International Accounting Standards Board

commentletters@ifrs.org

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ED/2021/3 Disclosure Requirements in IFRS standards – A Pilot Approach

FAR is responding to your invitation to comment on the Exposure draft *2021/3 Disclosure Requirements in IFRS standards – A Pilot Approach*.

FAR has chosen to leave comments in general on the approach rather than comment on the specific changes in IFRS 13 and IAS 19.

General comments

FAR shares the view on the problem that there is a tendency to use current disclosure requirements as a checklist rather than applying judgment and materiality.

FAR welcomes IASB's work to develop an objective based approach to disclosure requirements in the respective standards.

FAR agrees on the proposed process that early in the standard-setting phase work closely with users of financial statements and other stakeholders to understand their information need and articulate how such information is intended to be used.

Our Concerns and challenges

FAR is concerned that the objective-based disclosure proposal in the ED without requiring disclosure of specific items or a limited number of specific items will be challenging for preparers, increased challenges for the enforces and an ultimate risk for impaired comparability of information.

The categorization of "while not mandatory" could increase the uncertainty for preparers as to whether to disclose those items or not. The proposed approach would require preparers to determine which information that will satisfy the needs of the users of financial statements whose perspectives could differ from their own. Furthermore, the preparers also have to determine and justify that they have fulfilled the stated disclosure objectives. Therefore, there is a risk that the "while not mandatory" disclosures will be disclosed anyhow as they, according to the proposed ED, could enable the preparers to fulfil the disclosure objective.

It is rational and efficient for preparers to have a list of disclosure requirements as a starting point instead of by application of judgment and expose preparers to second-guessing as to which information that users of financial statements need. This process could be both burdensome and costly. This could be even harder for smaller entities with limited resources.

In the absence of a list of minimum disclosure requirements it would be challenging for auditors and enforcers/ regulators to review the disclosures and assess whether to disclosure objective has been fulfilled or not.

There is a risk that the enforcers based on their assessment could create different practices.

It is FAR’s view that a list of disclosure requirements, as in the current standards, does not necessarily result in too many disclosures on immaterial items and to little disclosures regarding material items. Instead, it could help preparers to fulfill the disclosure objectives if the prepares apply materiality. In our experience there is a lot of discussions between preparers, auditors and enforcers regarding materiality when it comes to specific disclosures depending on specific fact and circumstances. IAS 1 p 31 states that an entity needs not to provide a specific disclosure required by an IFRS if the information resulting from the disclosure is not material. This is the case even if the IFRS contains a list of specific requirements or describes them as minimum requirements.

An entity should also consider whether to provide additional disclosures when compliance with the specific requirements is insufficient to enable users of financial statements to understand the impact of a particular transaction other events and conditions on the entity´s financial position and financial performance.

Yours sincerely,

Pernilla Lundqvist
Chairman Accounting Practices Committee