IFRS Accounting

Staff paper

Agenda reference: 11A

IASB® meeting

Date	**October 2022**
Project	**Disclosure Initiative: Targeted Standards-level Review of Disclosures**
Topic	**Decide project direction—Guidance for the Board**
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Purpose of the paper

1. This paper analyses the courses of action available to the IASB, and recommends a course of action to respond to the feedback on the proposed approach to developing and drafting disclosure requirements in IFRS Accounting Standards (Guidance for the Board or proposed Guidance), as set out in the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*.

2. Agenda Paper 11C *Decide project direction—Proposed amendments to IFRS 13* Fair Value Measurement *and IAS 19* Employee Benefits analyses the courses of action available to the IASB in relation to the proposed amendments to the disclosure requirements of IFRS 13 and IAS 19.

Summary of recommendations

3. The staff recommend the IASB:

   (a) document the proposed methodology for developing disclosure requirements and use it when developing disclosure requirements in future standard-setting activities;

   (b) develop a middle ground approach to drafting disclosure requirements as explained in Agenda Paper 11B *Decide project direction—A middle ground approach to drafting disclosure requirements*; and

   (c) publish the Guidance for the Board as a separate document on the IFRS Foundation website.

Structure of the paper

4. This paper is structured as follows:

   (a) proposed approach to developing disclosure requirements (paragraphs 5–9);

   (b) proposed approach to drafting disclosure requirements (paragraphs 10–22);

   (c) location of the Guidance for the Board (paragraphs 23–31);

(d) Appendix A—Summary of stakeholder feedback on the Guidance for the Board; and

(e) Appendix B—Extract from the Basis for Conclusions on the Exposure Draft.

Proposed approach to developing disclosure requirements

5. Paragraphs BC27–BC49 of the Basis for Conclusions on the Exposure Draft (reproduced in Appendix B to this paper) explain the methodology the IASB would apply in developing disclosure requirements, particularly in developing sufficiently specific disclosure objectives. The methodology would broadly involve the IASB:

   (a) understanding the issues with information that users of financial statements currently receive;

   (b) understanding the information needs of stakeholders;

   (c) understanding what disclosures are required to support proposed recognition and measurement requirements;

   (d) performing a cost-benefit analysis; and

   (e) understanding and documenting the effects of disclosure proposals.

6. In addition, the IASB would integrate the development of disclosure requirements with the development of recognition and measurement requirements. The IASB would work more closely with users of financial statements and other stakeholders early in the standard-setting process to understand what information users want in financial statements, and what assessments they would perform using that information.

7. The methodology is not intended to be fixed; instead, the IASB may change it over time, drawing on the IASB's and stakeholders' experience of its application. As explained in paragraph BC30 of the Basis for Conclusions on the Exposure Draft, the IASB intends the methodology to be:

   (a) flexible—the IASB would adjust the sequence and volume of suggested activities to meet the needs of each project. For example, the IASB may do more stakeholder outreach when it develops a new Accounting Standard than when it develops a narrow-scope amendment.

   (b) iterative—the IASB would use the methodology as a foundation it can build on using feedback from stakeholders, the IASB's experience of developing disclosure requirements across different projects and the financial reporting outcomes of stakeholders applying those disclosure requirements.

8. Furthermore, the IFRS Digital Reporting team would work with the project teams while the IASB develops disclosure requirements in Accounting Standards.

9. The widespread support for the proposed approach to developing disclosure requirements (see paragraphs A1–A3 of Appendix A) indicates that the methodology would help the IASB in developing disclosure requirements that would provide useful information to users of financial statements. Therefore, the staff recommend that the IASB document the methodology and use it when developing disclosure requirements in future standard-setting activities.

Questions for the IASB
1. Does the IASB agree with documenting the proposed methodology and using it when developing disclosure requirements in future standard-setting activities?

Proposed approach to drafting disclosure requirements

10. The proposed approach to drafting disclosure requirements aims to improve disclosures in financial statements by shifting entities from using a checklist approach to disclosing items of information specified in an Accounting Standard, to using judgement to identify and disclose information that meets disclosure objectives. The Exposure Draft proposes to achieve that shift by:

    (a) requiring entities to comply with overall disclosure objectives that describe the overall information needs of users of financial statements;

    (b) requiring entities to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements;

    (c) supplementing specific disclosure objectives with explanations of what the information provided to meet those objectives is intended to help users of financial statements do; and

    (d) linking each specific disclosure objective with items of information an entity may, or in some cases is required to, disclose to satisfy the objective.

11. The Exposure Draft proposes that the IASB would use prescriptive language 'shall' to require entities to comply with disclosure objectives, and typically use the following less prescriptive language when referring to items of information: 'while not mandatory, the following information may enable an entity to meet the disclosure objective'.

12. To comply with specific disclosure objectives, an entity should disclose information that meets the detailed information needs of users. To comply with the overall disclosure objectives, an entity should assess whether information disclosed by applying specific disclosure objectives meets the overall information needs of users.

13. The IASB also proposed that it will, to the extent possible, avoid making generic or overarching references to materiality in the disclosure sections of Accounting Standards. Avoiding such references would reinforce materiality as an overarching concept that applies across all Accounting Standards.

14. At its meeting in July 2022, the IASB discussed, among other things, the possible courses of action available to the IASB to respond to the feedback on the proposed approach to drafting disclosure requirements (see paragraphs A4–A15 of Appendix A to this paper). Given the mixed feedback received, the IASB considered whether to:

    (a) finalise the approach to drafting disclosure requirements as proposed with limited changes;

    (b) discontinue work on the proposed approach to drafting disclosure requirements; or

    (c) develop a middle ground approach to drafting disclosure requirements.

    These possible courses of action were analysed in Agenda Paper 11 of the July 2022 IASB meeting.

15. During that meeting, no IASB members expressed support for using the approach to drafting as proposed because of concerns from stakeholders about the significant cost of using judgement in applying the requirements drafted using that approach.

16. Consequently, this paper does not discuss whether to finalise the approach as proposed. Instead, this paper discusses whether to:

    (a) discontinue work on the proposed approach to drafting disclosure requirements (paragraph 17); or

    (b) develop a middle ground approach to drafting disclosure requirements (paragraphs 18–20).

Discontinue work on the proposed approach to drafting disclosure requirements

17. The IASB could decide to discontinue work on the proposed approach to drafting disclosure requirements because feedback suggests that:

    (a) the proposed approach may not be effective in shifting entities from using a checklist approach to disclosing items of information specified in an Accounting Standard, to using judgement to identify and disclose information that meets disclosure objectives;

    (b) even if the IASB were to make changes to the proposed approach to resolve stakeholders' concerns, for example using prescriptive language when referring to items of information, changing the proposed approach, or the way the IASB drafts the disclosure requirements, may not bring about the shift the IASB was aiming to achieve through the project; and

    (c) a checklist approach to disclosing items of information specified in an Accounting Standard may help entities provide comparable information.

Develop a middle ground approach to drafting disclosure requirements

18. The IASB could decide to develop a middle ground approach to drafting disclosure requirements with the aim of providing a better framework for entities to use judgement to identify and disclose useful

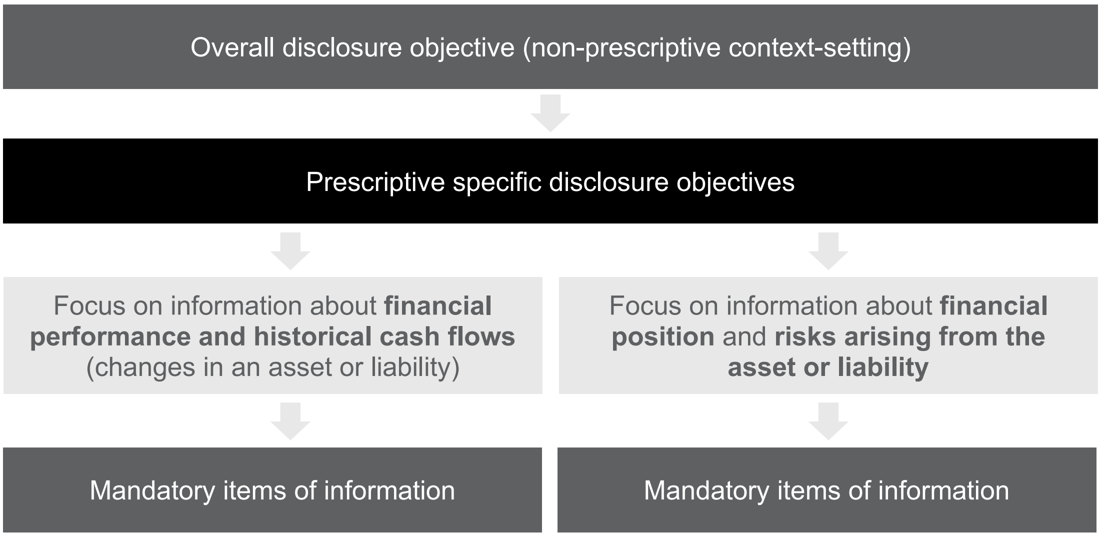
information to users of financial statements. In particular, IASB could provide a better framework for entities to apply paragraph 31 of IAS 1.

19. Feedback on the Exposure Draft suggests that:

(a) respondents supported some aspects of the proposed approach—particularly, with the use of disclosure objectives to describe user information needs. While they supported the use of prescriptive language in relation to specific disclosure objectives that describe precisely the detailed information needs of users, they were concerned about using prescriptive language in relation to the overall disclosure objectives.

(b) there was significant support for the IASB to develop a middle ground approach to drafting disclosure requirements. Under such an approach, disclosure objectives would be accompanied by a prescriptive list of items of information that an entity should disclose to meet the objectives.

20. The figure below illustrates the structure of the disclosure section of an Accounting Standard developed applying a middle ground approach that is explained further in Agenda Paper 11B that accompanies this paper:



Recommendation

21. The staff recommend that the IASB develop a middle ground approach to drafting disclosure requirements because:

(a) discontinuing the work on approaches to drafting disclosure requirements would not contribute to solving the disclosure problem. Paragraphs BC6–BC7 of the Basis for Conclusions to the Exposure Draft highlight stakeholders' view that the IASB's approach to drafting disclosure requirements in IFRS Accounting Standards contributes to the disclosure problem, and that the IASB could improve its approach.

(b) a middle ground approach (as explained in Agenda Paper 11B that accompanies this paper) would improve the IASB's approach to drafting disclosure requirements and help address the disclosure problem to some extent. By pursuing a middle ground approach, the IASB would be better placed to encourage other stakeholders to help address the disclosure problem (paragraph BC12 of the Basis for Conclusions on the Exposure Draft).

(c) stakeholders' concerns about the proposals were primarily related to prescriptive overall disclosure objectives and less prescriptive language when referring to items of information. A middle ground approach that addresses these concerns would likely receive widespread support while still improving the IASB's approach to drafting disclosure requirements.

22. If the IASB decides to develop a middle ground approach to drafting disclosure requirements, the IASB will be asked whether it agrees with the middle ground approach explained in Agenda Paper 11B that accompanies this paper.

Questions for the IASB	
2.	Does the IASB agree with developing a middle ground approach to drafting disclosure requirements?

Location of the Guidance for the Board

23. If the IASB decides to use the Guidance for the Board, whether as proposed or with changes, in its future standard-setting activities, the IASB should decide where it should be housed. Respondents suggested that the Guidance for the Board should be included in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*), in the *Due Process Handbook* (*Handbook*), or as a document posted on the IFRS Foundation website.

Conceptual Framework

24. The purpose of the *Conceptual Framework*, as set out in paragraph SP1.1 of the *Conceptual Framework*, is to:

(a) assist the IASB to develop IFRS Accounting Standards that are based on consistent concepts;

(b) assist preparers to develop consistent accounting policies when no Accounting Standard applies to a particular transaction or other event, or when an Accounting Standard allows a choice of accounting policy; and

(c) assist all parties to understand and interpret the Accounting Standards.

25. It would not be appropriate to include the Guidance for the Board in the *Conceptual Framework* because:

    (a) the Guidance for the Board includes the methodology which the IASB would follow when developing disclosure requirements. It neither contains any concepts nor assists stakeholders in applying Accounting Standards.

    (b) paragraphs 7.1–7.6 of the *Conceptual Framework* already highlight the importance of presentation and disclosure objectives in the Accounting Standards. In particular, paragraph 7.3 of the *Conceptual Framework* states:

    > Including presentation and disclosure objectives in Standards supports effective communication in financial statements because such objectives help entities to identify useful information and to decide how to communicate that information in the most effective manner.

    (c) amending the *Conceptual Framework* is subject to due process as stipulated in the *Handbook*. This requires the publication of an exposure draft for any proposed changes to the *Conceptual Framework*. Therefore, including the Guidance for the Board in the *Conceptual Framework* would be incompatible with the IASB's intention, as set out in paragraph BC30 of the Basis for Conclusions on the Exposure Draft, that the methodology for developing disclosure requirements be flexible and iterative.

Handbook

26. The *Handbook* is a document of the Trustees of the IFRS Foundation, which sets out the due process principles—transparency, full and fair consultation and accountability—and requirements that apply to the IASB and the IFRS Interpretations Committee. The *Handbook* specifies mandatory due process steps and identifies non-mandatory and optional due process steps for how the IASB consults, conducts and operates.

27. The proposed Guidance for the Board is built on the due process principles and, therefore, is consistent with the due process requirements. However, it would not be appropriate to include the Guidance for the Board in the *Handbook*. The Guidance for the Board deals with technical rather than due process matters—describing how the IASB, having consulted its stakeholders, should develop and draft disclosure requirements in Accounting Standards. Developing and drafting disclosure requirements is a technical matter, for which the IASB has complete responsibility.

Recommendation

28. The staff recommend the IASB publish the Guidance for the Board as a document posted on the IFRS Foundation website. As a reference, the IASB had previously published on the website a document which explains the objectives and process of post-implementation reviews.

29. This recommendation would ensure that the Guidance for the Board:

(a) would be publicly available. Any stakeholder could access the document and understand how the IASB would develop disclosure requirements in IFRS Accounting Standards.

(b) would be flexible and iterative as the IASB intended. For example, whenever the IASB needs to amend the methodology based on feedback from stakeholders, the IASB can make changes immediately.

Questions for the IASB	
3.	Does the IASB agree with publishing the Guidance for the Board as a document posted on the IFRS Foundation website?

Next steps

30. If the IASB decides to develop a middle ground approach to drafting disclosure requirements (as explained in Agenda Paper 11B that accompanies this paper) and to publish the Guidance for the Board as a document posted on the IFRS Foundation website, the staff will:

(a) update the draft Guidance for the Board to incorporate the middle ground approach to drafting disclosure requirements; and

(b) circulate the updated draft Guidance for the Board to IASB members for review.

31. Irrespective of what the IASB decides in relation to the Guidance for the Board and the proposed amendments to IFRS 13 and IAS 19, the IASB will publish a project summary at the conclusion of this project.

Appendix A—Summary of stakeholder feedback on the Guidance for the Board

Summary of feedback on the proposed approach to developing disclosure requirements

A1. Almost all respondents, including most users of financial statements, who commented agreed that the IASB should:

(a) engage early with users of financial statements and other stakeholders when developing disclosure requirements in Accounting Standards;

(b) integrate development of disclosure requirements with the rest of the accounting model; and

(c) consider implications for digital reporting.

A2. Respondents generally supported the IASB's proposal to develop and include in Accounting Standards disclosure objectives, especially specific disclosure objectives, explaining user information needs.

A3. A few respondents suggested the IASB should adopt the proposed approach to developing disclosure requirements even if the IASB were not to proceed with the proposed approach to drafting disclosure requirements. Those respondents suggested the IASB include in the Guidance for the Board the methodology explained in the Basis for Conclusions on the Exposure Draft.

Summary of feedback on the proposed approach to drafting disclosure requirements

Feedback from respondents other than users of financial statements

Disclosure problem and the proposed approach to drafting

A4. A few respondents agreed that the proposed approach would help solve the disclosure problem. Paragraph BC1 of the Basis for Conclusions on the Exposure Draft describes the disclosure problem as not enough relevant information, too much irrelevant information, and ineffective communication of the information in financial statements.

A5. However, most respondents thought the proposed approach would not solve the disclosure problem and entities would continue to apply a checklist approach to disclosing items of information specified in an Accounting Standard, even if those items are not drafted as requirements. Some thought the proposed approach would, at best, help reduce disclosure of irrelevant information. Respondents generally felt that a change of behaviours across the entire financial reporting eco-system is required to resolve the disclosure problem.

A6. Some respondents thought that the root cause of the disclosure problem is that entities do not make effective materiality judgments when applying the disclosure requirements in an Accounting Standard. Instead of using the proposed approach to draft disclosure requirements, a few respondents suggested the IASB simply reinforce the need to apply materiality by including at the beginning of the disclosure section in every Accounting Standard a cross reference to paragraph 31 of IAS 1 *Presentation of Financial Statements*. Paragraph 31 of IAS 1 says that an entity:

(a) need not provide a specific disclosure required by an Accounting Standard if the information resulting from that disclosure is not material; and

(b) should also consider whether to provide additional disclosures when compliance with the specific requirements in an Accounting Standard is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Use of disclosure objectives

A7. Respondents generally agreed with the use of disclosure objectives to describe user information needs. While they supported the use of prescriptive language in relation to specific disclosure objectives that describe precisely the detailed information needs of users, they were concerned about using prescriptive language in relation to the overall disclosure objectives. Some respondents suggested that overall disclosure objectives be drafted as context setting paragraphs rather than as prescriptive requirements.

A8. Respondents said that the overall disclosure objectives and some specific disclosure objectives in the proposed amendments to IFRS 13 and IAS 19 were generic and would not assist preparers in assessing user information needs. They requested more precise objectives, more precise explanations of what the information will help users do, application guidance and examples to help entities identify user information needs.

Items of information

A9. Most respondents expressed the view that the IASB's proposal to use less prescriptive language when referring to items of information would likely make the disclosure requirements difficult to operationalise. They said that the language used in these proposals would create an undue burden for preparers in terms of the costs of implementing new processes and systems, involvement of senior staff, documentation of judgements and audit costs.

A10. Also, many respondents said that the proposed approach would be unenforceable. They suggested that the increased exercise of judgement may lead to preparers, auditors, regulators, and users reaching different views about whether user information needs have been met, making it difficult for auditors and regulators to enforce disclosure requirements. Further, in some jurisdictions and industries, particularly within financial services, disclosures are highly regulated. Regulators enforce preparers' compliance with those disclosure requirements using templates, which is contrary to the principles of the proposed approach.

A11. Respondents were also concerned about:

(a) decreased comparability of information resulting from applying the proposals;

(b) the implications for digital reporting; and

(c) compatibility of the proposals with prescriptive requirements in financial reporting laws and regulations in certain jurisdictions.

Recommendations from respondents

A12. Many respondents suggested the IASB develop a 'middle ground' approach to disclosures, whereby disclosure objectives would be accompanied by a prescriptive list of items of information that an entity should disclose to meet the objectives. However, a few respondents said that a middle ground approach will not solve the disclosure problem unless entities make effective materiality judgements in applying the disclosure requirements.

Feedback from users of financial statements

A13. Feedback from users was broadly consistent with the feedback that we heard from other respondents. Although some users supported the proposed approach, many raised concerns about removing or reducing prescriptive requirements to disclose specified items of information. In particular, they raised concerns about the effects of the proposed approach on comparability and digital reporting.

A14. In addition, some users said that they do not consider immaterial information to be a problem and they are able to extract the information they need, even from very lengthy financial statements.

A15. Some of the users that had concerns, suggested the IASB should use a combination of both disclosure objectives and minimum prescriptive items of information. They said this combination should help entities disclose more useful information, while still ensuring comparability.

Appendix B— Extract from the Basis for Conclusions on the Exposure Draft

Whether and how the Board can develop disclosure objectives

BC27 In the Board's view, the approach in the proposed Guidance would only be successful if the Board is able to develop disclosure objectives that adequately reflect the needs of users of financial statements and are specific enough to be operational and enforceable. The Board expects disclosure objectives to be operational and enforceable if they accurately reflect and clearly explain the information need and make clear that an entity is required to provide information to satisfy that need. Such objectives would provide stakeholders with the tools they need to achieve, and enforce, compliance. In developing the proposed Guidance, the Board considered whether and how it would be able to develop such objectives and tested that methodology by applying it to the disclosure requirements in IFRS 13 and IAS 19.

BC28 The Board concluded that it would be able to develop sufficiently specific disclosure objectives by applying a methodology similar to that described in the following sections. The methodology provides a complete summary of how the Board would develop sufficiently specific disclosure objectives and includes steps that have formed part of the Board's previous approaches to developing disclosure requirements. Those steps have been included for completeness. The methodology is summarised as follows:

(a) understanding the issues with information that users of financial statements currently receive (paragraphs BC31–BC33);

(b) understanding the needs of stakeholders (paragraphs BC34–BC40);

(c) understanding what disclosures are required to support proposed recognition and measurement requirements (paragraphs BC41–BC43);

(d) performing a cost-benefit analysis (paragraphs BC44–BC45); and

(e) understanding and documenting the effects of disclosure proposals (paragraphs BC46–BC47).

BC29 Furthermore, the Board's IFRS Taxonomy team would work with the project team on each of the Board's projects while the Board is developing disclosure requirements in IFRS Standards (paragraphs BC48–BC49).

BC30 The methodology described in paragraphs BC31–BC47 is not intended to be fixed; it is intended to be:

(a) flexible—the Board would adjust the sequence and volume of suggested activities to meet the needs of each project. For example, the Board may do more stakeholder outreach when it develops a new Standard than when it develops a narrow-scope amendment.

(b) iterative—the Board would use the methodology as a foundation it can build on using feedback from stakeholders, the Board's experience of developing disclosure requirements across different projects and the financial reporting outcomes of stakeholders applying those disclosure requirements.

Understanding the issues with information that users of financial statements currently receive

BC31 For each project, the Board would seek to understand any issues with the information that is currently disclosed. The Board would typically do this during the research phase of a project—for example, when developing a public consultation document such as a request for information, research paper or discussion paper.

BC32 The Board would seek to understand whether such issues result from the application of recognition and measurement requirements, the application of disclosure requirements, or both. Not all Board projects focus on disclosure. However, amendments to recognition or measurement requirements affect the information that users of financial statements receive and may warrant amendments to the disclosure requirements of an IFRS Standard.

BC33 The Board would:

(a) consider how and why the project was added to the Board's work plan;

(b) review academic literature and do other research to obtain a greater understanding of the issue, including how widespread it is; and

(c) obtain stakeholder feedback—for example, by including a question about disclosure issues in a public consultation document.

Understanding the needs of stakeholders

BC34 The Board would seek to identify, understand and clearly explain stakeholders' needs. The Board would typically do this when developing a discussion paper or an exposure draft. At this stage, the Board would focus on obtaining enough feedback to develop proposals that effectively address any issues and are responsive to stakeholder needs. The Board would gather initial feedback on the information needs of primary users of financial statements, and on the potential costs and benefits of disclosing information that would meet those needs.

Primary users of financial statements

BC35 The Board would engage with users of financial statements to understand:

(a) what information they would find useful in the notes.

(b) why they are interested in that information.

(c) what analyses they would intend to do using the information.

(d) how detailed information needs to be to adequately meet their needs.

(e) how information should be prioritised. For example, the Board would ask users to distinguish between information critical to their analyses and information that is 'nice to have'.

BC36 The Board would consider developing outreach tailored to users of financial statements. The Board would ask questions designed to help it understand the items listed in paragraph BC35. The Board would consider:

(a) conducting formal outreach meetings, for example with the Board's Capital Markets Advisory Committee or other user groups.

(b) working with national standard-setters, for example to arrange user-group discussions in different jurisdictions.

(c) consulting with investors in the Board's Investors in Financial Reporting programme.

(d) consulting with buy-side and sell-side users.

(e) consulting with a geographically diverse mix of investment professionals.

(f) collecting feedback from users' comment letters. Feedback would be particularly relevant when the Board has asked a question about user information needs in the public consultation document. In those documents, the Board would consider asking questions designed to gather the information described in paragraph BC35.

BC37 The Board would seek to understand feedback from users of financial statements well enough to develop and clearly explain specific disclosure objectives in the manner described in paragraphs DG8–DG9 of the proposed Guidance. If the Board has not achieved this detailed understanding, it would conduct further work before developing specific disclosure objectives. The Board observed that this approach has the additional advantage of improving rigour in setting disclosure requirements—that is, every disclosure requirement proposed would be justified by well-understood user needs.

BC38 The Board acknowledged that the proposed approach would require more time from users of financial statements than has been the case in previous Board projects. In the Board's view, that time would be justified if detailed input from users enabled the Board to develop disclosure requirements that lead to improved information in financial statements. This view was shared by many of the users of financial statements that took part in the Board's test of the proposed approach on IFRS 13 and IAS 19 (see paragraph BC58).

Stakeholders other than users of financial statements

BC39 The Board would consult stakeholders other than users of financial statements to understand their views on the identified user needs and the disclosure proposals in a project. The Board would seek to understand:

(a) the cost consequences of disclosure requirements and disclosure proposals. The Board would consider:

(i) asking preparers of financial statements whether they consider any disclosure requirements to be unduly onerous, and why;

(ii) assessing whether any alternative disclosures could meet the same information need as a disclosure requirement or a disclosure proposal, but be less costly to prepare; and

(iii) performing fieldwork to test disclosure proposals with preparers.

(b) if entities typically disclose information that is useful to their stakeholders but not required by IFRS Standards, and why they do so.

(c) audit consequences of disclosure proposals—for example, whether compliance with any disclosure proposals would be difficult to audit, and why.

(d) regulatory consequences of disclosure proposals—for example, disclosure proposals that would be challenging to enforce, and why.

(e) the relationship between disclosure requirements or disclosure proposals and jurisdictional requirements. The Board would consider, for example:

(i) jurisdictional requirements considered useful that are not required by IFRS Standards; and

(ii) overlap or duplication between disclosure requirements in IFRS Standards and jurisdictional requirements.

BC40 To achieve the understanding described in paragraph BC39, the Board would:

(a) hold outreach meetings with preparers of financial statements, regulators, auditors, national standard-setters, accountancy bodies and others. Outreach could involve individual meetings or public round-table meetings.

(b) consult the Board’s advisory bodies and consultative groups, including the Global Preparers Forum, Accounting Standards Advisory Forum and the IFRS Advisory Council.

(c) consider feedback from comment letters. Feedback would be particularly relevant when the Board has asked a specific question about disclosure requirements in a public consultation document. In such documents, the Board would ask questions designed to gather the information described in paragraph BC39.

Understanding what disclosures are required to support proposed recognition and measurement requirements

BC41 As well as considering stakeholder needs, the Board would consider the effect of any related decisions it makes about recognition and measurement. For example, when developing recognition and measurement requirements, the Board would have in mind disclosures needed to support those requirements. The Board would focus on identifying:

(a) disclosures that provide useful information to users of financial statements that cannot be provided through the recognition, measurement and presentation requirements of a Standard;

(b) disclosures required to support the proposed recognition and measurement requirements at an early stage of a project; and

(c) additional information needs related to new recognition and measurement requirements that users of financial statements have not previously been exposed to.

BC42 As part of the considerations listed in paragraph BC41, the Board would discuss disclosure objectives and information to meet those objectives throughout the life of a project. In the Board's view, considering and discussing what disclosures are necessary as it develops proposed recognition and measurement requirements is important.

BC43 In many cases, feedback from stakeholders would facilitate Board discussions about the disclosures necessary to support recognition and measurement requirements. However, the Board would consider further discussions with its advisory bodies, consultative groups and others if it requires any clarification or additional feedback.

Performing a cost-benefit analysis

BC44 While analysing and developing any project proposals, including those relating to disclosure, it is important for the Board to consider the likely practical effects. This includes understanding the costs of disclosure proposals versus the expected benefits.

BC45 The Board formalises and documents its analysis as part of the effects analysis developed for publication (see paragraphs BC46–BC47). Applying the approach described in the proposed Guidance, the Board would consider the costs and benefits of the disclosure proposals throughout the life of the project. The Board would consider:

(a) including a question in public consultation documents requesting views on disclosure proposals and their potential costs and benefits; and

(b) cost-benefit information when determining which disclosure information is essential and should be required.

Understanding and documenting the effects of disclosure proposals

BC46 The Board draws on knowledge obtained throughout the standard-setting process when preparing an effects analysis for inclusion in the final documents for publication. The purpose of this step is to communicate to stakeholders the Board's expectations about:

(a) the benefits of the disclosure proposals, including the benefits of improved information to users of financial statements;

(b) the practical effects and costs of the disclosure proposals for entities; and

(c) any other effects, such as expected regulatory or electronic reporting consequences of the disclosure proposals.

BC47 Work performed earlier in a project would often provide most of the information necessary for the Board to document its effects analysis. However, the Board would consider performing more outreach to ensure it has a comprehensive understanding of the likely effects of the disclosure proposals.

Working with the IFRS Taxonomy team

BC48 The IFRS Taxonomy team would work with the project team on each Board project as the Board develops disclosure requirements. The level of involvement of the IFRS Taxonomy team would vary depending on the project. For example, the IFRS Taxonomy team would be able to provide more support in developing disclosure requirements for a new IFRS Standard than in the development of a narrow-scope amendment that would have a limited effect on the disclosure requirements of a Standard.

BC49 The objective of working with the IFRS Taxonomy team would be to help the Board understand the electronic reporting consequences of implementing stakeholder feedback. The Board would seek to understand:

(a) current disclosure objectives and requirements, including any issues with them—for example:

(i) common application challenges or inconsistencies; and

(ii) duplication of or contradiction between requirements in IFRS Standards.

(b) whether disclosure proposals are 'technology neutral'—that is, whether the disclosure proposals can be applied effectively in both an electronic reporting format and a paper-based format.

(c) whether and how disclosure proposals can be incorporated into the IFRS Taxonomy. For example, the IFRS Taxonomy team may help the Board to understand whether taxonomy elements could be easily created with the wording in the disclosure proposals. Considering the electronic tagging of disclosure proposals may also help to identify any lack of clarity in those proposals.

(d) the relationship between disclosure proposals and common reporting practice, IFRS Standards and accompanying materials such as implementation guidance and illustrative examples.[1] For example, the IFRS Taxonomy team would be able to help the Board understand whether common reporting practice shows useful information that is absent from the disclosure proposals.

[1] The IFRS Taxonomy team undertakes common reporting practice projects to include in the IFRS Taxonomy elements for frequently disclosed information that is not specifically mentioned in IFRS Standards or their accompanying materials, but is, nonetheless, consistent with IFRS Standards.