

Discussion Forum  
Disclosures in Financial Reporting

# Summary

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January 2013

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

# What we heard today

- **What is the problem?**
  - Not clear we agree what the problem is, but preparers and investors seem to agree that financial reports are an important **communication** tool.
  - Preparers want to tell a story and investors want to hear their story (**business model**).
  - There are impediments
    - Standards – compel (HSBC)
    - Auditors - compliance
    - Regulators – compliance

- **Materiality**

- Application in practice is a challenge – and it is entity-specific
- The IASB has a responsibility to provide more application guidance
- Onus sits with the entity to rebut the presumption
- Linking back to the disclosure objective or the business model might help

- **Better linkage**

- Linked information (context)
  - Policies, risks and the related financial information
- IFRS 8 *Operating Segments* - Post-implementation Review
  - Investors value having Management Commentary tie-in with the financial statements

# What we heard today

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- **Form matters**
  - The order matters ... importance
  - The IASB should not constrain preparers
- **Technology might help, eventually**
- **Scope**
  - Integrated reporting
    - Country-by-country reporting

# But ...

- **There are some legal, institutional barriers**
- **The line of least resistance is to simply disclose**
- **The cost of a disclosure failure is high**
- **The incentives are not right ...**

- **The Conceptual Framework is important**
- **Need to take a holistic view of financial statements and financial reporting generally**
  - Working draft considered by the IASB in February 2013
  - The work you have heard about today will be considered as we develop the Framework
  - Industry-specific guidance?

- **Need to work on several fronts**
- **Work with regulators**
  - Focus on areas where we seem to have the biggest problems
  - Dynamic disclosures
    - Working with others on ‘application’ –ie what is important today
- **Technology**
  - XBRL
  - But, how do we reconcile this with the ‘overwhelming’ sense that form matters?

# Next steps

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- **Drafting**
  - Objective
  - Basis – explain why
  - Indicative disclosures
  - Rate-regulated activities?
- **Materiality**
  - Education material / application guidance
  - Rebuttable presumption
  - Permission to leave out (HSBC)
  - How to assess what is important



- **Quick wins?**
  - IFRS Advisory Council feedback
  - Where are the main problems?
    - Users
      - Working with users (CRUF, CMAC etc)
      - eg net debt
    - Preparers
      - Disclosure burdens / unhelpful Standards
    - And sharing information ....
    - Mid-caps
      - Proportionality
  - IAS 1 *Presentation of Financial Statements* (Materiality, important accounting policies, ‘permission’ to use other forms, sub-totals etc)

- **Feedback Statement**
- **IFRS Foundation**
  - Re-thinking our own financial statements
  - What is important to us and the readers of our financial statements?
  - Each conversation between the entity and its investors/users will be unique
  - Short-term, if you think you have to disclose something at least relegate it to the back .... Then get brave and bin it.

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