

STAFF PAPER

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**Prepared for joint Capital Markets Advisory Committee and
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Project	Agenda consultation 2011		
Paper topic	Ways to solicit input for making improvements to IFRSs		
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Purpose

1. This paper discusses how the IASB should solicit input from stakeholders, including users of financial statements, about the need for making narrow-scope improvements to IFRSs. It asks CMAC and GPF members for input on:
 - (a) how best to solicit suggestions for improvement; and
 - (b) how to make it easier for stakeholders to provide such input.

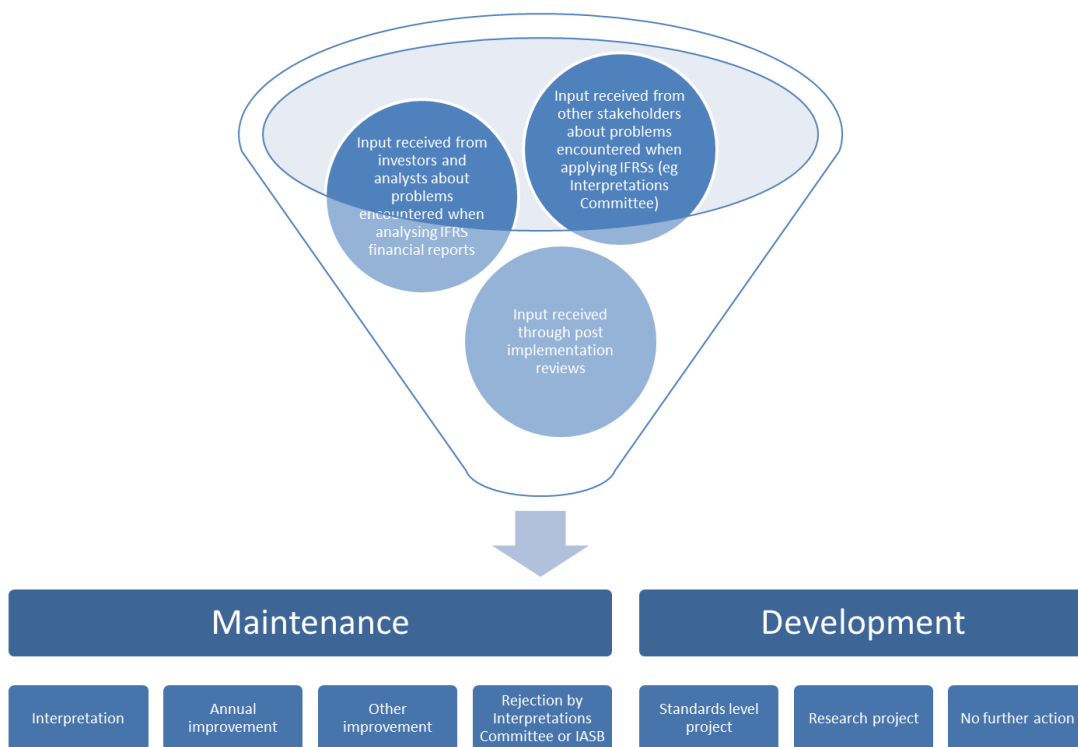
Background

2. To get input on its future work programme, the IASB not only published the Request for Views *Agenda Consultation 2011*, but also conducted an online survey targeted at investors and analysts. Attachment 1 to Agenda Paper 7 summarises the results of the survey. The survey had two parts:
 - (a) Part 1 asked for views on the relative importance and urgency of the various projects that had been suggested as additions to the IASB's agenda.
 - (b) Part 2 asked, from a more general viewpoint, what works and does not work in financial statements.
3. The feedback received on Part 2 indicated that there are areas of financial reporting that investors and analysts think could be improved. Many of the suggestions related to disclosure and presentation. Because investors and analysts were candid

in the survey about what they think could be improved, we realised that we need to make it easier for them to provide their input in a more systematic way.

Furthermore, other stakeholders might not be aware that they can provide suggested improvements to the IASB and those who do might prefer an easier way to do so.

4. The following diagram shows some of the sources of input that we receive and where that input fits into the standard-setting process.



5. In reading the comment letters and the responses to the online survey, it is clear that some do not usually think in terms of standards-level projects or of the accounting standards that drive the reporting. Instead, they think in terms of the specific challenges that they face when analysing financial statements and note disclosures. As a result, much of the feedback from investors and analysts contains ideas for improving financial reports in specific, narrow ways, rather than suggestions for taking on large-scale projects.

6. Such input would fit into the box labelled *other improvement* in the diagram above and is the primary subject of this paper. Generally, we envisage the items in this box being those that would:

- (a) make the work of *users* easier by providing them with information that they need that is currently lacking in financial reports; or

- (b) make the work of *preparers* easier by reducing the burden on them of providing information that is not useful for users.

Example—net debt reconciliation

7. A commonly raised suggestion is to require companies to provide a reconciliation and analysis of net debt.
8. We envisage that the process for adding a disclosure requirement to provide such a reconciliation would *not* involve defining net debt, which was a controversial issue in the Financial Statement Presentation project. Instead, companies would be required to disclose a reconciliation of net debt, describe how *the company* defined net debt and reconcile the amounts to the statement of financial position. The work to *define* net debt could be done as part of a project to develop a disclosure framework or a presentation and disclosure Standard.

Soliciting input from stakeholders on making narrow scope improvements

9. Users of financial statements historically have not had a clear means of providing suggestions for making IFRS financial statements more useful. As noted above, the agenda consultation feedback showed us that we need to make it easier for users, in particular, to provide their suggestions. Such a mechanism would also be useful to other stakeholders.
10. We have thought of the following ways to solicit suggestions from stakeholders, and we are seeking CMAC and GPF members' views on whether they think these ideas would work and, if so, on how to implement them:
 - (a) having a suggestion form on our website that could be filled in quickly and confidentially (ie the identifying details about who suggested the change would be kept confidential);
 - (b) holding non-public discussion forums where interested parties could raise concerns with staff and Board members and brainstorm potential solutions; and
 - (c) holding public discussion forums, such as the one envisaged for developing a disclosure framework (see Agenda Paper 5).

11. It is important to tell the interested parties which issues have been raised, whether we expect to address each issue, and if so, the timing and current status of any work we are undertaking on the issue. Furthermore, if the Board or Interpretations Committee determines that it cannot or will not address an issue, we need to communicate that as well.

Questions for GPF/CMAC members

1. In paragraph 10 we list some potential ways of soliciting suggestions for improvement, particularly from the investment community. Do you think those ideas are workable? Do you have any additional suggestions?
2. To make this work, interested parties need to know that they can provide suggestions to us. Aside from mass emails, a press release and a link on our website to a suggestion form, do you have other suggestions about how to reach out to all interested parties, including the investor community, to let them know we are seeking their input?