CMAC meeting, March 2018
Agenda paper 3

Principles of Disclosure

The views expressed in this presentation are those of the presenter,
not necessarily those of the International Accounting Standards Board (the Board) or
IFRS Foundation.

Where are we?

March 2017	**April - October 2017**	**November 2017 – February 2018**	**NOW**
Discussion Paper—*Principles of Disclosure*	Obtain feedback	Analysis & summary for the Board	Decide next steps **?**

Purpose of this session

- In October, we presented a summary of feedback from investors on the Discussion Paper

- In this meeting, we will:

  ➢ Provide a brief summary of some of the feedback messages received

  ➢ Ask CMAC members for their advice on next steps

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Addressing the disclosure problem

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Addressing the disclosure problem

In summary…

- Many think that developing principles will not be enough to help solve the disclosure problem

- Many think the Board should review disclosure requirements in individual Standards

- If the Board do this, some (eg preparers) expect to see a reduction in disclosure requirements

- In deciding upon next steps, we would like to understand what users think about the Board reviewing disclosure requirements in individual Standards

Example: preparer views

Too many prescriptive disclosure requirements

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Regulatory / compliance environment

No time to apply judgement about what to disclose and how to communicate effectively. This leads to the disclosure problem, ie:

- Lack of relevant information
- Too much irrelevant information
- Ineffective communication

Consequently, some think the way to address the disclosure problem is to review requirements with a view to eliminating those that are perceived to be unnecessary or duplicative

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Questions

1) Do you have any thoughts on the preparer view of the disclosure problem as described on slide 6? Do you agree that a review aimed at eliminating requirements that are perceived to be unnecessary or duplicative would lead to an overall improvement in the information provided in the financial statements?

2) Are there any particular areas where you think disclosure requirements are excessive?

3) Do you think the Board should review disclosure requirements in individual Standards? If, yes what should be the purpose of that review?
   - to add more requirements;
   - to remove requirements; or
   - something else?

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Project focus/prioritisation

Project focus/prioritisation

- In addition to developing disclosure principles, the Discussion Paper identified several other things the Board could do to help solve the disclosure problem

- Many think the Board needs to better focus the project – ie identify and prioritise the things that are **most** important

- On the next slide we have listed some of the topics covered in the Discussion Paper

Project focus/prioritisation

Developing guidance or requirements on[†]….

Higher priority??

Which accounting policies to disclose?

IFRS information outside the financial statements

Non-IFRS information inside the financial statements

Formatting

Lower priority??

Location of accounting policies

[†]See appendix for a summary of what the Discussion Paper said on each of these topics

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Questions

1) Do you agree with the relative prioritisation described on slide 10?

2) Do you think the Board should undertake some or all of the activities listed on slide 10? Which ones?

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Technology

Effect of technology

- The effect of technology and digital reporting was not addressed in detail in the discussion paper

- Nevertheless, many respondents thought the Board should consider the potential consequences of technology. For example:

  - ➢ what would effective communication look like in a digital reporting environment?

  - ➢ considerations about location and formatting might become less relevant

- Conversely, some say we can't predict how technology will change. Therefore, the Board's objective should be to help companies to improve communication in financial statements as they are now

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Question

1) Do you think the Board should consider technology and digital reporting as part of the project? Why?

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Appendix

This Appendix summarises at a high level what the Discussion Paper said about the topics listed on slide 10

Accounting Policies

The Board observed that users of financial statements often express concerns about how accounting policies are disclosed in the financial statements. In particular, the accounting policy section of an entity's financial statements can be long and unhelpful due to the lack of clarity around how to effectively communicate accounting policy disclosures.

In order to address these concerns, the Board considered developing guidance that:

• clarifies which accounting policies are necessary for understanding the financial statements

• explains how to better organise and locate information about accounting policies and significant judgements and assumptions

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Appendix

IFRS information outside the financial statements / non-IFRS information inside the financial statements

The Board observed that duplication and fragmentation of information can make financial statements and annual reports more difficult to analyse and understand. In order to address these concerns, the Board considered whether:

- Information necessary to comply with IFRS Standards may be placed outside the financial statements, but within the annual report if:
    - ➢ it makes the annual report as a whole more understandable
    - ➢ the financial statements remain understandable
    - ➢ the information is faithfully represented, clearly identified and incorporated into the financial statements by means of a cross-reference
- Information labelled as 'non-IFRS' may be placed within the financial statements if it is clearly identified and explained and included in a list of 'non-IFRS' information.

Appendix

Formatting

The Board received feedback that more effective use of formatting would improve how entities communicate information. For example, some said that more frequent use of tables and graphs, where appropriate, helps users of financial statements to understand and compare information quickly. In order to address this feedback, the Board considered whether to develop guidance on formatting. This might cover, for example:

- types of formats

- when one particular format is more appropriate than another

- illustrative examples