
IASB[®] meeting

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| Date | October 2022 |
| Project | Disclosure Initiative: Targeted Standards-level Review of Disclosures |
| Topic | Decide project direction—A middle ground approach to drafting disclosure requirements |
| Contacts | Deborah Bailey (dbailey@ifrs.org) Raghava Tirumala (rtirumala@ifrs.org) |

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Purpose of the paper

1. This paper:
 - (a) explains in detail a middle ground approach to drafting disclosure requirements; and
 - (b) asks the IASB whether it agrees with that approach.
2. Agenda Paper 11A *Decide project direction—Guidance for the Board* recommends the IASB develop a middle ground approach that responds to the feedback on the approach to drafting disclosure requirements in IFRS Accounting Standards (proposed Guidance or Guidance for the Board) proposed in the Exposure Draft [Disclosure Requirements in IFRS Standards—A Pilot Approach](#).

Summary of recommendations

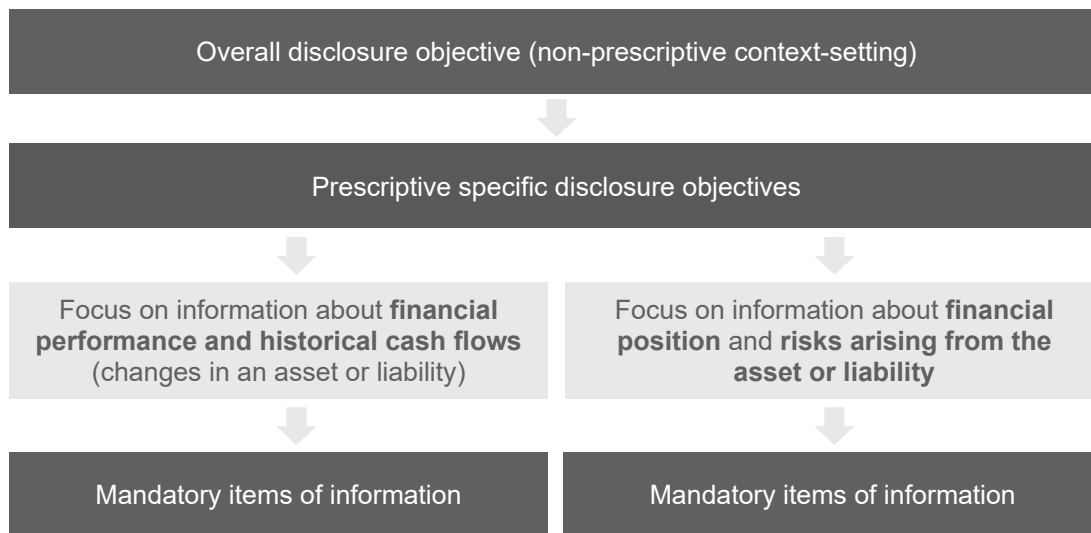
3. Should the IASB decide to proceed with developing a middle ground approach to drafting disclosure requirements, the staff recommend that the IASB, when drafting disclosure requirements:
 - (a) provide context-setting, non-prescriptive **overall disclosure objectives** that describe the overall information needs of users of financial statements.
 - (b) not include a cross-reference to paragraph 31 of IAS 1 *Presentation of Financial Statements* at the beginning of the disclosure section of each Accounting Standard.
 - (c) require entities to comply with **specific disclosure objectives** that describe the detailed information needs of users of financial statements.
 - (d) support specific disclosure objectives with explanations of the assessments that users make that rely on information disclosed applying the specific disclosure objectives.
 - (e) use prescriptive language when referring to **items of information** that an entity should disclose to meet a specific disclosure objective, subject to the requirements of paragraph 31 of IAS 1.

Structure of the paper

4. This paper is structured as follows:
 - (a) overview of middle ground approach to drafting disclosure requirements (paragraphs 5–7);
 - (b) overall disclosure objectives (paragraphs 8–17);
 - (c) cross-reference to paragraph 31 of IAS 1 (paragraphs 18–19);
 - (d) specific disclosure objectives (paragraphs 20–29);
 - (e) items of information (paragraphs 30–40); and
 - (f) Appendix A—Summary of the proposals and stakeholder feedback.

Overview of middle ground approach to drafting disclosure requirements

5. As discussed in Agenda Paper 11A the staff recommends the IASB develop a middle ground approach to drafting disclosure requirements with the aim of providing a better framework for entities to apply paragraph 31 of IAS 1 (see paragraph A7), and therefore, to use judgement to identify and disclose useful information.
6. Paragraph 31 of IAS 1 states 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.
7. Figure 1 illustrates the structure of the disclosure section of an Accounting Standard developed applying the middle ground approach explained in this paper:



Overall disclosure objectives

Summary of the proposals

8. Paragraphs DG5–DG7 of the Exposure Draft explain how the IASB proposes to use overall disclosure objectives in future. The IASB would require entities to comply with overall disclosure objectives that describe the overall information needs of users of financial statements (i.e. a catch-all objective). To comply with those objectives, entities would be required to assess whether information provided in the notes by complying with specific disclosure objectives is sufficient to meet the overall user information needs. If such information is insufficient, entities would need to provide additional information to meet those user information needs.

Using overall disclosure objectives

9. Overall disclosure objectives were generally well-received by stakeholders. Feedback suggests that they are helpful in deciding what disclosures are necessary to meet the information needs of users, and thus provide the basis for entities to use their judgement and disclose material information. Therefore, the staff recommend that a middle ground approach should include overall disclosure objectives.
10. A few stakeholders questioned the need for overall disclosure objectives as they thought that they just repeat the overarching requirements of IAS 1 *Presentation of Financial Statements*. However, outreach earlier in the project suggested that overall disclosure objectives provide a narrower, more Standard-specific focus than the overarching objectives in IAS 1 and the *Conceptual Framework for Financial Reporting (Conceptual Framework)*.

Prescriptive versus non-prescriptive overall disclosure objectives

11. Some stakeholders were concerned about complying with overall disclosure objectives drafted as requirements. They said that:
- (a) the proposed overall disclosure objectives in the two test Accounting Standards were too broad and, to meet those objectives, an entity may have to disclose information that would go beyond the objective of financial statements explained in the *Conceptual Framework*¹ or provide alternative information that contradicts or overrides the amounts presented in the primary financial statements.
 - (b) due to the broadness of overall disclosure objectives, preparers, auditors, and regulators may hold differing views of user information needs and therefore the information that should be disclosed, resulting in reduced comparability.
 - (c) overall disclosure objectives may not be necessary as paragraph 31 of IAS 1 already requires entities to disclose material information that is not explicitly required by an Accounting Standard.
12. Drafting overall disclosure objectives as requirements would have the advantage of requiring entities to disclose material information that is not captured by the specific disclosure objectives. This would help to ensure that the information provided is sufficient to meet the overall information needs of users.
13. In addition, prescriptive overall disclosure objectives would:
- (a) not require entities to disclose information that goes beyond the objective of financial statements or disclose alternative information that contradicts or overrides the amounts presented in the primary financial statements. As noted in the rubric at the start of each Accounting Standard, Accounting Standards should be read in the context of the *Conceptual Framework*. Consequently, only information that meets the objective of financial statements would be required to be disclosed by the overall disclosure objectives. For example, a reference to information about defined benefit plans in the proposed overall disclosure objective for defined benefit plans would not require an entity to disclose:
 - (i) information about labour laws beyond that required to understand the effects on the defined benefit obligation at the reporting date.
 - (ii) alternative measures of pension obligation that users of financial statements may be using in their analysis of the entity's pension obligation.
 - (b) not necessarily affect comparability of information across entities. To meet the overall disclosure objective, entities should first apply the specific disclosure objectives that describe the detailed

¹ Chapter 3 of the *Conceptual Framework* sets out the objective of financial statements, which is to provide financial information about the reporting entity's assets, liabilities, equity, income, and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the reporting entity and in assessing management's stewardship of the entity's economic resources.

information needs of users. There may not be much diversity in the items of information that entities would disclose in meeting the detailed information needs. Furthermore, if the IASB specifies items of information that entities are required to disclose to meet the objective, all entities would be required to disclose those items of information (subject only to materiality). Any information beyond the information disclosed to meet the specific disclosure objectives would likely be entity-specific information. (Also see paragraphs 30–40)

14. Having said that, if the IASB decides to draft prescriptive overall disclosure objectives, it will be important to draft those disclosure objectives with more precision and link those objectives with the objective of financial statements in Chapter 3 of the *Conceptual Framework*. For example, the proposed overall objective in IAS 19 for defined benefit plans could refer to information about the assets and liabilities associated with the defined benefit plans instead of information about the defined benefit plans.
15. Alternatively, the IASB could decide to draft overall objectives as non-prescriptive context-setting paragraphs, similar to the approach taken in recent Accounting Standards². A main purpose of overall disclosure objectives is to make entities disclose material information beyond the information disclosed applying the specific disclosure objectives. However, a similar requirement already exists within paragraph 31 of IAS 1. The IASB could, therefore, decide to draft overall disclosure objectives as non-prescriptive, context-setting paragraphs. Their role would be to provide an Accounting Standard-specific link to the general requirement in paragraph 31 of IAS 1, which will prompt preparers to consider whether:
 - (a) the information needed to comply with the specific disclosure objectives and items of information is material and therefore should be disclosed; and
 - (b) the information disclosed applying the specific disclosure objectives and items of information will be sufficient to meet the requirement in paragraph 31 of IAS 1.
16. Linking non-prescriptive, context-setting overall disclosure objectives with the overarching objectives of financial statements will also help remove the concerns about having to disclose information outside the remit of financial statements or information that contradicts or overrides the financial statements.
17. For the reasons set out in paragraphs 11–16, the staff recommend that the IASB draft overall disclosure objectives as non-prescriptive context-setting paragraphs.

² IFRS 15 *Revenue from Contracts with Customers*, IFRS 16 *Leases*, and IFRS 17 *Insurance Contracts* include context-setting overall disclosure objectives at the beginning of the disclosure section.

Questions for the IASB

1. Does the IASB agree that a middle ground approach should include context-setting, non-prescriptive overall disclosure objectives that describe the overall information needs of users of financial statements?

Cross-reference to paragraph 31 of IAS 1

18. Feedback suggests that the main cause of the disclosure problem is ineffective materiality judgements, rather than the way in which the IASB drafts disclosure requirements in IFRS Accounting Standards. Stakeholders who gave this feedback said that referencing materiality in each IFRS Accounting Standard would discourage preparers, auditors, and regulators from applying a checklist approach to disclosing items of information required by an Accounting Standard. In addition, such a reference would make it clear that an entity should disclose information that is qualitatively or quantitatively material. On this basis, some stakeholders suggested including a cross-reference to paragraph 31 of IAS 1 at the beginning of the disclosure section of each Accounting Standard, as including such a reference could prompt entities to look at IAS 1 and think more broadly about their disclosures.
19. However, the staff recommend the IASB do not include a reference to paragraph 31 of IAS 1 at the beginning of the disclosure section of each Accounting Standard. This is because:
 - (a) such a reference may be unnecessary as an entity cannot ignore the overarching requirements in IAS 1 when applying the requirements in IFRS Accounting Standards;
 - (b) multiple or duplicate references to materiality can introduce confusion about how the concept applies to an Accounting Standard when it is not mentioned;
 - (c) any such text may become boilerplate text that risks being ignored by entities; and
 - (d) well-drafted specific disclosure objectives, which have a clear link to items of information to meet those specific disclosure objectives, would enable preparers, auditors, and regulators to understand what information users need. Preparers, auditors, and regulators can then apply materiality judgements effectively, resulting in material disclosures. Specific disclosure objectives will also help preparers, auditors and regulators assess whether any additional information, over and above the items of information listed in an Accounting Standard, should be disclosed to meet user information needs.

Questions for the IASB

2. Does the IASB agree that a reference to paragraph 31 of IAS 1 not be included at the beginning of the disclosure section of each Accounting Standard?

Specific disclosure objectives

Summary of the proposals

20. Paragraphs DG8–DG10 of the Exposure Draft explain how the IASB proposes to use specific disclosure objectives in future. The IASB would require entities to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements. To comply with those objectives, entities would be required to disclose all material information for a transaction, other event or condition needed to meet the detailed user information needs. Specific disclosure objectives would be supplemented with explanations of what the information provided to meet those objectives is intended to help users of financial statements do.

Using specific disclosure objectives

21. The staff recommend that the IASB include prescriptive specific disclosure objectives that describe the detailed information needs of users of financial statements and require an entity to disclose material information that meets the specific objectives.
22. Specific disclosure objectives, drafted as prescriptive requirements in the Exposure Draft, were generally welcomed by stakeholders. Feedback suggests that specific disclosure objectives that precisely describe detailed user information needs would help entities identify material information. Specific disclosure objectives will help an entity apply paragraph 31 of IAS 1 enabling the entity to assess whether:
 - (a) all items of information specified in an Accounting Standard are material and therefore should be disclosed; and
 - (b) information provided by disclosing the items of information will be sufficient to meet the specific disclosure objectives, or if further information is required.
23. To ensure that specific disclosure objectives cover most of the information needs of users that can be satisfied through the financial statements, the IASB should support overall disclosure objectives with prescriptive specific disclosure objectives that mirror the information needed to meet the objective of financial statements, as set out in paragraph 3 of Chapter 3 of the *Conceptual Framework*. The specific disclosure objectives should cover information about:
 - (a) changes in an asset or liability—information about financial performance (income and expenses) and historical cash flows.

- (b) financial position encompassing:
 - (i) recognised assets, liabilities, and equity, including information about their nature and about the risks arising from those recognised assets and liabilities;
 - (ii) assets and liabilities that have not been recognised, including information about their nature and the risks arising from them; and
- (c) the methods, assumptions and judgements used in estimating the amounts presented or disclosed, and changes in those methods, assumptions, and judgements.

Explanations accompanying specific disclosure objectives

24. A few stakeholders expressed concern about the drafting of the explanation accompanying specific disclosure objectives, especially the explanation that ‘the information required by paragraph [x] is intended to help users of financial statements...identify amounts to **include in their analyses**’.
25. Some preparers interpreted the wording in bold as requiring them to understand what analysis its users perform and the inputs that those users would need to perform that analysis. These preparers observed that there is a wide range of users with different information needs carrying out different analyses, which would make it impossible to satisfy all those needs.
26. Paragraph BC35 of the Basis for Conclusions on the Exposure Draft states that the IASB would engage with users of financial statements to understand what information they would find useful in the notes and what analyses they would intend to do using the information. The IASB will also engage with users to understand how information should be prioritised. For example, the IASB would ask users to distinguish between information critical to their analyses and information that is ‘nice to have’. Once the IASB has identified the common information needs of users and reflected those needs in the drafting of the specific disclosure objectives and items of information, preparers would use these requirements as a starting point to assess whether:
 - (a) all items of information specified in an Accounting Standard are material and therefore should be disclosed; and
 - (b) information provided by disclosing the items of information will be sufficient to meet the specific disclosure objectives, or if further information is required.
27. To resolve the concern, the staff recommend that the IASB:
 - (a) support specific disclosure objectives with explanations of the assessments that users make that rely on information disclosed applying the specific disclosure objectives. Such explanations will enable preparers, auditors, and regulators in making materiality judgements in respect of disclosures.
 - (b) support each specific disclosure objective with a list of prescriptive items of information (see paragraphs 30–40), subject to materiality and the requirements of IAS 1.

28. In addition, we recommend, the IASB use consistent language when drafting disclosure objectives in future standard-setting projects. For example, the disclosure objective in paragraph 51 of IFRS 16 *Leases* uses the wording ‘gives a basis for users of financial statements...’, whereas the disclosure objective in paragraph 110 of IFRS 15 *Revenue from Contracts with Customers* uses the wording ‘enable users of financial statements...’ The staff recommend that the IASB use the same wording as the Exposure Draft, ‘enables users of financial statements...’, consistently in future standard-setting projects.
29. Finally, the staff recommend the IASB consider including in IFRS Accounting Standards examples illustrating how to meet specific disclosure objectives for common scenarios because:
- many stakeholders suggested the IASB provide more illustrative examples to demonstrate how the proposed new approach to disclosures would work in practice; and
 - providing illustrative examples will help facilitate digital reporting as elements that reflect the illustrative examples provided would be included in the IFRS Taxonomy.

Questions for the IASB

- Does the IASB agree with requiring entities to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements?
- Does the IASB agree that it should support specific disclosure objectives with explanations of the assessments that users make that rely on information disclosed applying the specific disclosure objectives?

Items of information

Summary of the proposals

30. Paragraphs DG2–DG3 and DG8–DG13 of the Exposure Draft explain why the IASB proposes to:
- use prescriptive language to require an entity to comply with the disclosure objectives.
 - typically use less prescriptive language when referring to items of information to meet specific disclosure objectives. An entity, therefore, would need to apply judgement to determine the information to disclose in its circumstances.
31. This approach is intended to shift the focus from using a checklist approach to disclosing information required by an Accounting Standard, to determining whether disclosure objectives have been satisfied in the entity’s own circumstances. Paragraphs BC188–BC191 of the Basis for Conclusions describe the likely effects of this approach on the behaviour of entities, auditors, and regulators towards disclosures in the financial statements. Paragraphs BC192–BC212 of the Basis for Conclusions describe the likely

effects of this approach on the quality of financial reporting, including the cost consequences of the approach.

32. The IASB proposes to use the following less prescriptive language when identifying items of information: ‘While not mandatory, the following information may enable an entity to meet the disclosure objective’. Paragraphs BC19–BC26 of the Basis for Conclusions describe the IASB’s reasons for this language and alternative options that the IASB considered.

Prescriptive versus less prescriptive language when referring to items of information

33. As described in paragraph BC6 of the Basis for Conclusions on the Exposure Draft, feedback initially suggested that the use of language such as ‘shall disclose’ or ‘as a minimum’, together with the compliance approach that auditors and regulators apply, is seen by some as overriding materiality, and thus contributes to the disclosure problem. The feedback suggested that prescriptive language incentivised entities to include immaterial information in the financial statements while discouraging them from applying judgement. It should be noted that paragraph 31 of IAS 1 is clear that only material information shall be disclosed within financial statements.
34. However, as summarised in paragraph A7 of this paper, following publication of the Exposure Draft, feedback now suggests that the use of language such as ‘shall disclose’ or ‘as a minimum’ is not the main contributor to the disclosure problem. Rather, stakeholders think that the root cause of the disclosure problem is that entities do not make effective materiality judgements when applying the disclosure requirements in an Accounting Standard.
35. Additionally, most respondents did not support the use of less prescriptive language when referring to items of information. They argued that using less prescriptive language for items of information:
- (a) may result in reduced comparability—even between entities in similar industries or circumstances. Respondents felt that reduced comparability will affect the useability of financial statements, particularly in a digital reporting environment.
 - (b) would be costly to apply, both for the initial and subsequent years of application.
 - (c) would be ineffective in discouraging the use of a checklist approach to disclosing items of information labelled as non-mandatory.
36. Respondents also thought that the use of less prescriptive language would not be operational or enforceable in practice, because:
- (a) less prescriptive language would be insufficient to effect a behavioural change across the entire financial reporting ecosystem;
 - (b) increased exercise of judgement may lead to preparers, auditors, regulators, and users reaching different views about whether user information needs have been met. Different interpretations of the objectives may make it difficult for auditors and regulators to enforce disclosure requirements;

- (c) some preparers, especially in highly regulated jurisdictions and industries such as banking and financial services, regard the legal risk of not disclosing all available information to be unacceptably high as regulators enforce preparers' compliance with those disclosure requirements using a template; and
 - (d) smaller, or less sophisticated entities may not have the systems and resources required to exercise judgement on their disclosures and will therefore find it simpler to disclose all items of information labelled as non-mandatory.
37. To resolve the concerns described in paragraphs 34–36, the staff recommend that the IASB use prescriptive language for the items of information needed to meet a specific disclosure objective, subject to the requirements of paragraph 31 of IAS 1. The staff also recommend that the IASB continue to use the 'shall disclose' prescriptive language currently used in Accounting Standards as this is familiar to stakeholders and widely understood.
38. Feedback suggests that specific disclosure objectives, coupled with prescriptive items of information to meet those disclosure objectives, would:
- (a) help achieve comparability between entities while allowing for more entity-specific information to be disclosed, if material;
 - (b) enable users of financial statements to extract, compare and analyse an item of information for multiple entities, in the context of increased use of digital reporting;
 - (c) help entities provide material information by encouraging the application of materiality in complying with specific disclosure objectives; and
 - (d) be less time-consuming and costly to apply than the approach in the Exposure Draft, which relied heavily on the use of judgement by preparers.
39. Some stakeholders also suggested the IASB consider complementing every specific disclosure objective with a combination of prescriptive and less prescriptive items of information, with a weighting towards prescriptive items of information. Examples of such combinations may include:
- (a) prescriptive language when referring to numerical items of information that most users will need to perform their analyses of an entity and across entities and less prescriptive language when referring to any narrative information, such as about risks, judgements, and estimation uncertainty, that are arguably entity-specific. The IASB would need to consult with users to determine this minimum comparable data set.
 - (b) more prescriptive items of information than envisaged in the Exposure Draft but less than there are today. For example, prescriptive items of information for disclosures relating to recognised and unrecognised assets, liabilities, income, and expenses (typically numeric disclosures), and less prescriptive items of information for disclosures relating to risks arising from those assets

and liabilities, as well as the methods, assumptions and judgements used in estimating the amounts presented or disclosed (typically narrative disclosures). The rationale for this approach is that narrative disclosures about risk, judgements and estimation uncertainty are typically entity-specific, and different entities may have different methods of fulfilling user information needs related to these disclosures.

- (c) mandatory items of information for simple situations only. This approach would involve prescriptive items of information for disclosures common to all entities, regardless of size. Items of information for more complex events, transactions and business models would be drafted on a less prescriptive basis. A few respondents likened this approach to the Exposure Draft *Subsidiaries without Public Accountability: Disclosures*, with prescriptive items of information derived using the same methodology.

40. However, the staff do not recommend any of the approaches described in paragraph 39 because it may be difficult to draw a clear and consistent distinction between prescriptive and less prescriptive items of information, even using the methodologies described in paragraph 39. Additionally, trying to draw a distinction between prescriptive and less prescriptive items of information may add an additional layer of complexity to the standard-setting process.

Questions for the IASB

5. Does the IASB agree with using prescriptive language when referring to items of information that satisfy a specific disclosure objective, subject to the requirements of paragraph 31 of IAS 1?

Appendix A—Summary of proposals and stakeholder feedback

Proposed approach to draft disclosure requirements

Summary of the proposals

- A1. The proposed approach to drafting disclosure requirements aims to improve disclosure 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.
- A2. 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’.
- A3. 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.
- A4. 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.

Summary of feedback from respondents other than users of financial statements

Disclosure problem and the proposed approach to drafting

- A5. 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.

- A6. 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.
- A7. 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*.

Use of disclosure objectives

- A8. 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.
- A9. 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

- A10. 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.
- A11. 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.

A12. 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

A13. 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.

Summary of feedback from users of financial statements

A14. Some users, including many of the buy-side investors the IASB members spoke with, supported the proposed approach of requiring entities to comply with disclosure objectives rather than prescriptive requirements to disclose specified items of information. They hoped the approach would result in entities disclosing information that is material and removing unnecessary information.

A15. However, many other users raised concerns about removing or reducing prescriptive requirements to disclose specified items of information. They were concerned about losing information that they get today, and about the effects of the proposed approach on comparability and digital reporting. Some of these users explained 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.

A16. 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. A few said they prefer prescriptive items of information to disclosure objectives, particularly for topics that are highly technical (such as pensions) and quantitative in nature.

A17. Some users of all types commented on the difference in disclosure quality between entities, expressing concerns about the different ways entities might approach application of the proposals. For example, one said that the ‘top 25%’ of entities— those who make effective judgements—would likely improve their disclosures applying the proposals. However, they were concerned about the ‘bottom 25%’. Users said these entities might be unable to make effective judgements or might misuse the freedom offered by the proposed approach.