IASB/FASB Meeting
Week beginning 21 March 2011

IASB Agenda reference **8**

FASB Agenda reference **1**

Staff Paper

Project	**Disclosure—cross-cutting issues**
Topic	**Disclosure—cross-cutting issues**

What is this paper about?

1. This paper highlights for the boards some cross-cutting disclosure issues in revenue recognition, leases and insurance contracts they should be aware of before the redeliberation of the disclosure proposals for each project. The objectives of this cross cutting exercise paper are to:
   (a) add consistency across the disclosure proposals when finalising the standards.
   (b) address themes from the comment letters and from the feedback received that are common across the three projects.
2. This paper also seeks the boards' approval of the disclosure objectives for the three projects. This decision is not intended to preclude the boards from further additions or modifications to these objectives.
3. It is often difficult for individual project teams to address issues from a cross cutting perspective. This paper will provide a framework for the further development of the disclosures in the individual projects as well as information that can be utilized in deliberation of topics going forward. This paper should help reduce the time the individual teams need to address cross-cutting issues.

This paper has been prepared by the technical staff of the IFRS Foundation and the FASB for discussion at a public meeting of the FASB or the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the FASB or the IASB.

Comments made in relation to the application of U.S. GAAP or IFRSs do not purport to be acceptable or unacceptable application of U.S. GAAP or IFRSs.

The tentative decisions made by the FASB or the IASB at public meetings are reported in FASB *Action Alert* or in IASB *Update*. Official pronouncements of the FASB or the IASB are published only after each board has completed its full due process, including appropriate public consultation and formal voting procedures.

4. It is possible as the boards continue to redeliberate a number of issues such as recognition and measurement, particular disclosures may be added to or removed from the individual projects. Aspects of this paper may be applied to any new disclosures required as part of redeliberations as well as become irrelevant if certain disclosures are removed from the individual projects.

5. This paper focuses only on the issues that came to our attention because cut across more than one of the above-mentioned projects. This paper does not address the costs or benefits or any other issues with any of the individual projects' disclosure requirements in isolation.

Identifying cross-cutting issues

6. To identify possible inconsistencies, we have categorised the disclosure proposals for each project. We applied the categories as currently used within the FASB's disclosure framework project, with a few modifications. We emphasise that the categories used are preliminary. However, we found the categories to be a reasonable starting point for our analysis. Appendix A illustrates how we used the disclosure framework to categorise the disclosure requirements of the three projects' due process documents.

7. We identified the following cross-cutting issues when looking at the disclosure requirements of the due process documents and comment letters/other feedback:

   (a) concerns over disclosure overload

   (b) roll forward requirements—disclosure overload

   (c) roll forward requirements—different guidance

   (d) roll forward requirements—tabular presentation

   (e) disaggregation

   (f) judgements, assumptions, methods and inputs

(g) objectives that are similar but worded differently

(h) different guidance for maturity analysis

(i) nonpublic entities.

8. There are additional issues that we have identified as being cross-cutting. However, we think that those issues might be better addressed after the boards have deliberated the disclosures for each project. Those issues include:

   (a) interim reporting

   (b) transitional disclosures

   (c) possible exemptions from early application by first time adopters (IFRS only).

Concerns about disclosure overload

9. We reviewed comment letter response for leases, revenue recognition and insurance contracts in context of disclosure proposals. Most of the comments letters generally agreed with the disclosure objectives in all three projects.

10. Many comment letters, particularly from preparers, across all three projects, stated that the amount of disclosures required in the individual due process document results in information overload and that many disclosures would not be useful to a user of financial statements. Additionally, along with concerns about overload, came concerns that the cost of providing the information would outweigh the benefits.

11. Another concern was that the volume of disclosures will obfuscate the important information, thus negatively impacting the user of the financial statements.

12. IAS 1 *Presentation of Financial Statements*, paragraph 31, states that an entity need not provide a specific disclosure required by an IFRS if the information is not material.

13. IAS 1 defines material as follows:

> Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or combination of both, could be the determining factor.

14. Paragraph 105-10-05-6 in the *FASB Accounting Standards Codification*® (ASC) contains similar guidance that states:

> The provisions of the Codification need not be applied to immaterial amounts.

15. If the disclosures being asked for are not material to a user in making a decision about allocating capital, IAS 1 and ASC Topic 105 provide the preparer with the opportunity to consider whether that information should be supplied.

16. Additionally each project contains the following guidance:

> An entity shall consider the level of detail necessary to satisfy the disclosure requirements and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics.

17. Some preparers state that their experience is that the auditors, regulators and enforcement bodies will require more disclosure rather than less. Consequently, a number of preparers stated that the individual projects should further emphasise in the disclosure objectives of each project that disclosures need not be made if they are immaterial. Preparers further note that the burden of proof to determine a disclosure is immaterial often results in incurring the cost to compile the disclosures to demonstrate that it is not material.

18. Some feedback highlights the extensive nature of the disclosures, requests more flexibility, or asks that disclosures should not be mandatory. We do not think that developing guidance that would incorporates flexibility, or that would make the disclosures optional, are viable alternatives.

19. We think that the existing guidance in IAS 1 and ASC Topic 105 as well as the additional language in the guidance in paragraph 16 of this paper is clear that an entity would not be required to provide immaterial amounts or insignificant details.

Observation (1)
The guidance in paragraph 16 of this paper in addition to IAS 1 paragraph 31 and ASC paragraph 105-10-05-6 serve as a principle to prevent disclosure overload due to large amount of insignificant detail or information that is not material. Furthermore, we do not think that adding flexibility to choose whether to make a disclosure is a viable alternative.

Roll forward requirements—disclosure overload

20. Many comment letters focused on the disclosure overload that results from the requirements to provide a reconciliation of the beginning and ending balances of select assets and liabilities (a 'roll forward') in the various projects. Those comments addressed the roll forward requirements in two ways:

    (a) challenging the costs and the benefits of roll forwards

    (b) requesting additional guidance to give management more latitude to judge when a roll forward is important enough to be disclosed.

Costs and benefits

21. Outreach on the staff draft of the exposure draft on *Financial Statement Presentation* (the 'FSP staff draft') addressed the analysis of changes of

significant line items in the statement of financial position. In summary, that outreach showed that information in those analyses was useful for making decisions. However, that outreach demonstrated that useful information could be provided to users without requiring a full roll forward and that the most informative amounts were often the least costly.

22. However, we do not think that this cost-benefit analysis necessarily can be applied directly to the roll forwards in these projects. Our outreach focused on lines from the statement of financial position. The roll forwards required by these projects apply to select assets and liabilities that were not looked at as part of the FSP staff draft outreach.

23. In addition, these roll forwards may be more relevant to a user if they are based on the recognition and measurement requirements of the individual projects. The outreach on the FSP staff draft did not have this nuance to consider, because there was no recognition or measurement guidance in the FSP staff draft.

24. Furthermore, the cost information that we received was based on analysing the important line items in the statement of financial position. Individual roll forwards of assets and liabilities were not considered.

25. Consequently, we could not say, on the basis of the outreach performed on the FSP staff draft, that the roll forwards required by these projects are not cost-beneficial. We think that the costs and benefits of these roll forwards should be assessed in the context of each project individually and that they cannot be assessed as part of this cross-cutting issues paper.

Management's ability to judge importance and whether to disclose

26. Some comment letter respondents stated that roll forwards would not be useful under all circumstances. For example, in revenue recognition, an issue was raised that some industries may have contract revenues but those contract revenues are not important to understanding the receivables or revenues of that entity or industry because they are:

    (a) not material

    (b) settled within a fairly short time, so roll forwards would not give any information that could not be found from the change in the account.

27. The FSP staff draft established a number of criteria to consider when deciding whether to analyse the change in a line item in the statement of financial position. We think that this guidance could be a starting point for developing guidance in individual standards that could help to eliminate concerns about the disclosure of unimportant information. The FSP staff draft states the following:

> An entity shall disclose analyses of changes between the beginning and ending balances of those asset or liability line items (or group of line items) that management regards as important for understanding the current period change in the entity's financial position in accordance with paragraphs 244–247.
>
> Management judges the relative importance of an asset or a liability line item (or group of line items) by comparing and evaluating:
>
> (a) The beginning and ending balances of the line item in relation to total assets or total liabilities
>
> (b) The change in the balance of the line item in relation to revenues, expenses, and cash flows
>
> (c) The activity flowing through the line item and its effect on revenues, expenses, and cash flows
>
> (d) Whether assumptions or judgements are used in measuring the asset or liability and the level of uncertainty in the measurement
>
> (e) The variability in the measurement resulting from exposure to risk and the nature of that exposure (for example, credit risk, foreign exchange risk, or interest rate risk)

(f) Any other economic event or transaction that could affect the decision making of a user of the financial statements.

28. We note that the roll forwards being supplied by the individual projects under discussion are for assets and liabilities that are not necessarily line items in the statement of financial position. Consequently, the criteria for judging relative importance would have to be specified individually for each project.

29. Advantages to the preparer of adding similar guidance to the individual projects would include providing:

    (a) a consistent reference point for thinking about whether or not to present the requirement to roll forward amounts in any of the three projects' due process documents; and

    (b) more latitude to management for judging the importance of the disclosure.

30. However, we are unsure whether it would be significantly more useful than ASC paragraph 105-10-05-6, IAS 1 paragraph 31 or the language already included in the disclosure objectives of each project.

31. We also have concerns that guidance on how to judge whether to include a single disclosure within each project that requires a number of different disclosures might complicate the individual standards.

32. Therefore we do not think that additional guidance for judging the relative importance of presenting a roll forward should be added to each of the projects. Instead, the assessment of whether the roll forwards are decision useful should be made in the context of each individual project.

Observation (2)
We believe that the boards should assess the costs and benefits of the roll forwards in the context of the individual projects and not assess the roll forwards wholly as the result of a cross cutting concern. Furthermore, we would not recommend additional guidance, similar to the guidance in paragraph 27 of this paper, for judging the relative importance of presenting a roll forward be added to the individual project's disclosure guidance.

Roll forward requirements—differing guidance

33. Each of the three projects' due process documents contains requirements for disclosing roll forwards of assets or liabilities or both related to the individual topics.

34. Both insurance contracts (paragraphs 86-88) and revenue recognition (paragraphs 75-76) provide a listing of items that one may find in a roll forward of an asset or liability. Both documents require disclosure of items specific to the individual project (for example: in revenue recognition—revenue from performance obligations satisfied during the period; in insurance contracts—premiums received). Both documents also contain disclosure of items that are not specific to the project but that can affect any asset or liability balance (for example, foreign exchange and the effects of acquisitions and dispositions).

35. Leases (paragraphs 77, 80) requires roll forwards as well. For lessees the document specifically requires an item for cash lease payments during the period. The leases document does not contain any other line item requirements for the required roll forwards.

36. Revenue recognition (paragraph 80) requires a roll forward of onerous performance obligations with requirements specific to the project. However, there

are no requirements for other amounts such as foreign exchange or acquisition- or disposition-related items.

37. The consequence of not providing guidance about the line items that may appear in a roll forward and only requiring project specific amounts (as leases does) is that the roll forward may have aggregated amounts that would be more useful if presented separately. Other consequences could be the roll forwards will look different within an entity's set of disclosures as well as a possible lack of comparability between different entities' disclosures.

38. One could also argue that a document that focuses on revenue recognition or insurance contacts should not provide general roll forward guidance.

39. Furthermore, we identified items that a roll forward might contain to make it most useful; for example, infrequently occurring items or reclassifications are not explicitly listed in the roll forward requirements as drafted. At times this information could be useful for making decisions. We think that if a project is to require a roll forward of a particular asset or liability, that roll forward will be most useful if it contains information in enough detail to understand how the balance changed.

40. We also think that in the absence of a standard that specifies definitively what a roll forward should consist of, general roll forward guidance is necessary in the individual standards.

41. For that reason, we think that instead of adding more items such as infrequently occurring items or reclassifications, guidance should be added that states that an entity should provide any additional line items that are important to understand the change in the balance of an asset or liability.

Observation (3)
We think any roll forward requirement retained or added as a result of redeliberations should be consistent with paragraphs 86-88 of the insurance contracts process document and paragraphs 75-76 of the revenue recognition process document. We think any roll forward requirement retained or added by the individual projects should include an additional requirement that an entity provide any additional line items that are important to understand the change in the balance of an asset or liability.

42. If observation 3 is followed, the following modifications would be made to the individual process documents:

    (a) the requirement for roll forwards in the lease project would be modified to be consistent with revenue recognition and insurance contracts requirements;

    (b) the requirement to roll forward onerous contracts (paragraph 80) in revenue recognition would reflect and refer to the roll forward guidance provided in paragraphs 75-76 of that document; and

    (c) the roll forward guidance in all three projects would add a requirement that an entity should provide any additional line items that are important to understand the change in the balance of an asset or liability.

Roll forward requirements—tabular format

43. Feedback received on the revenue recognition project stated that roll forwards should always be presented in a tabular format. Users state that roll forwards disclosed in a table will be:

    (a) more comparable;

(b) easier to understand and use; and

(c) more precise.

44. If the boards agree that this is the case, they may want to consider that all three projects should require roll forwards to be presented in a tabular format.

45. The boards have required information to be presented in a tabular format before. Topic 820 has a requirement for the quantitative disclosures required in that topic to be presented in a tabular format. IFRS 7 *Financial Instruments: Disclosures,* requires some disclosures to be presented in a tabular format unless another format is more appropriate.

46. Though this feedback was received as part of the outreach on revenue recognition, we think that requiring a tabular format within one project would then become a cross-cutting issue within all three projects and, moreover, throughout all current disclosure requirements that include roll forwards.

Question
1. We think that the requirement to provide roll forward information in tabular format should be considered across all three projects. Do the boards agree to require tabular format for any roll forward requirements retained or added in the final standards?

Disaggregation

47. Revenue recognition requires the disaggregation of revenue into categories that best depict how the amount, timing and uncertainty of future cash flows are affected by economic factors. It suggests that the categories that one may breakdown revenues by could be:

(a) type of good or service

(b) geography

(c) market or type of customer

(d) type of contract.

48. Insurance contracts requires the disaggregation of all of the required disclosures by reportable segment. Within the reportable segments the disclosures may be aggregated by geography or by contract type.

49. Leases requires its disclosures based on consolidated amounts. There is no explicit requirement to disaggregate amounts in the financial statements into additional categories.

50. Our cross-cutting observation is that each project requires varying levels of disaggregation in each of the disclosure requirements in the three projects' process documents.

Revenue recognition—disaggregation of revenues

51. The FASB FSP staff draft established that disaggregation of income and expense is most useful when disaggregated in the context of the segments. Consequently, the disaggregation of revenues required in paragraph 74 of the revenue recognition due process document may be most useful if disclosed in the context of the entity's reportable segments.

52. We observe that some of the attributes listed for the disaggregation of revenues may in fact be aligned with how an entity already determines its segments. There could be an overlap of guidance to disaggregate by segment and then by the criteria in paragraph 47 of this paper.

53. In addition, the revenue recognition Basis for Conclusions states that meaningful disaggregation of revenues would not be uniform and that the boards therefore decided that an entity should disaggregate revenue into the categories that best

depict how the amount timing and uncertainty of revenue and cash flows are affected by economic factors.

54. Furthermore, by disaggregating revenue by reportable segment, there will be issues over the measurements used for revenue reported by segment, because these would be internally generated and might not be in accord with the measurements used for IFRSs and US GAAP.

Observation (5)
Information is useful when disaggregated by segment based on work and outreach in other projects. We think this would apply to the disclosure of categories of revenues. However, we observe the challenges of disclosing that information in the context of this project. This issue could be better addressed as part of the boards other projects and activities (eg financial statement presentation and the post implementation review of IFRS 8)

Insurance contracts—disaggregation of all disclosures by, at a minimum, reportable segment

55. Insurance contracts requires all disclosures required by the project to be presented by reportable segment. Additionally, it indicates disaggregation may be extended to a lower level than the reportable segment (eg aggregation of contract types or geography within each reportable segment).

56. In the light of the comment letter responses on insurance contracts regarding disclosure overload, the level of disaggregation required for the disclosures could be a starting point for addressing the issue of disclosure overload in that particular project.

57. Some comment letters noted that different levels of disaggregation could be applied to different disclosures (eg some disclosures would be by segment and some would be based on consolidated amounts).

58. We also perceived differences within the insurance contracts requirements themselves. Paragraph 81 states that 'the insurer shall aggregate or disaggregate information so that information that is useful is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have different characteristics'. However, in paragraph 83 the insurer is precluded from aggregating amounts across reportable segments.

59. In summary, we think that these three projects require different levels of disaggregation because that level of disaggregation was deemed most useful in the context of that project. However, we think that it is important to highlight for the boards, as they redeliberate disclosure requirements, that there is a much greater level of disaggregation in the insurance contracts process documents compared to leases and revenue recognition and that the minimum disaggregation of disclosures appears to differ from the general guidance in all the projects about aggregation.

Observation (6)
In the light of concerns over disclosure overload, our attention moved to insurance contracts' requirement to disaggregate its disclosures by, at a minimum, the reportable segment, while revenue recognition and leases do not have the same requirement. We acknowledge varied levels of disaggregation of disclosures may be appropriate. However, we assert the level of disaggregation and the concerns over disclosure overload are linked. This linkage should be considered as the boards redeliberate the disclosures included in the insurance contracts project.

Judgements, assumptions, methods and inputs

60. Disclosure about judgement and assumptions are addressed in the leases and revenue recognition due process documents. However, the language used is different in each. The following summarises the difference:

    (a) *Leases*—disclose significant assumptions and judgements and any changes in assumptions and judgements related to a variety of matters.

    (b) *Revenue Recognition*—disclose judgements and changes in judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers. Paragraphs that follow then go on to require the assumptions, methods and inputs used when applying the judgements.

61. For insurance contracts, although the methods and inputs are explicitly disclosed, the judgements and assumptions that relate to the methods and inputs are not explicitly required to be disclosed.

62. We observed the following issues in these parts of the projects' disclosure requirements:

    (a) Omission of judgements and assumptions—insurance contracts omits reference to judgements and assumptions

    (b) Structure of disclosure—revenue recognition lays out the disclosure in a hierarchical manner, placing assumptions, methods and inputs as a subset of judgements, whereas the other projects do not.

Omission of judgements and assumptions from insurance contracts

63. Insurance contracts does not require judgements and assumptions that relate to the methods and inputs disclosed. We observe that there would probably be judgements made as part of applying the proposed standard, and therefore we

would incorporate the requirement to disclose those judgements. If assumptions are made as part of applying the standard, then those too should be disclosed.

64. We recommend that insurance contracts should incorporate judgements and assumptions into the requirements that currently include methods and inputs.

Structure of disclosure

65. Revenue recognition requires the disclosure of judgements made that are relevant to the topic. It then requires a further explanation of those judgements by disclosing the assumptions, methods and inputs that were used.

66. Leases do not include methods and inputs related to their judgements and assumptions. In discussing methods and inputs with the individual project teams, it appears that, for leases, the assumptions and judgements are not best explained by methods and inputs. It also appears as though, for leases, those assumptions are not necessarily a subset of judgements but rather a different data point for understanding an entity's leasing activities.

67. Insurance contracts does not currently incorporate judgements and assumptions into its disclosures, but if judgements and assumptions are added, the structure of this part of the standard may still differ from the structure of the requirements in revenue recognition and leases. This may be the case because the underlying standard is different and the volume of disclosures required is much greater.

68. Because the disclosure requirements focus on different topics and explain different underlying accounting issues, it may not be possible to ask for similar information about judgements, assumptions, methods and inputs in a similar structure across the three projects.

69. In reviewing the requirements, we think that standardising structure and language further might undermine the understandability of what is being asked for.

70. Consequently, we recommend that any further modification to disclosures about judgements, assumptions, methods and inputs should be made based on feedback

received on the individual projects and not as part of a cross cutting standardisation of disclosure requirements.

Observation (7)
We think the staff and boards should consider whether incorporating judgements and assumption into their disclosures about methods and inputs would better achieve the disclosure objectives in addition to add to consistency between the three projects. We think any other differences and modifications are project specific and should not be addressed as part of a cross cutting issue discussion.

Objectives that are similar but worded differently

71. Respondents in large part agreed with the disclosure objectives of the three projects.

72. The leases and insurance contracts projects have similar disclosure objectives and require quantitative and qualitative information about the amount, timing and uncertainty of *future* cash flows arising from an entity's contracts. For revenue recognition, the disclosure objectives require qualitative and quantitative information about the amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts.

73. We observed difference in the wording and structure of the similar objectives and how the objectives are subdivided, especially for leases compared to revenue recognition and insurance contracts.

74. All three projects share the common disclosure requirements of qualitative and quantitative information about:

    (a) amounts recognised in the financial statements arising from contracts

    (b) the nature and extent of risk arising from contracts

(c) judgements and changes in judgements made in applying those contracts.

75. In discussion with all three project teams we recommend aligning the wording and structure of the disclosure objectives to enhance and emphasise the visibility of the common objectives and to establish consistency. We think that the recommended changes as indicated in Appendix B will not result in different assessment of the objectives.

76. In particular we recommend aligning the disclosure objectives for leases and insurance contracts with the objective in paragraph 69 (b) of the revenue recognition due process document: ie, that the entity shall provide qualitative and quantitative information about significant judgements, and changes in judgements, made in applying the [draft] IFRS/ Proposed Accounting Standards Update to those contracts (see our recommendation in paragraph 64 of this paper).

77. Furthermore, relating to risks arising from leases we suggest raising the significance of paragraph 84 of the leases due process document to a level comparable to that of paragraph 79 (b) of the insurance contract due process document.

Question
2. Do the boards agree with the disclosure objectives in Appendix B and the recommendation to align the wording and structure of the disclosure objectives?

Different guidance for maturity analysis

78. Each of the three due process documents contains requirements for disclosing a maturity analysis. While the maturity analysis of remaining performance obligations in the revenue recognition proposals serves the objective of assessing the risk to future revenues, the objective for leases and insurance contracts is to assist users of financial statements in understanding and evaluating the nature and extent of liquidity risks.

79. The proposals in the *Leases* ED require:

> 85 In place of the maturity analyses required by paragraph 39(a) and (b) of IFRS 7, a lessee shall disclose a maturity analysis of the liabilities to make lease payments showing the undiscounted cash flows on an annual basis for the first five years and a total of the amounts for the remaining years. The maturity analysis shall distinguish the minimum obligations specified in the lease (ie excluding contingent rentals and expected payments under term option penalties and residual value guarantees) and the amounts recognised in the statement of financial position.
>
> 86 In place of the maturity analyses required by paragraph 37(a) of IFRS 7, a lessor shall disclose a maturity analysis of the right to receive lease payments showing the undiscounted cash flows on an annual basis for the first five years and a total of the amounts for the remaining years. The maturity analysis shall distinguish the cash flows attributable to the minimum amounts receivable specified in the lease (ie excluding contingent rentals and expected payments from the lessee under term option penalties and residual value guarantees) and the amounts recognised in the statement of financial position.

80. In combination with a description of how the entity manages the liquidity risk resulting from insurance liabilities, paragraph 95 in the insurance contracts due process document requires an insurer to disclose:

> either a maturity analysis that shows the remaining contractual maturities or information about the estimated timing of the net cash outflows resulting from recognised insurance liabilities. This may take the form of an analysis, by estimated timing, of the amounts recognised in the statement of financial position.

81. Paragraph 78 in the revenue recognition due process document require:

> For contracts with an original expected duration of more than one year, an entity shall disclose the amount of the transaction price allocated to the performance obligations remaining at the end of the reporting period that are expected to be satisfied in each of the following periods:
>
> (a) not later than one year;
>
> (b) later than one year but not later than two years;
>
> (c) later than two years but not later than three years; and
>
> (d) later than three years.

82. The proposals are different from the current requirements and guidance for the maturity analysis as required in IFRS 7.39a for non-derivative financial liabilities and in IFRS 7.39b for derivative financial liabilities, including the maturity analysis of gross finance lease obligations (IFRS 7.B11D). Under IFRS 7 the entity uses its judgement to determine an appropriate number of time bands. The application guidance of IFRS 7 provide in paragraph B11 an example of appropriate time bands:

    (a) not later than one month;

    (b) later than one month and not later than three months;

    (c) later than three months and not later than one year; and

    (d) later than one year and not later than five years.

Leases

83. Respondents to the due process documents observed that similar disclosures should be consistent across the entire spectrum of disclosure requirements. The disclosure relating to the maturity of liabilities, especially guidance on and requirements for the time bands, should be aligned with current IFRS. In this context some respondents disagreed with the view of the IASB in the *Leases* ED that comparative information across jurisdictions is more important than comparability between liabilities within IFRSs.[1]

84. Discussions with several user groups indicated that there was no strong view about consistency of time bands. The users indicated the proposed time bands in the leases due process document were appropriate. They said it would also give enough flexibility for preparers to be more detailed if necessary. However there was no clear preference or indication to align IFRS 7 requirements to the leases proposals.

85. Some users indicated in those meetings it would be most useful having all maturity analyses of obligations presented in a single note, especially maturity analysis to assess the liquidity risk and preferable to be presented in tabular format.

86. We think to help users to understand liquidity risk of the entity; comparability should not be compromised between specific liabilities. Comparability in context of the disclosure objective would be more important on the entity level and across the liabilities of the entity. We think the guidance of time bands to be used in maturity analysis should be align with similar disclosure requirements of maturity analysis of liabilities under current IFRS 7 and US GAAP (eg requirements of ASC paragraph 470-10-50-1).

[1] Basis for conclusions BC 182

87. Although, we see merit in aligning the IASB document with the requirements of IFRS 7 and aligning the FASB document with Topic 470, we recognize this would result in a diverged standard.

88. As we do not wish to propose divergence on an issue and since users felt the time bands required are appropriate, we do not think a change should be considered because of this cross cutting concern.

Insurance contracts

89. The insurance contracts due process document aligns with the guidance in IFRS 7. Because insurance contracts disaggregates all of its disclosures by segment and possibly further (for example types of contract within the segment) those disclosures may be best made using different time bands. Therefore we think it is appropriate to retain the proposals on time bands for the maturity analysis of leases and insurance contracts.

Revenue Recognition

90. No compelling feedback have been received from users whether the time bands of the maturity analysis of remaining performance obligation are appropriate or preferable compared to judgement by entity to determine the different time bands of maturities. Some feedback indicates what has been required is adequate as looking out beyond 3 years is in many cases difficult or not meaningful.

91. Some preparers said that the rationale for choosing such time bands is unclear and not aligned with time bands in other guidance of maturity analysis. Some respondents argued the appropriate and useful time horizon of such disclosure will likely vary significantly by industry and company.

Observation (8)
The disclosures of liquidity risk arising from leases and insurance contracts include different guidance on time bands for maturity analysis. Reflecting the feedback from comment letters the board should address this issue from cross cutting perspective when redeliberating the disclosure of maturity analysis. We noticed both projects have been discussed time bands in context of similar disclosures of current IFRS and US GAAP, not necessarily in context of other active projects. For the maturity analysis of remaining performance obligation we think the boards would need to redeliberate whether it retains the prescriptive time bands or allows the entity to use judgment to determine an appropriate number of time bands.

Nonpublic entities

FASB Board only

92. The nonpublic entity team continues to work with each of the three project teams to evaluate whether nonpublic entities should be exempt from providing some of the required disclosures. The Board is not being asked to make any decisions about nonpublic entity disclosure exemptions at this time. The staff will be performing additional outreach with users of nonpublic entity financial statements and will then provide the Board with its recommendations about disclosure exemptions. While these recommendations will be separately deliberated for each project, we will monitor the consistency of the staff recommendations across the three projects.

93. Nonpublic entities are generally not required to disclose roll forwards of accounts included in the statement of financial position because their users can often obtain this information directly from management and also because of concerns about costs and disclosure overload. The staff believe that this exemption should apply to the roll forward disclosure requirements under the revenue recognition and leasing proposals. Given the benefit to users from disclosing the type of

information contained in an insurance entity's account roll forwards, the staff is unsure whether the typical exemption from providing roll forwards would apply in this case. However, if the Board determines that the disclosures in the insurance proposal are to be applied not only by insurance entities, but by any entity that engages in insurance contracts, the staff will need to evaluate whether there should be any disclosure exemptions for nonpublic entities that are not in the insurance industry.

94. The staff believe that many of the other disclosures required in the revenue recognition and leases proposals may provide useful information to some users of nonpublic entity financial statements. However, the staff need to perform additional user outreach to evaluate the benefits of some disclosures, particularly those related to judgements, assumptions, methods and inputs. This user input will be weighed against the input received from preparers of nonpublic entity financial statements; many of whom shared concerns that the disclosures under the three proposals are excessive and will be costly to compile and audit.

IASB Board only

95. There are four pages of required disclosures contained in each of the revenue and leases process documents. This compares to less than one page of required disclosures for revenue and leases within the IFRS for SMEs. The Board previously indicated that it intends to propose amendments to IFRS for SMEs approximately once every three years. However, the Board may wish to consider an earlier evaluation of the adequacy of existing revenue and leases disclosures under the IFRS for SMEs, given the extent of the new disclosure requirements included in the process documents.