

## International Financial Reporting Standards

# Feedback on survey and Discussion Forum

### Project contacts:

Amy Bannister  
Kristy Robinson

abannister@ifrs.org  
krobinson@ifrs.org

+44 20 7246 6947  
+44 20 7246 6933

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

# Objective of this meeting – what we need to know from CMAC members

- Question 1:
  - (a) Is the feedback we heard similar to your views on the ‘disclosure problem’?
  - (b) Are you aware of any other problems with disclosures that have not already been identified?
- Question 2:
  - (a) Do you agree with the potential actions that the IASB could take?
  - (b) Have you identified any other solutions that the IASB could look into?
  - (c) What do you think users can do to help with the ‘disclosure problem’?

# 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’ before the Discussion Forum

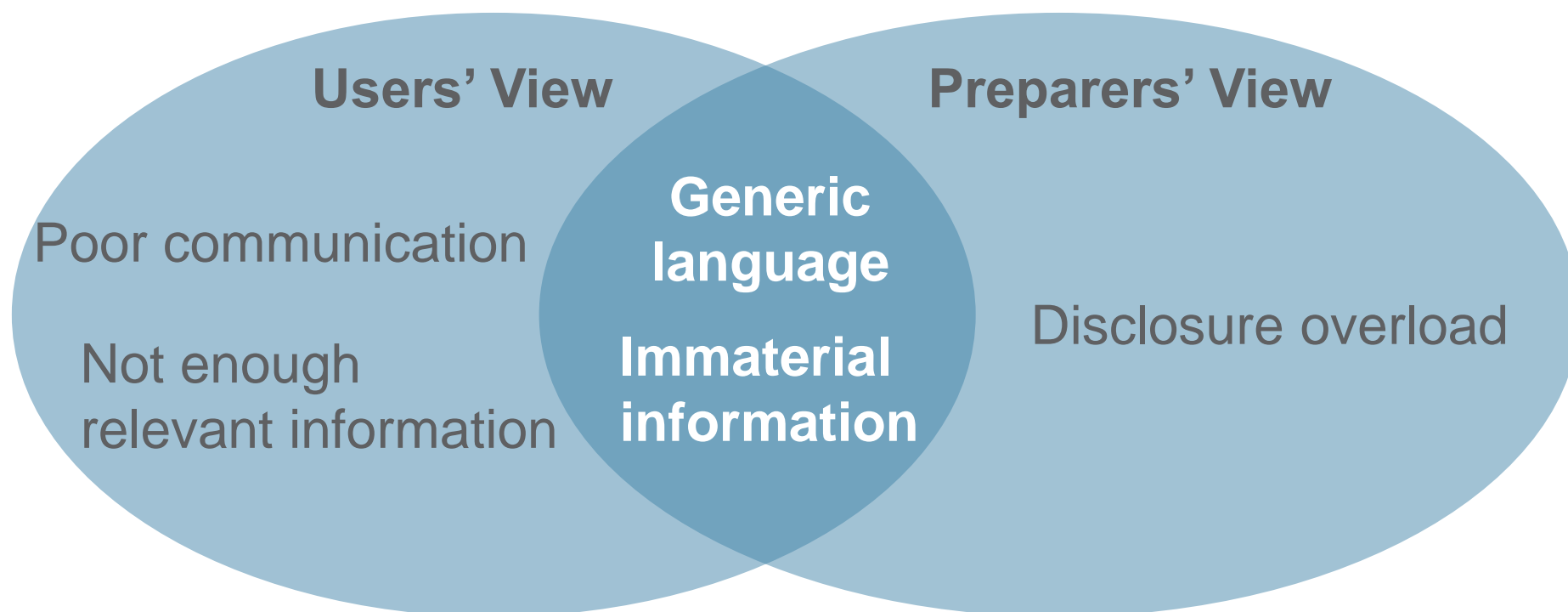
# Building on work others have done

- Others have already started working on the topic of ‘disclosures’, for example
  - EFRAG
  - ESMA
  - FASB
  - FRC
  - FSB
  - IAASB
  - ICAS-NZICA

# Disclosure survey preliminary analysis

- Conducted survey December 2012–January 2013
- 225 responses to the survey
- Approximately
  - 50% preparers
  - 20% users
  - 30% other (includes regulators, auditors, industry organisations)
- Our preliminary analysis showed that there is a disclosure problem (over 80% agree)
  - However, preparers and users view the problem differently (see next slide)

## Preliminary Survey Results



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

- 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 application 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
    - Information should be given in context
    - Policies, risks and the related financial information

# Discussion Forum—what we heard

10

- Form matters
  - The order of disclosures matters
  - The IASB should not constrain preparers
- Technology could help
  - Tension between conformance and comparability
    - Should all financial reports be presented in the same way/order?

# Discussion Forum—what we heard

11

- IASB's scope is financial reporting
  - However, is there a need for other types of information in financial reports, eg integrated reporting, remuneration reports, corporate governance reports and management commentary
    - Issues relating to country-by-country reporting and integrated reporting were raised

# But ...

- There are some legal and institutional barriers
  - For example use of the website to publish parts of the Annual Report is not permitted in some jurisdictions
- The incentives for preparers when disclosing lead to compliance rather than communication
  - The line of least resistance is to simply disclose
    - Easier for preparers to disclose than justify removal
  - The cost of a failure to disclose is high
    - Reputational damage, financial penalties

# Question 1

- (a) Is the feedback we heard similar to your views on the 'disclosure problem'?
- (b) Are you aware of any other problems with disclosures that have not already been identified?

# The ‘disclosure problem’ is a joint problem

- We think, and the results of the disclosure work so far confirm, that the disclosure problem needs to be addressed by all parties in the financial reporting process
  - Standard-setters
  - Preparers
  - Auditors
  - Regulators
  - Users

- We plan to publish a feedback statement on the Discussion Forum and survey shortly
- The feedback statement will set out and clarify the IASB's future plan for the 'disclosure project'
- We think that the feedback statement can also be used for:
  - Future outreach on disclosures
  - Helping to foster views on disclosures
  - Making parties aware of the problems faced

- Consider how the IASB can help in getting parties to address the ‘disclosure problem’
  - Directly and as a facilitator
- The IASB will continue to work with users and preparers
  - For example, the GPF and CMAC joint meetings
  - Consider what further work can be done



- Consider making limited amendments to IAS 1 *Presentation of Financial Statements*
  - Don't constrain preparers to certain presentations
- Materiality
  - Consider whether further guidance on materiality is necessary and appropriate.
- Post-implementation reviews – includes specific review of the new disclosure requirements

## Question 2

- (a) Do you agree with the potential actions that the IASB could take?
- (b) Have you identified any other solutions that the IASB could look into?
- (c) What do you think users can do to help with the 'disclosure problem'?

