general Standards (such as for revenue and operating segments) have a crucial role, as it will not be practicable to develop a comprehensive Standard for each industry, or to keep each of these Standards up-to-date as those industries evolve.

Develop a single, common set of requirements
We believe that this would represent progress if the common set of requirements is framed in sufficiently general ('high-level') terms, which are then used to develop requirements in Standards covering specific accounting areas or industries. This should ensure that individual standards are developed and amended consistently, based on common principles whilst avoiding excessive requirements in any

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

particular Standard. ACCA does not believe that a single and fully comprehensive set of requirements can be produced, and consequently, there will still be a role for disclosure requirements to be set within individual Standards. In that sense, the common set of requirements would, in fact, be more of a common set of principles, which encourage an emphasis on disclosures which are of the greatest importance to an individual entity.

Develop distinct disclosure requirements in each standard

As above, ACCA believes that a general set of principles and requirements is desirable to provide a framework which can then be used for the disclosure requirements which will have to be specified in individual Standards. These requirements will furthermore need to be compatible with the compulsory disclosures prescribed in company law

When setting the requirements in individual Standards, we support the kind of change illustrated in the example proposal from the report "Losing the excess baggage" (given in Chapter 2, para 60 of the DP). Compared to current requirements, this proposal indicates more broadly what should be included within a required disclosure. Preparers should have sufficient knowledge to be able to apply this more general approach effectively, and we believe that specifying too great a level of detailed disclosure can impede the development by preparers of best practice over time.

Question 3.5

Do you think that establishing alternative disclosure requirements is appropriate?

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

ACCA agrees that this is appropriate. Experience has shown that reduced disclosure regimes, based on the size of an entity, or the needs of its users, have been successful. The reduced disclosure regimes have helped qualifying entities to avoid undue cost by removing unnecessary disclosures, whilst still meeting the information needs of users. Equally, we agree that listed entities, whatever their size, should comply with full IFRS, due to their public accountability.

A differential disclosure regime based on the relative importance of each item in the financial statements (Chapter 3, para 63) would result in more complex decision-making, and therefore cost, compared to a self-contained set of requirements based on clearly-stated criteria, such as size. The latter will also be readily understandable to the users of the financial statements.

Chapter 4: improve the application of the materiality principle (and thereby the relevance of the disclosures

Question 4.1
Do you think that a Disclosure Framework should reinforce the application of materiality, for instance with a statement that immaterial information could reduce the understandability and relevance of the disclosures?

ACCA agrees that a Disclosure Framework should, when discussing materiality, remind preparers of the circumstances which can lead to the unnecessary disclosure of immaterial items. An example of this

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

given in the DP is the tendency to make an immaterial disclosure because it was disclosed in the previous year when it was material (Chapter 4, para 18).

Appropriate action will then be needed to put into practice any statement concerning the potential effect of over-disclosure of immaterial items. Under IFRS, information which is immaterial does not have to be disclosed. If it is, then preparers, auditors and regulators do not usually change their overall view on the compliance of the financial statements with disclosure requirements. In changing how they assess the notes to the financial statements, auditors and regulators, as well as preparers, will need to place greater critical emphasis on the communication within the notes, as well as their compliance (a point which is also raised in our response to Question 1.2 above).

EFRAG's concern that immaterial information could reduce the understandability and relevance of the disclosures is most applicable to a minority of cases, where immaterial items are included to a sufficiently large extent to draw attention away from the material issues being presented in the financial statements. It may well be the case that in general, excessive required disclosures around material items are a more frequent source of "clutter", which jeopardises the understandability and relevance of disclosures.

<u>Question 4.2</u>

Do you think that a Disclosure Framework should include guidance for applying materiality? If you disagree, please provide your reasoning.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

ACCA does not agree that the guidance should include detailed provisions on the application of materiality, but should be based on the existing general quantitative and qualitative principles which, we believe, result in the correct application of materiality when applied appropriately.

ACCA also does not support an outright prohibition on the disclosure of any immaterial item. To do so would encroach further on the professional judgement of the preparers of the financial statements, and their advisors and auditors.

With respect to the prohibition on disclosing immaterial information, the DP takes the view that this might be hard to enforce (Chapter 4, para 9). We believe that such a prohibition may actually be inappropriate at times. In some (but not all) cases, information which is immaterial by itself based on a precise definition (such as a numerical calculation), may be needed to supplement information which is material, for the purposes of providing meaningful overall disclosure of an item or group of items. As set out above, we believe that it will be a matter of judgement as to whether immaterial information should be disclosed in this situation.

Question 4.3

Is the description of the approach clear enough to be useful at improving the application of materiality? If not, what points are unclear or what alternatives would you suggest?

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM

T +44 (0)20 7059 5000
F +44 (0)20 7059 5050

www.accaglobal.com

ACCA's view is that Chapter 4 of the DP begins appropriately, by setting out current issues regarding materiality (e.g. paras 3 and 6) and the potential danger of excessive disclosure of immaterial items, drawing on material already published. ACCA also believes that it is relevant to point out, as mentioned in paras 14 to 17 of Chapter 4, that there are difficulties in providing guidance in an area such as materiality, given its judgemental nature, but nonetheless its key role for preparers and external auditors.

We also believe that Chapter 4 could, at this point, be a basis for further debate on the application of materiality. However, the table in para 23 then reverts to indicators consistent with Chapter 3 of the DP, and about which we have expressed reservations in our response to Question 3.2 above. In particular, we believe that the indicators currently have too narrow a focus, when a wider debate needs to be stimulated. It is also unhelpful that the table sets out materiality itself as one of a number of materiality indicators.

Overall therefore, we would prefer the approach of Chapter 4 to be one of taking the concept of materiality, as currently understood, and using this to develop guidance which is as clearly stated as is practicable.

Chapter 5: effective communication by the notes (through presentation, and the linkages between them)

Question 5.1
Would the proposed communication principles improve the effectiveness of disclosures in the notes? Are there different ways to organise the disclosures that you would support?

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

From experience, ACCA agrees that currently, improvements are needed in the following areas covered by Chapter 5 of the DP:

- Disclosures should be clear, balanced, concise and written in plain language

  Whilst para 19 draws attention to tabular and graphical presentations, well-expressed concise text can, in our view, effectively communicate important facts.

- Disclosures should be linked

  This applies especially, in our view, to groupings or linkages between notes (para 25, and para 39 option (i)). Effective linkages between the primary financial statements and the notes, on the other hand, are usually readily achieved through numerical cross-references.

In view of the number of communication principles set out in Chapter 5, paras 8-25, we would question why communication gives rise to only one key principle on Page 3 of the DP (as referred to in our response to Question 1.1 above).

Some of the matters raised in Chapter 5 of the DP should in any event also be identified when checking the compliance with disclosures. For example, para 9 describes a disclosure which is unlikely to be complete, as well as insufficiently entity-specific. Para 12 describes a

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

disclosure which may well be incorrect, as well as not current for the purposes of communication.

The organisation of disclosures by priority (Chapter 5, paras 15-16) may involve too subjective a process, and priorities are likely to differ by user group. We believe that the current order of notes, principally following the order of the items in the primary financial statements, with similar items also often grouped together, is more logical and objective for preparers and across user groups. This standardised and familiar approach would not however, prevent greater emphasis being given to the more significant disclosures than the more minor ones (although the latter could, for example, take the form of brief narrative disclosures to avoid undue over-emphasis – a similar theme is covered in paras 40-41).

We do not share, to the same extent, the concern about important information being placed at the back of the notes section (para 33). This is because users of the financial statements with a serious interest in the entity's reporting are likely to peruse all of the content.

ACCA would support the exclusion from the notes of accounting policy wording which is standard and unchanging for the entity, subject to this information being readily available outside the financial statements, and national legal requirements, as alluded to in para 47 of Chapter 5.

<u>Question 5.2</u>
Do any of the suggested methods for organising the notes improve the effectiveness of disclosures? Are there different ways to organise the disclosures that you would support?

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com

As set out in our response to Question 5.1 above on communication principles, ACCA supports the retention of the standardised approach (Chapter 5, paras 29-33), with critical judgement being applied by preparers to how individual facts are grouped and emphasised.

ACCA agrees that standard setters, regulators and auditors should consider the communication of information in the notes to the financial statements, as well as its content and compliance (as also referred to in our responses to Questions 1.2 and 4.1 above).

Other matters:

Question 6.1

Are there any other issues that you think need to be addressed to improve the quality of information reported in the notes to the financial statements? Please explain how you think these issues should be addressed, and by whom.

Please see our General Comments above.

29 LINCOLN'S INN FIELDS
LONDON WC2A 3EE
UNITED KINGDOM
T +44 (0)20 7059 5000
F +44 (0)20 7059 5050
www.accaglobal.com