



Topic

Disclosures – Reducing Complexity

PowerPoint presentation follows.



Disclosure Framework

SAC Meeting

London, UK
12 November 2009



History of the Project

- Added to agenda on July 8, 2009.
- Response to:
 - ITAC’s December 2007 proposal for a “principles-based” disclosure standard
 - Recommendations of SEC’s Advisory CIFR August 2008 (Pozen Committee).



CIFR Recommendation #2

- The **SEC and the FASB should work together to develop a disclosure framework** to:
 - Integrate existing SEC and FASB disclosure requirements into a cohesive whole to ensure meaningful communication and logical presentation of disclosures, based on consistent objectives and principles.
 - Require disclosure of the principal assumptions, estimates, and sensitivity analyses that may impact a company's business, as well as a qualitative discussion of the key risks and uncertainties that could significantly change those amounts over time.

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Dual Objectives

- Establish overarching framework to make financial statement disclosures more effective, coordinated, and less redundant.
- Better integrate information disclosed in:
 - Financial statements and notes
 - Management discussion and analysis
 - Other parts of a company's public reporting package.

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ITAC's Proposal a Multi-level Framework

- **Level I** - General accounting policies underlying the particular financial statement line-item
- **Level II** - Account composition and changes year over year (e.g., a roll forward and item break down for *material* line items)
- **Level III** - Details of estimates and assumptions plus forward looking information (e.g., risk and uncertainties, sensitivity analyses)

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Scope Issues

- Apply to all entities or possibly exclude private and/or nonprofit entities.
- Apply to or exclude interim reporting.
- Apply to complete company financial reporting package or only certain parts.

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Next Steps

- Staff research--continuing
- Discussions with SEC staff
- Follow-up October joint meeting decisions for implications for comparative statements
- Board deliberations—begin in 4th Q of 2009
- Initial Discussion Paper on preliminary views—1st half of 2010.

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October 2009 Joint Meeting on FSP Project

- Decisions related to disclosures in notes
 - Replace the PV's proposed reconciliation schedule with an analysis of the changes in balances of all significant asset and liability line items.
 - Each significant asset and liability line item analysis should separately distinguish the following components:
 - Changes due to cash inflows and cash outflows
 - Changes resulting from noncash (accrual) transactions that are repetitive and routine in nature (for example, credit sales, wages, material purchases)

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(continued)

- Changes resulting from noncash transactions or events that are nonroutine or nonrepetitive in nature (for example, acquisition or disposition of a business)
- Changes resulting from accounting allocations (for example, depreciation)
- Changes resulting from accounting provisions/reserves (for example, bad debts, obsolete inventory)
- Changes resulting from *remeasurements*.

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Discussion and Questions

- ITAC member Neri Bukspan--discuss the benefits of ITAC's proposal
- Ron Bossio--questions about status of FASB's disclosure framework project
- Questions for SAC discussion
 - Do you think there is a need for an international disclosure framework?
 - If yes, how do you see this fitting into your thinking about agenda priorities?

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