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Topic	Project on a framework for the notes to the financial statements (EFRAG, ANC France and UK ASB) and FASB's disclosure framework project
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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council of the IASB.

The views expressed in this paper are those of the authors.

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European Financial Reporting Advisory Group ■

IFRS Advisory Council
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London - February 2012

Disclaimer

The views expressed are our personal views and do not represent the positions of the FASB or EFRAG/ANC/ASB.

Positions of the FASB or EFRAG/ANC/ASB are arrived at only after extensive due process and deliberations.

Two closely-related projects

- A Framework for the Notes to the Financial Statements (EFRAG/ANC/ASB)
- Disclosure Framework Project (FASB)



Cooperation with Standard Setters

- EFRAG's proactive project is a partnership with the ANC (France) and the ASB (UK). EFRAG and FASB project teams cooperate and share information
- The projects are supported by expert groups: Advisory Panel (EFRAG/ANC/ASB) and Resource Group (FASB)
- Attempting to build on the good work done by others in this area including ICAS/NZICA



What are we trying to achieve?

EFRAG, ANC, and ASB

- Develop a **framework** for well coordinated and effective disclosures:
 - Our focus is on **improving quality**, not simply reducing volume.
- **Impact practice**: preparers, auditors and regulators (materiality).



What are we trying to achieve?

FASB

- More efficient and effective disclosures (which could result in reduced volume)
 - Concepts Statement to facilitate consistent and well reasoned decisions
 - Eliminate redundancies (SEC cooperation)
 - Enhance reporting entities' decisions (SEC, auditor and PCAOB cooperation)
 - Improve organization and formatting



□ What are we looking at?

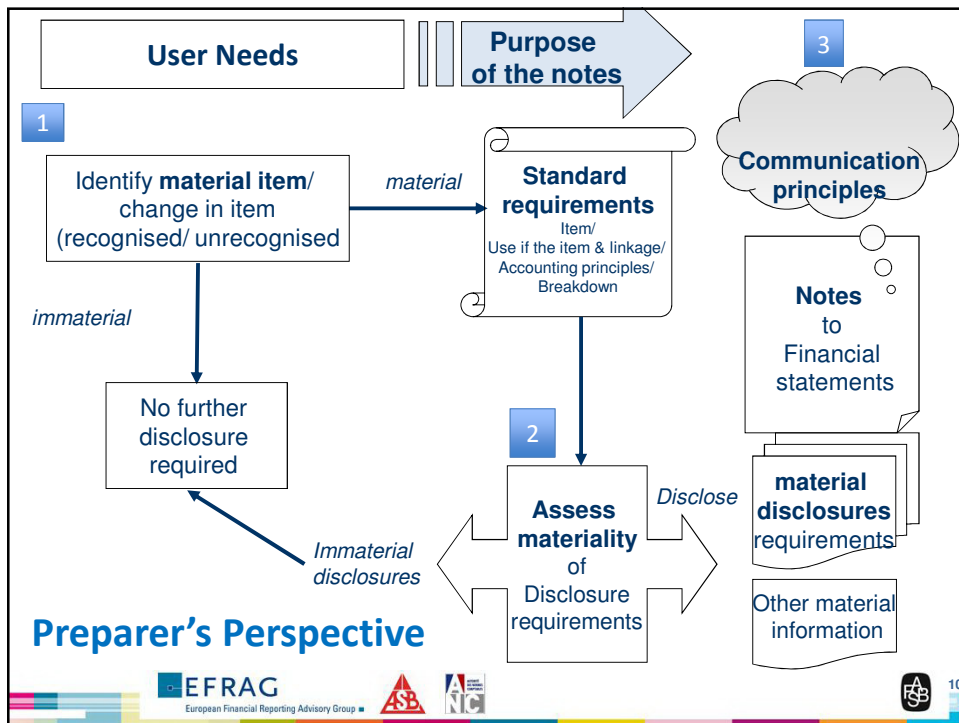
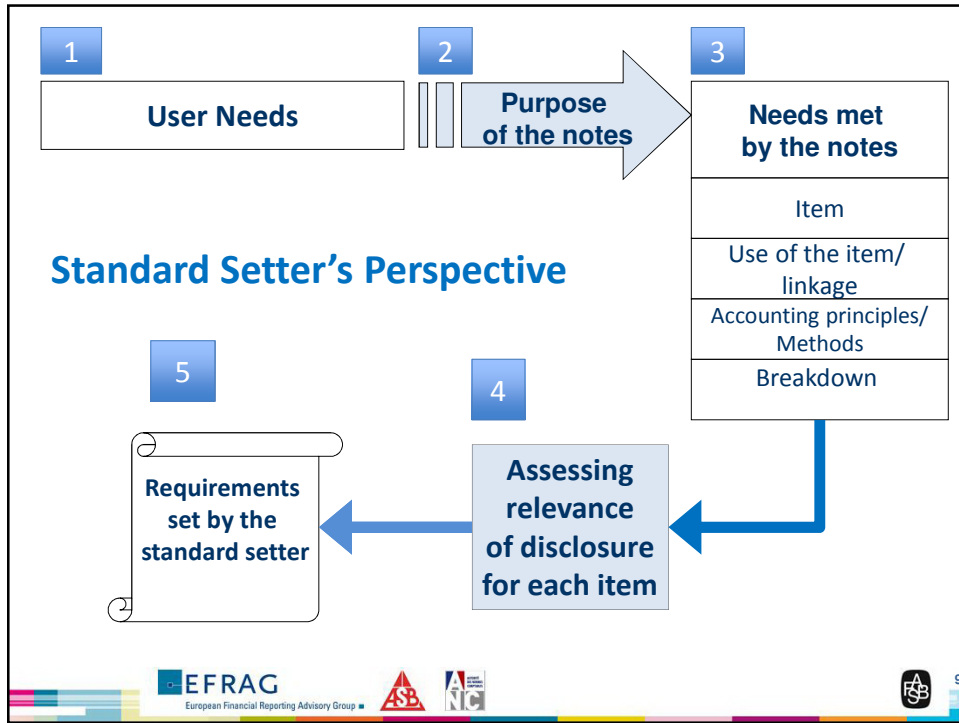
← All information →
 Financial reporting
 IFRS financial statements Management commentary
 PFS **Notes**

Attempting to isolate the information that belongs in the notes through a series of decisions processes or filters

□ What we mean by a 'framework'?

Three decision elements of the framework:

<p><i>Standard-setter decisions</i></p> <div style="background-color: #FFD700; padding: 5px; text-align: center;">1 - Relevance</div> <div style="background-color: #0070C0; color: white; padding: 10px; text-align: center;"> <p>Clarify the purpose of the notes to establish a clear boundary and set relevance criteria</p> </div>	<p><i>Entity decisions</i></p> <div style="background-color: #FFD700; padding: 5px; text-align: center;">2 - Materiality</div> <div style="background-color: #0070C0; color: white; padding: 10px; text-align: center;"> <p>Strengthen the relevance of the notes to reporting entity</p> </div>	<div style="background-color: #FFD700; padding: 5px; text-align: center;">3 - Communication</div> <div style="background-color: #0070C0; color: white; padding: 10px; text-align: center;"> <p>Improve the organisation and presentation of the notes to help users understand them</p> </div>
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Outcome

EFRAG, ANC, and ASB

- First step is to issue a discussion paper that sets out the broad architecture of our framework.
- Based on what emerges through the due process we will consider what further steps to take.



Testing our Ideas

- Need sound principles that translate into practical improvements
- Have undertaken a process of retro-testing existing disclosure requirements to understand how the Framework would operate in practice
- Comparing our results with that in the ICAS/NZICA study and others



Outcome

FASB

- First step: Discussion paper
- Ultimately:
 - Concepts Statement
 - Accounting Standards Update or other guidance for reporting entities
 - Apply to existing and future requirements
 - Possible SEC, PCAOB action



Next steps and points for discussion

- Targeting issuing a discussion paper in Q2 2012.
- FASB and EFRAG/ANC/ASB still to decide on the form of the final output

