

AGENDA PAPER

IFRS Advisory Council Meeting

LONDON 25 – 26 February 2013

Agenda ref 5

TOPIC EFRAG, ANC & FRC Discussion Paper: Towards a Disclosure Framework for the Notes – Preliminary feedback analysis

PRESENTERS Françoise Flores

CONTACT Françoise Flores

This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council. The views expressed in this paper are those of the authors. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS.

EFRAG, ANC & FRC Discussion Paper: Towards a Disclosure Framework for the Notes – Preliminary feedback analysis
Presentation for February 2013 IFRS Advisory Council meeting





European Financial Reporting Advisory Group ■

EFRAG, ANC & FRC Discussion Paper:
Towards a Disclosure Framework for the Notes – Preliminary feedback analysis

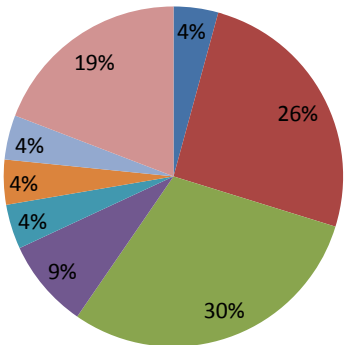




IFRS Advisory Council 26 February 2013


Comment letters received


By respondent




Respondent Category	Percentage
Preparers	4%
Accountants	26%
Standard Setters	30%
Users	9%
Academics	4%
Consultant	4%
Regulators	4%
Business ass.	19%

47 comment letters received in total, of which 6 from non-European respondents and 10 from global organisations.







2

Invitation to comment

- The Invitation to Comment asked for feedback on the following areas:
 - What are the issues with the current disclosure regime?
 - Is there a need for a Disclosure Framework?
 - Is there a need to identify the purpose of the notes?
 - How to improve the way disclosure requirements are set in Standards?
 - How to improve the application of materiality?
 - How to improve communication of disclosures?



3

Issues with the current disclosure regime

- The majority of respondents agreed that avoiding disclosure overload and enhancing communication are the areas of improvement.
- Some thought that reducing volume should be a stated objective of the project.
- However, a few respondents were not persuaded that disclosure overload exists. One respondent noted that there is evidence of positive market reaction to more disclosure.



4

□ A need for a Disclosure Framework?

- Respondents were supportive of a Disclosure Framework, noting that part of the issue with current requirements was that they seem to have been developed on ad-hoc basis.
- Some respondents recommended that the Disclosure Framework be part of the Conceptual Framework and not a separate document.



5

□ Identifying the purpose of the notes

- Respondents generally believed that defining a purpose of the notes was an important first step for a Disclosure Framework.
- A significant number of respondents were concerned that the DP only focused on disclosure in the notes, and noted that a limited scope could result in simply moving information to other sections of the annual reports.



6

Identifying the purpose of the notes

- Respondents recommended that the purpose of the notes must consider the users' needs. Categories and indicators in the DP were considered an useful starting point.
- Not all agreed with focus on items existing at the reporting date arguing that information useful to predict future cash flows should be disclosed.
- Respondents in general disagreed that post-balance sheet events or related party disclosures would not be part of the notes.



7

Improving the way requirements are set in Standards

- The majority agreed that there was room to improve the way requirements are written.
- Views were split about how disclosure requirements should be set:
 - Some supported having disclosure objectives with limited requirements and/or illustrative examples.
 - Others supported a 'tiered' approach with a core set and an expanded set to be applied based on materiality.
 - There was less support for differential regimes, mostly limited to interim reports and non-listed entities.



8

Improving the application of materiality

- Respondents generally agreed that applying materiality to disclosures was an issue. The majority expressed support for specific guidance, although some warned against any 'checklist-type' guidance. A few respondents were however sceptical that detailed guidance on materiality could work.
- Many however noted that the main change was needed in the behaviour of preparers, auditors and regulators.



9

Improving communication

- Respondents agreed that there should be a shift from compliance to communication. Some however thought that the ordering or style of disclosures was not a major issue.
- There was support for the communication principles in the DP. However, many noted that the DP had not sufficiently investigated the role of technology.



10

Other issues raised by constituents

- A number of additional points were raised:
 - Illustrative examples would have been useful to understand better the impact of the different proposals;
 - The Disclosure Framework should take into consideration cost-benefit balance and the issue of confidentiality of information;
 - There should be a specific analysis on disclosure requirements for interim periods;
 - Standard Setters should apply the principles in the Framework to existing requirements, and review them on a regular basis (and not only when a Standard is issued).



11

Thank you for your attention!



www.efrag.org



*EFRAG receives financial support of the European Union-DG Internal Market and Services.
The contents of this presentation is the sole responsibility of EFRAG and can under no circumstances be regarded as reflecting the position of the European Union.*



12