ACCOUNTANCY EUROPE.

Mr Hans Hoogervorst
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Sent by email: Commentletters@ifrs.org

Brussels, 2 October 2017

Subject: IASB Discussion Paper DP/2017/1 Disclosure Initiative-Principles of Disclosure

Dear Mr. Hoogervorst,

Accountancy Europe (*https://www.accountancyeurope.eu*) is pleased to provide you below with its comments on the Discussion Paper (DP) regarding the Disclosure Initiative-Principles of Disclosure.

Accountancy Europe welcomes the IASB's initiative to review the Principles of Disclosures, a project being one of several within the IASB Disclosure Initiative. We appreciate the efforts of the IASB to improve the effectiveness of disclosures in the financial statements.

Developing guidance to address the three main concerns identified from the IASB's research activities and observations from the Discussion Forum on Disclosures in Financial Reporting in January 2013 about disclosures in the financial statements could help address the disclosure problem, subject to certain objectives being met.

The process which the IASB goes through to draft the disclosure requirements and the drafting itself are two factors that, if improved, could also help address the disclosure problem.

It also depends on how the IASB will change the requirements in the existing standards. The IASB has provided several preliminary views on what principles should be included in a general disclosure standard or be provided as non-mandatory guidance. We note that it is more difficult to achieve any change in behaviour when issuing only non-mandatory guidance. To this respect, we propose a 4-step hierarchical process that the IASB could focus on.

The first layer would be to include centralised disclosure objectives in the Conceptual Framework to be used by the Board as a basis for developing disclosure objectives.

The second step would be to include some of the principles of effective communication to IAS 1 *Presentation of Financial Statements*.

Thirdly, each standard should have its own objectives (based on the principles of effective communication); and as a result of that, the IASB should develop disclosure requirements based on the objectives of each standard.

Lastly, the IASB could produce non-authoritative guidance, i.e. in the form of educational material or additional material, where deemed necessary.

We recognise that the guidance provided in the DP on its own will not be sufficient to change behaviours of preparers, auditors and regulators who tend to use disclosures as a compliance exercise. One key success factor to mitigate the disclosure problem is that all three key stakeholders mentioned above align their behaviours.

Moreover, the DP, which is a significant milestone in the Disclosure Initiative, was long-awaited to tackle several critical issues. Whereas we do not disagree with the description of the disclosure problem in the DP, we are concerned that not enough focus was given to address the overload of disclosure requirements in the IFRS Standards, which impose significant costs on preparers that may outweigh the benefits to users.

We highlight the significance to review, and amend where necessary, disclosure requirements of existing Standards. The 'Standards-level review of Disclosures' project should thus be a key priority for the IASB since it will be one way to address the disclosures overload problem as it involves a comprehensive review of disclosure requirements in IFRS Standards. We are concerned though that the IASB has not yet specified a time-table for starting this project.

We realise that an expectation of many preparers and users is to have less voluminous financial statements. We recognise the difficulty to retrieve information when the financial statements are lengthy but we consider this to be a secondary issue. What should be emphasised by the IASB is the importance of the quality, clarity and relevance of the disclosures provided by the entity.

We acknowledge the efforts of the IASB to encourage effective application of materiality in the financial statements. It is without doubt a critical issue in the fundamental discussion on relevance and materiality. We emphasise that the preparers of financial statements should not be encouraged to trade off relevance with providing less lengthy financial statements. Disclosures should be made in a way that is useful to understand the business of the entity and to inform the primary users when making decisions.

Furthermore, we consider that this research project should be at the heart of the evolution of financial reporting in the future to ensure that financial reporting maintains its relevance amongst its intended users. We regret that the DP has not met our expectations when it comes to considering the role of technology. The DP starts from the assumption that we continue to use IFRS standards under a paper-reporting format; based on this it seems that it addresses the issues of the past instead of the future. Perhaps the IASB would have presented a different approach in addressing the specific disclosure issues had the technological angle been considered. Accountancy Europe has issued a Cogito publication[1] on *Standard Setting in the 21st century* where it also argues that further research appears needed by the existing standard setters, including the IASB, to see how modern technology and digitalisation can influence today's standards.

We understand that the primary focus should be the financial statements. However, financial statements are only one means of delivering financial information and only a subset of what comprises corporate reporting. We would have therefore expected the IASB to have a more holistic look on what is relevant and material in improving the effectiveness of disclosures in financial statements. The Board has also recently considered to revise and update its Practice Statement Management Commentary as part of its research work on wider corporate reporting. In our Cogito Paper *The Future of Corporate Reporting – Content of corporate reporting*[2] we argue that companies should integrate information in the front-end of the annual report and in disclosure notes within the financial statements to avoid duplication. We would have favoured a discussion around this area on this DP.

[1] Accountancy Europe (2017), *Standard Setting in the 21st century* [online] Available at: https://www.accountancyeurope.eu/publications/standard-setting-21st-century/

[2] Accountancy Europe (previously FEE), (2015). *The Future of Corporate Reporting – creating the dynamics for change* [online] Available at: https://www.accountancyeurope.eu/publications/future-corp-rep/

We have also noted that the DP does not address or acknowledges the issues encountered by small and medium-sized enterprises (SMEs) which use full IFRS by choice or requirement. The IASB should provide some guidance to the preparers of the financial statements of SMEs given that this is a particularly difficult area.

Moreover, we see merit in the IASB providing some clarification on how each project under the Disclosure Initiative interact with each other. It would be helpful for the IASB to set the boundaries of the projects related to the Disclosure Initiative. For instance, it seems there is significant overlap in the DP with other IASB's projects such as the Materiality Practice Statement and the Primary Financial Statements (PFS) projects.

Principles of effective communication

Accountancy Europe agrees that the Board should develop principles of effective communication that entities should apply when preparing the financial statements. The IASB should further explore the possibility of including some of the principles of effective communication in a disclosure standard.

Roles of the primary financial statements and of the notes

The focus should be on exhibiting the characteristics of the financial statements, as described in the DP, when considering what to disclose in the PFS and the notes. This is because the financial performance and financial position of an entity can only be understood by considering the financial statements as a whole.

Location of information

Information in compliance with IFRS standards placed outside financial statements

Accountancy Europe agrees with the Board's preliminary view that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS standards outside the financial statements. The IASB should evaluate and investigate whether it should permit such information and the use of cross-referencing to be disclosed outside the annual report.

We also propose safeguards to allow the use of cross referencing to the annual report or to other statements, that is to permit the use of cross-referencing only when information is accessible to the users of the financial statements at the same time, it is provided under the same terms and has the same duration.

It will also be worth exploring how digital reporting could improve the decision to cross-reference some information.

We encourage the IASB to liaise with regulators and the auditing profession to identify the implications from using cross-referencing, and find workable solutions. In particular, auditing concepts such as materiality as well as the audit opinion relate to ''financial statements as a whole''. If information is placed outside the financial statements these will no longer work as intended. Hence, liaison with auditors becomes quite urgent to ensure the appropriate level of audit and assurance is provided.

Non-IFRS information placed within the financial statements

We understand the importance of allowing an entity to include additional information in the financial statements. We recognise that it is frequent practice for entities to include non-IFRS information, often because of national regulatory requirements. We also acknowledge that the discussion around the disclosure of non-IFRS information in the financial statements is a complex area. Information that is inconsistent or conflicts with IFRS Standards is not the same as information that supplements IFRS information. In our view, the Board should especially be careful when permitting the inclusion of any non-IFRS information that is inconsistent with IFRS Standards because this might be confusing for the users.

Performance Measures

We welcome the IASB's efforts to provide guidance on the use of performance measures; however, we would have favoured a more holistic view on this area in the PFS project.

To the extent that the guidance provided in the DP moves in the direction of transparency, consistency and enhancing comparability and the understanding of the measures produced by the entities, we are confident that this will address most concerns expressed around the area of performance measures.

Accounting Policies

A general disclosure standard should include requirements in determining which accounting policies to disclose. What is important though is not the categorisation of the accounting policies but to encourage the entities to also ensure they provide entity-specific, useful and relevant accounting policies.

Centralised Disclosure Objectives

We agree with developing centralised disclosure objectives that consider the objective of financial statements and the role of the notes.

As correctly noted in the DP, the recent standards which include disclosure objectives have been developed in isolation without considering the disclosure requirements in other standards. Going forward the IASB should consider the relationships between the disclosure requirements in different standards.

The DP presents two methods for the development of centralised disclosure objectives. At this stage, it is difficult to formalise an opinion on which of the two methods is preferable as the DP does not go thoroughly into Method B.

Moreover, we are not in favour of locating all disclosure objectives and requirements in IFRS standards within a single Standard. Each standard should have its own objective, except in cases where it is more useful to group disclosure objectives and requirements of several standards, each covering a group of related topics.

Our responses to the specific questions can be found in the attached appendix to this letter.

Sincerely,

Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 50 professional organisations from 37 countries that represent close to **1 million** professional accountants, auditors, and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond. Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

ANNEX 1 – DETAILED COMMENTS TO THE IASB'S QUESTIONS

Question 1

Paragraphs 1.5–1.8 describe the disclosure problem and provide an explanation of its causes.

a) Do you agree with this description of the disclosure problem and its causes? Why or why not? Do you think there are other factors contributing to the disclosure problem?

b) Do you agree that the development of disclosure principles in a general disclosure standard (ie either in amendments to IAS 1 or in a new general disclosure standard) would address the disclosure problem? Why or why not?

Question 1a

We do not disagree with the description in the DP of the disclosure problem and its causes. Developing guidance to address the three main concerns identified from the IASB's research activities and observed from the Discussion Forum on Disclosures in Financial Reporting in January 2013 about disclosures in the financial statements could help address the disclosure problem. However, we recognise that the guidance provided in the DP on its own will not be sufficient to change behaviour of preparers, auditors and regulators who tend to use disclosures as a compliance exercise. One key success factor to mitigate the disclosure problem is that all three key stakeholders mentioned align their behaviours.

Moreover, part of the disclosure problem as explained by the IASB is the disclosure of irrelevant information which can add unnecessary ongoing costs to the preparation of financial statements. We would argue that the addition of unnecessary costs is a two-step process. The preparer first needs to adhere to the IFRS standards requirements and collect the information requested by the IASB. And then, as a second step in the process, the preparer shall reflect on which of the information collected is material or not to the entity, and effectively apply the concept of materiality in the preparation of the financial statements as a whole.

We recognise that part of the disclosure problem is the difficulty encountered by the entities to apply the concept of materiality. This concept is also often applied differently because of jurisdictional and regulatory diverse practices. To this respect, we acknowledge the efforts of the IASB to encourage effective application of materiality in the financial statements which is important when deciding what and how to disclose information.

Nonetheless, we are concerned that the IASB has not focused enough on the first step of the process, and thus on the fact that current IFRS Standards include many detailed requirements. This issue imposes significant costs on preparers that may outweigh the benefits to users.

On a different note, one of the main expectations of many preparers and users of the financial statements is to have less voluminous financial statements. We recognise the difficulty to retrieve information when the financial statements are lengthy but we consider this to be a secondary issue since what should be emphasised by the IASB is the importance of the quality, clarity and relevance of the disclosures provided by the entity.

Moreover, we understand that the primary focus should be the financial statements. However, financial statements are only one means of delivering financial information and only a subset of what comprises corporate reporting. We would therefore encourage the IASB to look holistically at the disclosure problem; this could also be done through collaboration with regulators.

We consider the concept of CORE & MORE[3] developed by Accountancy Europe to be particularly useful to address the disclosures problem because it introduces a two tiers approach. The CORE report is an overarching report summarising the company's key information based on relevance and materiality. It would be accompanied by additional layer(s), the MORE reports, which include detailed information, for example detailed disclosures for financial statements that can support the information which is included in the CORE report. CORE & MORE could focus more on quality instead of quantity, and as such, probably even result in shorter reports compared to today's practice. It could also aim at reporting relevant entity-specific information instead of a rule-based check-the-box exercise resulting in boilerplate disclosures.

We also have concerns that this DP overlaps with the Materiality Practice Statement and the Primary Financial Statements (PFS) projects. For example, the IASB discussed about judgement when assessing whether information is material to the financial statements and provided guidance on disclosures in the Exposure Draft *IFRS Practice Statement: Application of Materiality to Financial Statements.* In addition, regarding the PFS project, we would expect that the Board develops approaches to address the issues on performance measures, as well as, to clarify the role of the 'primary financial statements' in that project.

Question 1b

The development of disclosure principles is crucial when it comes to building the content of a general disclosure standard.

The 'Standards-level review of Disclosures' project is an essential part of the Disclosure Initiative to address the disclosure problem. It is important to review, and amend where necessary, disclosure requirements of existing Standards. This should include the way the requirements are spelled out (i.e. making sure to distinguish the objectives of the disclosures from the illustrations of how the objectives may be achieved). The Standards-level review project should be a key priority for the IASB since it will be one way to address the disclosures overload problem as it involves a comprehensive review of disclosure requirements in IFRS Standards. We are concerned that the IASB has not yet specified a time-table for starting this project – we hope this does not result in the project being given less priority compared to other projects.

Question 2

> *Sections 2–7 discuss specific disclosure issues that have been identified by the Board and provide the Board's preliminary views on how to address these issues. Are there any other disclosure issues that the Board has not identified in this DP that you think should be addressed as part of this Principles of Disclosure project? What are they and why do you think they should be addressed?*

Issues encountered by small and medium-sized enterprises (SMEs)

The DP does not address or acknowledge the issues encountered by small and medium-sized enterprises (SMEs) which use full IFRS by choice or requirement. The IASB should provide some guidance to the preparers of the financial statements of SMEs given that this is a particularly difficult area. The key though is to first understand what users of listed SME accounts need/want.

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[3] Accountancy Europe (previously FEE), (2015). *The Future of Corporate Reporting – creating the dynamics for change* [online] Available at: https://www.accountancyeurope.eu/publications/future-corp-rep/

One example where there are concerns brought by disclosures is on companies listed on Multilateral Trading Facilities (MTFs) and SME Growth Markets. Accountancy Europe plans to do some work on this area as a common accounting framework for SMEs accessing pan-European (or other) funding and trading platforms is needed. The IASB should also consider these issues and work together with the European Commission (EC) towards an IFRS regime with the potential to be scaled down, made proportionate and tailored for companies listed on MTFs and SME Growth Markets with the aim of reducing disclosure burdens. This should be done within the existing (full) IFRS framework, as IFRS for SMEs is not the right framework to pursue this for listed entities, even if they are SMEs. This is particularly important as any EU-specific solutions should be avoided. Accountancy Europe offers its help to both the IASB and the European Commission for this exercise.

We note that the issue is not only about the scalability of the IFRS Standards, but also about how regulators review/follow the application of the standards in an SME environment.

Issue concerning the impact of technology

The impact of technology has not been comprehensively looked at; neither the relationship between general-purpose reporting and electronic filing of financial information.

The DP starts from the assumption that we continue to use IFRS standards to prepare financial statement issued in a paper-reporting format; based on this it seems that it addresses the issues of the past instead of the future. May be the IASB would have presented a different approach in addressing the specific disclosure issues had the technological angle been considered. For instance, with digital reporting it will be easier to navigate the financial statements and therefore the consideration whether financial statements are voluminous would be less important. In addition, different principles of disclosures might have been developed if technology were considered.

The IASB should also consider the link with its taxonomy project. The IFRS taxonomy has been developed with the view to comply with IAS 1 and the requirements of IFRS. There is a need to develop guidance on how a company can reconcile the objectives pursued under the Disclosures Initiative and reporting using the IFRS taxonomy, whilst at the same time enabling meaningful comparisons of their financial information with other companies by analysts and investors.

Question 3

The Board's preliminary view is that a set of principles of effective communication that entities should apply when preparing the financial statements as described in paragraph 2.6 should be developed. The Board has not reached a view on whether the principles of effective communication should be prescribed in a general disclosure standard or described in non-mandatory guidance.

The Board is also of the preliminary view that it should develop non-mandatory guidance on the use of formatting in the financial statements that builds on the guidance outlined in paragraphs 2.20–2.22.

a) Do you agree that the Board should develop principles of effective communication that entities should apply when preparing the financial statements? Why or why not?

b) Do you agree with the principles listed in paragraph 2.6? Why or why not? If not, what alternative(s) do you suggest, and why?

c) Do you think that principles of effective communication that entities should apply when preparing the financial statements should be prescribed in a general disclosure standard or issued as non-mandatory guidance?

d) Do you think that non-mandatory guidance on the use of formatting in the financial statements should be developed? Why or why not?

If you support the issuance of non-mandatory guidance in Question 3(c) and/or (d), please specify the form of non-mandatory guidance you suggest (see paragraph 2.13(a)–(c)) and give your reasoning.

Question 3a

We agree that the Board should develop principles of effective communication that entities should apply when preparing the financial statements.

A dilemma that needs attention is the relationship between relevance and comparability. The preparers of the financial statements might lose some of the comparability with other entities in their effort to provide relevant entity-specific information to the users, and vice versa. We therefore agree with the IASB that an entity may need to make a trade-off between some of these principles when preparing its financial statements, which may be subjective, recommending the use of judgement by preparers and auditors alike when applying these principles.

The principle of ‘free form unnecessary duplication’ would not introduce subjectivity, thus this could be a requirement rather than a principle applied. We refer to our suggestion in question 3c where we propose to include this principle in a general disclosure standard.

Question 3b

We agree with the principles in paragraph 2.6. They are relevant to the application of the presentation and disclosure requirements, thus the preparation of financial statements by entities.

The paragraph 2.6 (b) could include some examples of how to use simple and direct language as much as possible. For instance, avoid long sentences, jargon and legalistic words and explain technical terms.

Question 3c

We feel that by issuing the principles of effective communication in a general disclosure standard will give them more authority and inevitably will improve behaviour.

We therefore see merit for the IASB to further explore the possibility of including some of the overarching principles of effective communication in a general disclosure standard. We consider the principles related to comparability, relevance, being entity-specific and the avoidance of duplication to be the key ones. The IASB should also further explore including disclosure objectives at the level of each standard based upon these principles.

However, there are some considerations on how to operationalise the guidance on principles of disclosures in a general disclosure standard. Without implying that these considerations should get in the way of developing this, the IASB should reflect on the enforceability and auditability issues that might be created. For instance, it might be very hard to enforce the principles by the regulators. Also, both management and the auditor will need to exercise judgement to assess whether the principles and disclosure objectives in individual standards have been applied appropriately and the auditor will need to decide whether and, if so, how this impacts the audit opinion.

Notwithstanding our preference for the IASB to include disclosure objectives at the level of each standard, where the IASB concludes that non-mandatory guidance should be provided on the communication principles, then such guidance should at least accompany the general disclosure standard. The most relevant place to develop such guidance is in Part B of the IFRS Bound Volume which contains the accompanying (non-mandatory) documents, such as implementation guidance and illustrative examples. This is subject to a full due process, and thus will enhance the quality of the guidance.

Question 3d

We do not object with the Board’s view in developing non-mandatory guidance on the use of formatting in the financial statements but we do not see this as a priority for the IASB.

As correctly indicated by the IASB, the appropriate format depends on the type of the information being disclosed and on entity-specific sectors, therefore providing mandatory guidance on the formatting will be inappropriate. The selection of formatting may also have diverse cost implications. For example, the use of taxonomy data or structured online reports are advantageous to some users of financial statements, though entities could suffer additional costs when choosing these media. The table in paragraph 2.22 is particularly useful since it demonstrates that each situation should be considered on an individual basis to determine the relevant type of formatting to be used.

If the IASB develops such guidance, we would argue that this should be a 'living document' - be revised to reflect evolution in technology, i.e. include new formatting types.

Question 4

The Board's preliminary views are that a general disclosure standard should:

- *specify that the 'primary financial statements' are the statements of financial position, financial performance, changes in equity and cash flows;*
- *describe the role of primary financial statements and the implications of that role as set out in paragraphs 3.22 and 3.24;*
- *describe the role of the notes as set out in paragraph 3.28, as well as provide examples of further explanatory and supplementary information, as referred to in paragraphs 3.26–3.27; and include the guidance on the content of the notes proposed in paragraphs 7.3–7.7 of the Conceptual Framework Exposure Draft, as described in paragraph 3.7.*

In addition, the Board's preliminary views are that:

- *it should not prescribe the meaning of 'present' as presented in the primary financial statements and the meaning of 'disclose' as disclosed in the notes; and*
- *if it uses the terms 'present' and 'disclose' when describing where to provide information in the financial statements when subsequently drafting IFRS Standards, it should also specify the intended location as either 'in the primary financial statements' or 'in the notes'.*

Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what do you suggest instead, and why?

Primary financial statements (PFS) and their role & Role and content of the notes

The distinction between the PFS and the notes should be a secondary issue. The focus should be on exhibiting the characteristics of the financial statements as described in the DP when considering what to disclose in the PFS and the notes. This is because the financial performance and financial position of an entity can only be understood by considering the financial statements as a whole. This depends on the business activity of each entity and the industry it operates in. What is therefore considered as 'primary' should be based on the usefulness of information to the users. Hence, we question whether it is appropriate to consider that the *Primary* Financial Statements (PFS) are always the statements of financial position, financial performance, changes in equity and cash flows. Some users may consider other parts of the financial statements as more primary than the so called 'primary' financial statements. For example, the cash flow statement is not so useful for the entities that operate in the banking or insurance sector. Conversely, segment reporting might be considered by some users as being key statements for an understanding of the performance of an entity. Should the IASB makes a distinction between the PFS and the notes, we suggest using a different terminology to the word 'primary' because this term might imply that the notes are inferior, which is not the intention of the IASB.

We welcome the Board's preliminary view to describe the role of the PFS and the notes. We share the concern that the role of the PFS as described in the DP focuses too much on the assets, liabilities, equity, income, and expenses rather than the company's performance, position and prospects. As a result, it does not enable a sufficient understanding of the business model of the entity.

Using the terms 'present' and 'disclose'

We agree with the Board in not prescribing the words 'present' and 'disclose'. We would see limited benefit in doing so given that both words have a defined meaning in the English language as mentioned in paragraph 3.31 of the DP. We acknowledge, however, that as it stands now, there is inconsistency in the use of the two words therefore we concur with the Board's approach to specify the intended location each time it intends to use these words.

Other comments

The IASB bases its discussion on the role of the primary financial statements and the notes under a paper reporting format and overlooks a discussion on when information is accessible on a digital format.

We also have concerns that the Board is sharing its preliminary views in this DP as this may overlap with the discussions in the PFS project. We raise similar comment in question 1 (a).

Question 5

The Board's preliminary view is that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS Standards outside financial statements if the information meets the requirements in paragraphs 4.9(a)–(c).

(a) Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

(b) Can you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3–4.4), for which you think an entity should or should not be able to provide information necessary to comply with IFRS Standards outside the financial statements? Why? Would those scenarios meet the criteria in paragraphs 4.9(a)–(c)?

Question 5a

We agree with the Board's preliminary view that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS Standards outside the financial statements. We welcome the Board's efforts to develop some requirements for this principle, though we have some remarks on the qualitative conditions proposed by the IASB in paragraphs 4.9 (a) and (b).

The IASB proposes to limit this principle to be provided only within the entity' annual report, as described 4.9 (a). However, the IASB should evaluate and investigate whether information presented outside the financial statements should be permitted outside the annual report.

We also suggest providing some examples to justify the first part of paragraph 4.9 (b). The paragraph states that the ''location of the information outside the financial statements makes the annual report as 'a whole more understandable'''. We see this condition being appropriate to avoid duplication where some information is requested elsewhere but we do not expect this criterion to occur often. To make the sentence more concrete, we suggest that the IASB includes examples to illustrate circumstances where this might be the case. For instance, if the disclosure of the management remuneration package is included in a single note forming part of the annual report it might make the information more understandable.

Further consideration needs to be given on the fact that the definition of an annual report varies from jurisdiction to jurisdiction. The DP also excludes circumstances where information would be presented on the entity's public website but it might be the case that some information is also useful if it is presented there.

Nonetheless, it is critical to ensure that the information is complete when it is disbursed in various places. To this respect, the effects of technology will need to be investigated further. For instance, if we move into a digital era then expanding the guidance allowing information to be presented outside the annual report requires the consideration whether technology will allow to keep track of the information presented elsewhere. Also, the use of an electronic version means that the boundaries are different and so should be defined differently.

It is without doubt that cross-referencing is important to avoid duplication; especially in cases where similar information is required by regulatory requirements and by the IFRS standards. It also helps entities to cross reference immaterial information to the financial statements, but whose complete exclusion would raise questions from regulators and other parties who will wish to know why this information was omitted.

However, we are concerned by the risk of abusing the use of cross-referencing. We, therefore, support the idea of requiring, in the general disclosure standard, an entity to meet certain conditions to be able to use cross-referencing. Not doing so bears the risk of relevant information being disclosed outside the financial statements and information disseminated which ultimately creates confusion for the users of financial statements.

The safeguards we propose are to allow cross referencing to the annual report or to other statements only when information is accessible to the users of the financial statements at the same time, it is provided under the same terms and has the same duration.

While we agree with the first part of paragraph 4.24 (d) that cross-referenced information should remain available over time, the IASB should reconsider its requirement to not allow cross-referencing beyond the entity's annual report. Such a restriction could potentially increase the risk of discrepancy with audit, regulatory and legal restrictions in different jurisdictions. The principles described in paragraph 21B of IFRS 7 *Financial Instruments: Disclosures* (see paragraph 4.3 of the DP) seem to be a better solution. That is, to allow an entity to include information necessary to comply with IFRS standards outside the financial statements, provided that the information is incorporated by cross-reference from the financial statements to some other statement (without restricting this to the annual report), that is available to users of financial statements on similar terms as the financial statements and at the same time.

Apart from considering safeguards, the IASB should also think through the issues brought by the use of cross-referencing.

It would be worth for the IASB to explore how digital reporting could improve the decision to cross-reference some information. For instance, it is not clear how the concept of cross referencing would interact with the requirement to use digital filing, i.e. eXtensible Business Reporting Language (xbrl) which will be made mandatory as from 2020 for the filing of all consolidated accounts of listed entities – reporting under IFRS – within the European Union.

Also, frequent use of cross referencing might create issues relating to the ''audit status'' of financial information and obscure the readability of the financial statements. For example, when information is disaggregated in different locations and regularly updated, the auditor will need to ensure that he can keep track of the version of the financial statements signed off (by the auditor) at a particular point in time.

There is also a need to make clear which information was subject to an audit and which was not.

In addition, it is questionable how cross-refencing should be interpreted and whether such information should be included in the audit, which covers the financial statements as a whole.

It is also unclear whether cross-referenced information disclosed in an annual report can be seen as 'Other information' under the International Standard on Auditing (ISA) 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.*

We therefore encourage the IASB to liaise with regulators and the auditing profession to identify the implications from using cross-referencing and find possible solutions. Measures would need to be in place to ensure the "audit status" of all such information is clearly identifiable (I.e., whether it was subject to the audit of the financial statements taken as a whole – not piecemeal, or whether it is classified as "other information" under ISA 720 and thus subject only to a consistency check with information in the audited financial statements).

Question 5b

We list below two examples for which an entity should be able to provide information necessary to comply with IFRS standards outside the financial statements:

-Information concerning investment in subsidiaries, joint ventures, associates included in the financial statements could be cross-referenced (and elaborated) to some other statement

-Details about share-based payments included in the financial statements could be cross-referenced (and elaborated) to some other statement.

Question 6

The Board's preliminary view is that a general disclosure standard:

- *should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information', or by a similar labelling, to distinguish it from information necessary to comply with IFRS Standards; but*
- *should include requirements about how an entity provides such information as described in paragraphs 4.38(a)–(c).*

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

Question 7

The Board did not discuss whether any specific information—for example, information that is inconsistent with IFRS Standards—should be required to be identified as described in paragraphs 4.38(a)–(c) or should be prohibited from being included in the financial statements.

Do you think the Board should prohibit the inclusion of any specific types of additional information in the financial statements? If so, which additional information, and why?

We understand the importance of allowing an entity to include additional information in the financial statements, i.e. any information that is not specifically required by IFRS Standards, where it believes that this would contribute to giving a true and fair view, and thus be useful to the users of the financial statements. Information that does not contribute to provision of a true and fair view may serve to obscure this and so should not be encouraged. We recognise that including non-IFRS information because of national or regional regulatory requirements occurs, like the European Union Non-Financial Information Directive (2014/95/EU). We also acknowledge that the discussion around the disclosure of non-IFRS information in the financial statements is a complex area. Information that is inconsistent or conflicts with IFRS Standards is not the same as information that is supplementary to IFRS information.

We do not disagree with the Board's preliminary view that a general disclosure standard should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information' or by a similar labelling, provided that such information is either required by national law or otherwise contributes to the provision of a true and fair view, and thus is relevant to users.

It is important to safeguard the balance between the financial statements being relevant and being compliant with IFRS standards. In our view, the Board should be careful with permitting the inclusion of any non-IFRS information that is inconsistent with IFRS Standards because this might be confusing for the users and does not help to promote the adoption of full IFRS. The issue of auditor association equally arises. We would argue therefore that there should be some restrictions for allowing certain non-IFRS information to be included in the financial statements. It is critical for example to ensure that the inclusion of non-IFRS information does not undermine the understandability of the financial statements. If it does so, then one suggestion is to cross-reference non-IFRS information to the financial statements, provided that certain criteria, as mentioned in question 6, are met. As noted in the DP in paragraph 4.6, with regards to IFRS 8 *Operating Segments*, some entities already provide their segment information in the management commentary, with a cross-reference from the financial statements.

We note that the DP has no discussion on pro-forma information. We consider that this topic is worth exploring in the context of targeting the objectives of relevance, comparability and understandability. It is often the case that the financial statements would meet the criteria of these three principles if pro-forma information is disclosed because such information explains the impact of significant transactions. An example where it is useful to disclose pro-forma information in the financial statements is where the disposal of a component that is not part of the major line of business, and thus does not meet the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, is significant to the entity. The IASB should consider circumstances where this type of information should be included and where appropriate to identify safeguards.

There are also some auditability issues that arise from the use of non-IFRS information. For instance, ISA 200 *Overall objectives of the independent auditor and the conduct of an audit in accordance with ISAs* paragraph 13 (a)(i) states that "it may be necessary for management to provide disclosures beyond those specifically required by the framework'', i.e. a framework override that would be expected to arise in rare circumstances. It is not obvious whether these disclosures should be considered as non-IFRS information. Also, it is not clear what the auditor should do with this information and how inconsistencies will be explained. The IASB should therefore do further work together with the audit standard setters and authorities in this area to clarify these issues.

In addition, there is a need to be careful about what the term 'inconsistent with the IFRS standards' means – under ISA 720 inconsistency with the financial statements means there is a misstatement in either the 'Other Information' or the financial statements, whereas in the DP it seems to mean the information is other than what it would be required by IFRS standards.

On a different note, if the technological aspect comes into play, then a company may not benefit from including non-IFRS information in a single comprehensive document, i.e. the financial statements, since technology could help to capture all information wherever this is disclosed. Having this in mind, we would suggest that IASB reflects on the longer-term impact of technology on non-IFRS information. In respect of linking key information and financial information with detailed and non-financial information, we refer to our CORE & MORE Concept as explained in further detail in our response to Question 1a.

Question 8

The Board's preliminary views are that it should:

- *clarify that the following subtotals in the statement(s) of financial performance comply with IFRS Standards if such subtotals are presented in accordance with paragraphs 85–85B of IAS 1:*
  - *the presentation of an EBITDA subtotal if an entity uses the nature of expense method; and*
  - *the presentation of an EBIT subtotal under both a nature of expense method and a function of expense method.*
- *develop definitions of, and requirements for, the presentation of unusual or infrequently occurring items in the statement(s) of financial performance, as described in paragraphs 5.26–5.28.*

a) Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what alternative action do you suggest, and why?

b) Should the Board prohibit the use of other terms to describe unusual and infrequently occurring items, for example, those discussed in paragraph 5.27?

c) Are there any other issues or requirements that the Board should consider in addition to those stated in paragraph 5.28 when developing requirements for the presentation of unusual or infrequently occurring items in the statement(s) of financial performance?

The feedback on Question 8 will be considered as part of the Board's Primary Financial Statements project.

We are aware that part of the PFS research project will examine requiring additional subtotals in the statement(s) of financial performance, i.e. EBIT, and providing guidance on presentation of management performance measures. We would have therefore favoured a more holistic view on this area as part of the PFS project. We reserve the right to revise our comments when responding to the PFS project.

A more holistic view would include the consideration of other performance measures which are frequently used by entities. We would also have preferred a more comprehensive approach on the depiction of unusual or infrequently occurring items in the statement of financial performance, i.e. a discussion around the issues linked to the underlying performance.

EBIT/EBITDA

We agree with the Board's preliminary view to allow the use of EBITDA as a subtotal only if an entity uses the nature of expense method. The IASB could also allow the use of EBITDA other than as a subtotal in the statement of financial performance when an entity uses the basis of function method. EBITDA can be presented or disclosed within the primary financial statements or in the notes, subject to appropriate reconciliation with other subtotals. In addition, the IASB should only permit the presentation of EBIT and EBITDA in the financial statements if their calculation is derived from components that are IFRS compliant.

Unusual and infrequently occurring items

The Board should not prohibit the use of other terms to describe unusual and infrequently occurring items; it is essential though to explain the meaning of some common terms used by companies.

Moreover, we note that IAS 1 paragraph 85 currently allows an entity ''to present additional line items, headings and subtotals in the statement(s) of financial performance when such presentation is relevant to an understanding of the entity's financial performance''. IAS 1 does not however specify the types of items that should be separately disclosed. To this respect, we recognise the need to explain in the notes how subtotals are defined and measured.

We are not able at this stage to provide any further comments on whether the IASB should develop uniform definitions of, and requirements for, the presentation of unusual or infrequently occurring items in the statement(s) of financial performance, as described in paragraphs 5.26–5.28. As noted above, we expect to have a broader discussion on this area related to the PFS project.

Question 9

> *The Board's preliminary view is that a general disclosure standard should describe how performance measures can be fairly presented in financial statements, as described in paragraph 5.34.*
>
> *Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative action do you suggest, and why?*

We support the IASB's preliminary view that a general disclosure standard should describe how performance measures can be fairly presented in financial statements. The current IFRS standards provide little information in the way of formatting the performance measures. Companies have lots of flexibility in terms of disclosing key performance measures. This often leads to measures used in ways that are misleading and difficult to compare across the companies. It is therefore useful to describe how performance measures can be fairly presented in the financial statements.

We are not in favour of requiring explanations and reconciliations for all performance measures (5.34b) and to provide the explanations required by 5.34c on the relevance of such measures. For instance, gross margin or operating profit are so commonly used that providing such an explanation could be boilerplate information. We also suggest the IASB to clarify what type of reconciliation is expected for the performance measures.

Moreover, we observe that other organisations such as the European Securities and Markets Authority (ESMA), the International Organization of Securities Commissions (IOSCO) and various national regulators have all released statements with similar content on how performance measures should be presented by entities. All statements seek for transparency, consistency and enhancing comparability and the understanding of the measures produced by the entities. To the extent that the guidance provided in the DP is consistent with such guidance then this will certainly address most concerns expressed around the area of performance measures.

ESMA also requires a company to explain the changes when an entity decides to redefine a performance measure and how this change leads to more relevant and reliable information. We propose that the IASB includes similar requirements in paragraph 5.34f which refers to classifying, measuring and presenting the performance measures in a consistent way.

Lastly, as mentioned in Question 8, we would have favoured a more holistic view on the use of performance measures including the consideration of non-financial performance measures.

Question 10

The Board's preliminary views are that:

- *a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16; and*
- *the following guidance on the location of accounting policy disclosures should be included either in a general disclosure standard or in non-mandatory guidance (or in a combination of both):*
  - *the alternatives for locating accounting policy disclosures, as described in paragraphs 6.22–6.24; and*
  - *the presumption that entities disclose information about significant judgements and assumptions adjacent to disclosures about related accounting policies, unless another organisation is more appropriate.*

a) Do you agree with the Board's preliminary view that a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16? Why or why not? If you do not agree, what alternative proposal(s) do you suggest, and why?

b) Do you agree with the Board's preliminary view on developing guidance on the location of accounting policy disclosures? Why or why not? Do you think this guidance should be included in a general disclosure standard or non-mandatory guidance (or in a combination of both)? Why?

If you support the issuance of non-mandatory guidance in Question 10(b), please specify the form of non-mandatory guidance you suggest (listed in paragraphs 2.13(a)–(c)) and give your reasoning.

Question 10a

We agree with the Board's preliminary view that a general disclosure standard should include requirements in determining which accounting policies to disclose as described in paragraph 6.16. As properly mentioned by the IASB, the objective of disclosing accounting policies in the financial statements is to provide an entity-specific description of accounting policies. This will help address the issue of disclosing accounting policies as a summary of the actual standards instead of providing information on how the entity applies the requirements and how it chooses its accounting policies in case of policy options.

We do not agree with the presumption that accounting policies should be disclosed when an entity is required to make significant judgements and/or assumptions in applying the accounting policy (6.12 (d). We would assume that to the extent there is some significant judgement, anyhow those significant judgements and assumptions will have to be disclosed irrespective of the accounting policies. For instance, a relevant example would be an accounting policy which is simple as in the case of an impairment of an asset but for which significant assumptions and judgments would need to be considered to assess the recoverable amount of an asset. In this case, we would expect more details on the judgements and the assumptions rather than on the accounting policy itself.

Question 10b

We agree with the Board's preliminary view on developing guidance on the location of accounting policy disclosure but this should not be too narrow. The guidance should be included in the general disclosure standard but allow some flexibility to the entities regarding the order in which they can disclose the accounting policies. We have raised a similar point in our response[4] to the IASB's Exposure Draft: Disclosure Initiative – Proposed Amendments to IAS 1.

[4] Accountancy Europe (previously FEE), (2014). ***Comment letter on IASB Exposure Draft: Disclosure Initiative – Proposed Amendments to IAS 1*** [online] Available at: https://www.accountancyeurope.eu/wp-content/uploads/Hoogervorst_140723_IAS_1.pdf

We observe that it is difficult to differentiate Category 1 from Category 2 since both categories relate to items, transactions or events that are material to the financial statements. What is important though should not be the categorisation of the accounting policies but to encourage the entities to provide entity-specific, useful and relevant accounting policies. We therefore suggest the IASB to abolish categories 1 and 2 and retain one single category that relates to material items, transactions or events. If the IASB decides to keep these categories, we propose to clarify how the one differs from the other.

Moreover, we observe that in the example in paragraph 6.24 (b) (ii) it is allowed to disclose Category 3 accounting policies outside the financial statements and to provide cross-reference to their location by presenting them on the entity's public website. Nevertheless, this seems to be inconsistent with the Board's preliminary view in section 4 *Location of information* which allows cross-referencing to be used only to incorporate information located within an annual report.

Question 11

> *The Board's preliminary view is that it should develop a central set of disclosure objectives (centralised disclosure objectives) that consider the objective of financial statements and the role of the notes.*
>
> *Centralised disclosure objectives could be used by the Board as a basis for developing disclosure objectives and requirements in Standards that are more unified and better linked to the overall objective of financial statements.*
>
> *Do you agree that the Board should develop centralised disclosure objectives? Why or why not? If you do not agree, what alternative do you suggest, and why?*

We agree that the Board should develop centralised disclosure objectives. We agree that the lack of such objectives makes it difficult for preparers to understand the purpose of the disclosure requirements, which consequently prevents them to exercise judgement about what specific information needs to be disclosed and which not. It is therefore important to set out a common basis of objectives for the companies to use when preparing the disclosures for the financial statements.

Nonetheless, as noted in paragraph 7.7 of the DP, the recent standards which include disclosure objectives have been developed in isolation without considering the disclosure requirements in other standards. Going forward the IASB should consider the relationships between the disclosure requirements in different standards.

Moreover, the centralised disclosure objectives could be part of the Conceptual Framework for disclosures to be used by the Board as a basis for developing disclosure objectives. This should form the first layer of a 4-step process that the IASB could contemplate.

The second step would be to have some amendments to IAS 1 *Presentation of Financial Statements* which will be useful to the preparers of the financial statements. For instance, some of the principles of effective communication could be included within IAS 1.

Thirdly, each standard should have its own objectives (based on the principles of effective communication in IAS 1); and as a result of that, the IASB should develop disclosure requirements based on the objectives of each standard.

Lastly, the IASB could produce non-authoritative guidance, i.e. in the form of educational material or additional material, where deemed necessary.

Question 12

The Board has identified, but not formed any preliminary views about, the following two methods that could be used for developing centralised disclosure objectives and therefore used as the basis for developing and organising disclosure objectives and requirements in Standards:

- *focusing on the different types of information disclosed about an entity's assets, liabilities, equity, income and expenses (Method A); or*
- *focusing on information about an entity's activities to better reflect how users commonly assess the prospects for future net cash inflows to an entity and management's stewardship of that entity's resources (Method B)*

a) Which of these methods do you support, and why?

b) Can you think of any other methods that could be used? If you support a different method, please describe your method and explain why you think it might be preferable to the methods described in this section.

Methods A and B are in the early stages of development and have not been discussed in detail by the Board. We will consider the feedback received on this DP about how centralised disclosure objectives might best be developed before developing them further.

Question 12a

We observe that Method A can be linked with the role of the primary financial statements which is to ''provide a structured and comparable summary of an entity's recognised assets, liabilities, equity, income and expenses''. However, no clear connection seems to exist between the role of primary financial statements and the description given for Method B, although Method B considers net cash inflows. We also note that there is not a direct connection with the objective of the financial statements as a whole either. We acknowledge that Method B has not yet been fully developed but we would suggest the IASB to explore whether such clearer connections could exist.

As also advocated for in our CORE & MORE approach, Method B has several advantages as deliberated in paragraph 7.32 of the DP. Developing disclosure objectives and requirements based on the entity's main activities would lead to disclosure requirements that focus on the most prominent issues relative to the entity's performance, position and prospects. However, we are a bit concerned with what is mentioned in paragraph 7.33 (f) that requiring an entity to focus on information about its activities depending on how these activities are classified (as operating, investing, or financing) as it assumes that all businesses classify their activities in the same way, which might not be the case and might depend, among other things on the industries and business models.

It is also important to look at the practical implications of Method B both from an IASB's perspective and from a preparers perspective. For instance, switching from Method A (where any changes would be altered from an existing basis) to Method B would certainly make the process of change much more difficult.

Question 12b

We do not have any different methods in mind.

Question 13

Do you think that the Board should consider locating all disclosure objectives and requirements in IFRS Standards within a single Standard, or set of Standards, for disclosures? Why or why not?

We are not in favour of locating all disclosure objectives and requirements in IFRS standards within a single Standard. Each standard should have its own objective, except in cases where it is more useful to group disclosure objectives and requirements of several standards, each covering a group of related topics, i.e. as in the case of IFRS 12 Disclosure of Interests in Other Entities.

The disadvantages for developing a single Standard outweigh the advantages which is evident from paragraphs 7.39 and 7.40 where the IASB elaborates on the benefits and drawbacks of this approach. One significant disadvantage, as explained in paragraph 7.40 (a), is having disclosure requirements in a single standard may make it difficult to relate those with the recognition and measurement requirements. Also, we believe that developing a single standard will not help in any way to the need for change in behaviours of the companies.

Instead, we consider that including disclosure objectives and requirements in individual standards would encourage entities to disclose entity-specific information. As mentioned in question 11, a central set of disclosure objectives could be included in the Conceptual Framework which could be used by the Board as a basis for developing the disclosure objectives for each individual standard.

While we agree with disclosure requirements being set in standards, we would also support having a repository log of disclosures to check back and have an overall picture of what is required.

Question 14

This section describes an approach that has been suggested by the NZASB staff for drafting disclosure objectives and requirements in IFRS Standards

a) Do you have any comments on the NZASB staff's approach to drafting disclosure objectives and requirements in IFRS Standards described in this section (the main features of the approach are summarised in paragraph 8.2 of this section)?

b) Do you think that the development of such an approach would encourage more effective disclosures?

c) Do you think the Board should consider the NZASB staff's approach (or aspects of the approach) in its Standards-level Review of Disclosures project? Why or why not?

Note that the Board is seeking feedback on the NZASB staff's overall approach, rather than feedback on the detailed drafting of the paragraphs on the use of judgement in the NZASB staff's example 1 or the detailed drafting of the specific disclosure requirements and objectives included in the NZASB staff's examples 2 and 3. In addition, the Board is not seeking feedback on where specific disclosure objectives and requirements should be located in IFRS Standards (except as specifically requested in Question 13).

Question 14a

Disclosure objectives (paragraphs 8.6-8.11)

We welcome the NZASB's suggestion that each Standard should include an overall disclosure objective and more specific sub objectives that support the overall disclosure objective. We stress though the challenge of defining the sub objectives.

The Board is considering the possibility of locating all disclosure objectives and requirements in IFRS Standards within a single Standard or set of Standards for disclosures. Even if these objectives are included within one single standard we still consider that the NZASB approach is worth exploring. If the IASB decides that there will be a set of standards for disclosures then we will be more supportive to the NZASB approach.

Moreover, we note though that the objectives set out in examples of IAS 16 and IFRS 3 use similar wording which makes it difficult to then make specific sub objectives–considering also the difficulty to define sub objectives themselves. Boilerplate disclosures run the risk of not being helpful to the preparers and ultimately the users of the financial statements. While there should be a certain level of consistency across Standards when developing these objectives, it is also important that the IASB uses tailored wording to the objective of each standard to help the users understand why the information is useful and relevant to them.

Two tiers of disclosure requirements (paragraphs 8.12-8.19)

The two tiers approach for disclosure requirements could potentially solve the issue discussed in question 3a about the relationship between relevance and comparability. Disclosing a summary of information as described in tier 1 disclosures could enhance comparability amongst entities. Tier 2 disclosures enhances relevance since the entities can provide additional information, thus more entity-specific information.

Question 14b

We encourage the IASB to consider the development of the NZASB approach considering that it could potentially encourage more effective disclosures and decrease the inclusion of less relevant requirements.

Question 14c

The NZASB staff's approach is consistent with Method A for developing centralised disclosures objectives. Even though we ask for further development of Method B before we can show our support to one of the two methods, we see value for the Board to consider the NZASB's approach in its Standards-level Review of Disclosures project.

Question 15

> *Some stakeholders say that the way that disclosures are drafted in IFRS Standards might contribute to the 'disclosure problem', as described in Section 1. Some cite in particular the absence of clear disclosure objectives and the presence of long lists of prescriptively written disclosure requirements in Standards (see paragraph 8.4).*
>
> *Nevertheless, other stakeholders observe that specific disclosure requirements might be simpler to use than applying judgement when determining how to meet disclosure objectives.*
>
> *Do you think the way the Board currently drafts IFRS Standards contributes to the disclosure problem? Please give your reasoning. If you think the current drafting contributes to the disclosure problem, please provide examples of where drafting in Standards could be improved and why.*

We do indeed think that the way the Board currently drafts IFRS Standards contributes to the disclosure problem.

The way the Board has been drafting IFRS Standards contributed to the disclosure problem mainly because the standards were missing disclosure objectives. Some recently developed IFRS standards include disclosure objectives which is an example of improvement but still those are stated rather generally. As discussed earlier in question 11, the objectives have been developed in isolation. To improve these objectives the IASB should consider the relationship between the disclosure requirements in different standards, as described in paragraph 7.7 of the DP. Setting clear objectives will help entities apply judgement and decide what information is relevant to disclose.

The due process by which the IASB goes through the drafting of the IFRS standards might not facilitate it for constituents to give the necessary feedback on disclosure requirements. For instance, we appreciate the inclusion of specific questions on disclosures in the exposure drafts of the new standards developed such as IFRS 16[5] or IFRS 15[6] but perhaps the IASB should request more information to this respect.

The drafting of the IFRS standards itself sometimes is not consistent which can constitute a factor that contributes to the disclosure problem. We list below a few examples:

- some standards state that disclosure is ‘‘encouraged’’ rather than ‘shall’ be disclosed.
- disclosure requirements in one standard might be highlighted in bold type and in others not.
- certain standards include a requirement to consider the concept of materiality, i.e. ‘‘shall disclose for each that is material’, whereas most other disclosure requirements in the standards do not refer to the materiality concept at all.

We also acknowledge that the IASB considers that one important part of the due process are the outreach events which can potentially help in the drafting of the IFRS standards. We welcome the outreach events organised by EFRAG in cooperation with other European organisations to stimulate the debate in Europe for this research project. We also acknowledge the IASB’s participation in some of these events. It is important that the IASB deliberates the insight information received from such events considering that it can perhaps influence the IASB’s future decisions on some areas of this research project. We also consider it essential for the IASB to be in the driving seat for organising similar events.

[5] IASB (2013) *Exposure Draft ED/2013/6 Leases* [online] Available at: http://archive.ifrs.org/Current-Projects/IASB-Projects/Leases/Exposure-Draft-May-2013/Documents/ED-Leases-Standard-May-2013.pdf

[6] IASB (2010) *Exposure Draft ED/ 2010/6: Revenue from contracts with customers* [online] Available at: http://archive.ifrs.org/Current-Projects/IASB-Projects/Revenue-Recognition/ed0610/Documents/EDRevRecogSt0610.pdf