

International Financial Reporting Standards



Disclosure Agenda Paper 2A

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



Purpose

Agenda Consultation 2011

- 'Many respondents think that a **disclosure framework** is needed to ensure that information disclosed is more relevant to investors and to reduce the burden on preparers'



The IASB decided to host a Discussion Forum

- Explore opportunities to see how disclosures can be improved and simplified within the existing disclosure requirements
- Foster dialogue between preparers, auditors, regulators, users of financial statements and standard-setters
- Get a clearer picture of the 'disclosure problem' and its causes



Survey on disclosures launched

- In conjunction with the Discussion Forum
- To gain a clearer picture of the 'disclosure problem' in advance of the Discussion Forum

Disclosure Survey

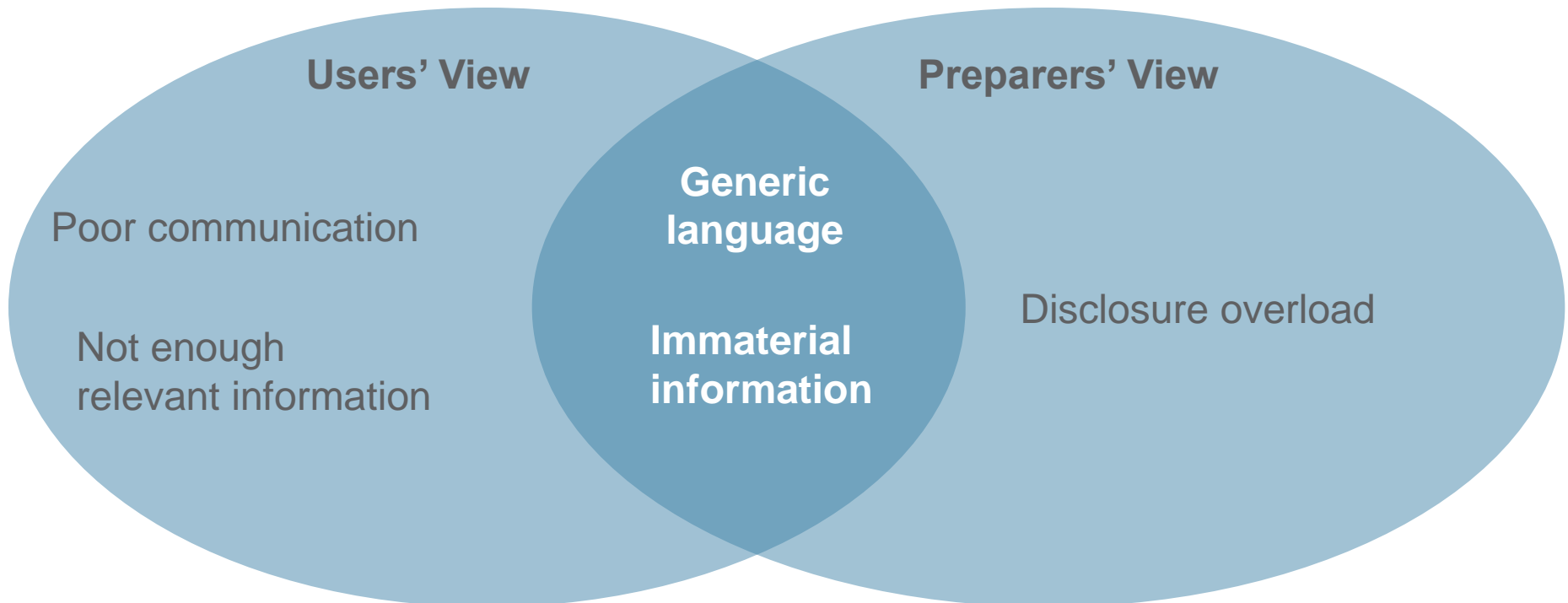
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Survey preliminary analysis

- 225 responses to the survey
- Approximately
 - 50% preparers
 - 20% users
 - 30% other (includes regulators, auditors, industry organisations)
- Initial analysis focused on users and preparers
- There is a disclosure problem (over 80% agree)
- Preparers and users view the problem differently

Survey preliminary analysis

Preliminary Survey Results



Discussion Forum

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Discussion Forum

- Held on 28 January 2013
- Over 120 external attendees at the Discussion Forum on disclosures, plus:
 - About 40 external people listened to the morning webcast
 - About 25 external people listened to the afternoon webcast
- A further 29 IASB members/staff attended

Discussion Forum—what we heard

- No clear agreement on what the disclosure problem is
- Preparers and investors do 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. The objectives of the IASB, the auditors and regulators are appropriate and beneficial, but there is a perception that:
 - Standards—compel, rather than guide
 - Auditors—compliance rather than communication
 - Regulators—compliance rather than communication

Discussion Forum—what we heard

- Materiality
 - Application in practice is a challenge
 - The IASB has a responsibility to provide more guidance
 - Onus rests on the preparer to rebut a presumption that information should be disclosed
 - Linking back to the disclosure objective or the business model might help
- Better linkage is required
 - Linked information throughout report (context)
 - Policies, risks and the related financial information

Discussion Forum—what we heard

- Form matters
 - The order matters ... importance
 - The IASB should not constrain preparers
- Technology could help
 - Tension between communication and comparability
- Scope of financial reporting
 - Integrated reporting
 - Country-by-country reporting

But ...

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

Next steps

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Feedback statement

- We published a Feedback Statement on the survey and Discussion Forum in May 2013.
 - Summary of other work performed (by other bodies)
 - Survey results
 - Plenary presentation summaries
 - Panel discussion summary
 - Next steps

Possible next steps

- Amendments to IAS 1 (*September 2013*)
 - Materiality
 - Emphasise problems of presenting irrelevant information
 - Clarify that materiality applied to the main statements and notes
 - Clarify that materiality applies within a Standard
 - Presentation order
 - Accounting policies
 - Addressing investor and preparer ‘concerns’
- Materiality (*H2 2013*)
 - Consider whether we should develop Application Guidance or Education Material
 - Work with securities regulators and Auditors (IAASB)

Possible next steps

- Drafting of disclosure requirements ‘... an entity shall ...’ (*on-going*)
- Broader review of disclosure requirements (*Start in 2013*)
 - Start a research project with the goal of replacing our financial statement presentation and disclosure Standards with one consolidated IFRS – effectively a disclosure framework
 - We would draw on work already undertaken in the suspended *Financial Statement Presentation* project
 - We would develop a Discussion or Research Paper, in time to provide input into the next Agenda Consultation
 - Review all existing disclosure requirements, standard by standard.

Questions

