# EFRAG

## European Financial Reporting Advisory Group ■

EFRAG, ANC & FRC Discussion Paper:
*Towards a Disclosure Framework for the Notes*

12 July 2012

# Background to the Project

## Why we have issued this Discussion Paper

- **The objectives of this Discussion Paper are:**

    **identify what disclosures are relevant for the notes to the financial statements;**

    **discuss what materiality means from a disclosure perspective; and**

    **develop a set of principles for good communication of disclosures.**

- **We have developed some suggestions for a Disclosure Framework for the Notes to the financial statements.**

- **The objective of the Disclosure Framework is to ensure that <u>all</u> and <u>only</u> relevant information is disclosed in an appropriate manner, so that detailed information does not obscure relevant information in the notes to the financial statements.**

- **The comment period closes on 31 December.  Please send comments to <u>commentletters@efrag.org</u>**

# Key Principles in the Discussion Paper

| What we have said |
|---|
| • **A number of Key Principles have been identified on:** |

| | |
|---|---|
| • **Purpose and content of the notes** | • **Setting disclosure requirements** |
| • **Applying the requirements** | • **Communicating information** |

# Overview of the Framework

HOW DOES THE FRAMEWORK HELP?

WHO IS THE MAIN ACTOR?

- Provide a consistent approach to set requirements

- STANDARD SETTERS

Defining the notes and the structure of the Framework

Setting requirements in Standards

Improving how information is communicated

Assessing relevance at entity level

- Assist in the application of materiality

- PREPARERS
- Auditors
- Regulators

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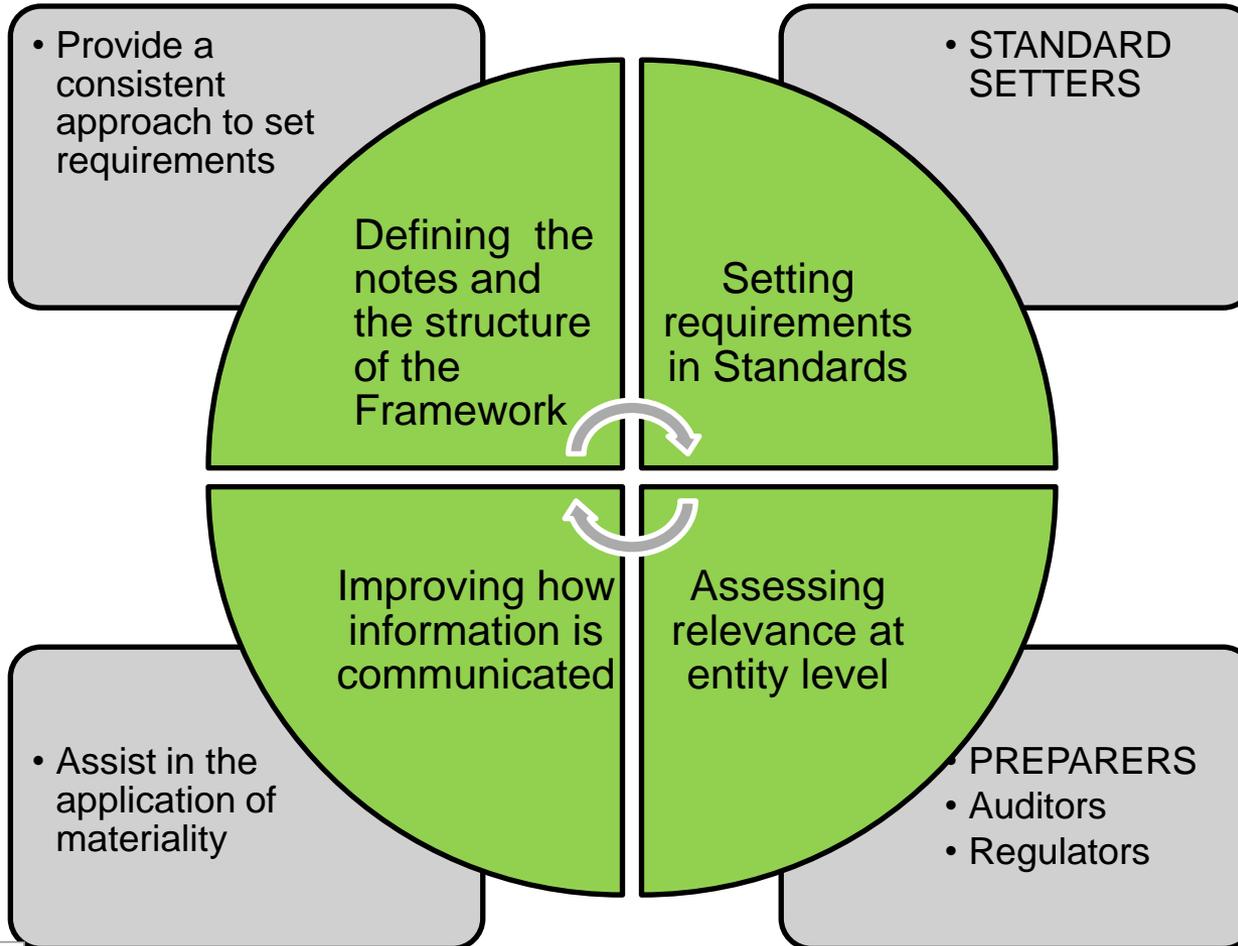
# Setting the requirements

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

| Notes provide information on | | | |
|---|---|---|---|
| **Aggregation/ disaggregation of line items** | **What the item is** | **How the item fits in the entity's operations and financial structure** | **How the item has been accounted for** |

*Indicators are suggested to assess when this information is relevant*

# Applying the requirements

## What we have said

- **The Framework suggests that not all information around a material item is necessarily material.**

- **The Framework suggests a number of indicators to guide in the assessment of materiality of each information.**

# Communicating information

| What we have said | |
|---|---|
| • Quality of information is not only about the "what" is disclosed, but also "how". <br> • The Discussion Paper suggests that information in the notes should meet these principles: | |
| Be entity-specific | Be current |
| Inform and explain the substance of transactions | Be organised |
| Be clear, balanced, concise and written in plain language | Be linked |