



Introducing more IFRS principles of disclosure: will the poor disclosers improve?

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Aim of paper and conclusions

- Evaluates risk of more emphasis on principles and less on specific disclosure requirements
- Provides an extensive literature review, considering cases where principles are used, in combination with specific disclosure requirements
- Concern that if principles replace specific disclosure requirements, standards will be vague and difficult to enforce. A clear minimum disclosure level will not be set
- Difficulties for auditors and enforcers
- More flexibility for poor disclosers; more reliance on entities acting in good faith

- We appreciate all the information provided for the Board and staff from this comprehensive review
- Less than full compliance
 - Issues: checklists, weighting, non-applicable, materiality and auditors
- Key role of auditors, enforcers
 - Board appreciates need for 'enforceable' standards. There is balance between principles that are too broad and specific requirements that are a checklist
- The authors challenge regarding some assumptions in the Principles of Disclosure DP
 - Should we consider further the situation regarding 'poor disclosers'?

Literature review

- Authors present research and consider the evidence of different approaches to disclosure
- Types of disclosure requirements:
 - Specific requirements, no principle (IAS 36)
 - Principle and specific requirements (IFRS 7) (Disclosure standard)
 - Principle and specific (IFRS 3) (Recognition, disclosure and measurement)
- Evidence about which approach is better is absent
- Academic literature provides information about incentives for disclosure, which is informative for the Board

- Authors acknowledge in many places the role of IASB vis a vis auditors and regulators
- Principles harder to enforce than rules
- Yet rules are not fully successful either
 - See research on non-compliance for specific requirements
- Authors do not have a solution for the Board but they recommend caution
- There will be places where more principles and less specific requirements could lead to less relevant information

Future actions

- Board can heed this advice in future work
- Our goal: establishing principles to help improve practice (some specific requirements always necessary)
- Principles aim to reveal more about the reason or rationale for disclosure (objective of disclosure; what disclosure is supposed to achieve)
- With clearer objectives, entities can decide what to disclose relevant to their situation (Board does not know this)
- Auditors and enforcers will also know entity situation and can decide if disclosure reasonable

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