

International Financial Reporting Standards

Feedback on survey and Discussion Forum

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Objective for this meeting – what we need to know from GPF 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 preparers 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

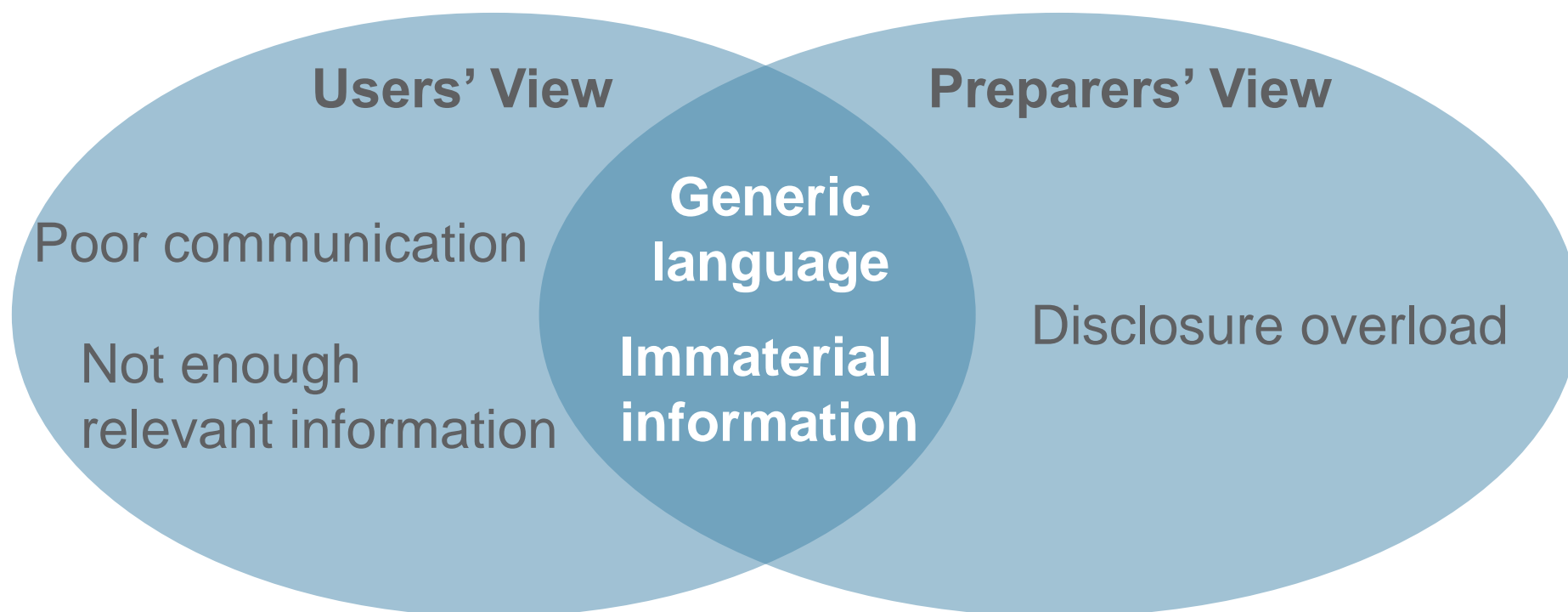
Building on work others have done

- 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

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- 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?

- 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

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- (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 review of the disclosure requirements
- Conceptual Framework – disclosure section
 - How can what we heard inform our work on the Conceptual Framework

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 preparers can do to help with the 'disclosure problem'?

Thank you

