

World Standard Setters meeting – September 2013 Agenda Paper DIS1

International Financial Reporting Standards

Disclosure initiative An overview

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Background

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3

Background

Agenda Consultation 2011

- "A disclosure framework is needed to ensure that information disclosed is more relevant to investors and to reduce the burden on preparers"

Discussion Forum

- Obtain views from those in the financial reporting process
- Survey also undertaken

Feedback Statement

- Summarises what we have heard
- Highlights potential next steps for the IASB

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What is the problem?

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5

What is the disclosure problem?

- Not clear we all agree – many factors contribute, including:

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    graph TD
      A[Unclear Standards] --> D((Disclosure problem))
      B[Asking for more information] --> D
      C[Legal & institutional barriers] --> D
      E[Lack of time and resources] --> D
      F[Lack of communication between preparers and users] --> D
      G[Not applying materiality] --> D
      H[Checklist approach] --> D
    
```

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6

What is the disclosure problem?

- This has a number of effects, including:

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    graph TD
      D((Disclosure problem)) --> A[Checklist approach]
      D --> B[Boilerplate language]
      D --> C[Compliance not communication]
      D --> E[Missing disclosures]
      D --> F[Useful information obscured]
      D --> G[Duplication of disclosures]
      D --> H[Poor communication]
    
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Next steps

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Next steps

Disclosure initiative

Short-term steps

Long-term steps

Amendments to IAS 1

Materiality – assessment of existing guidance

Review new EDs disclosure requirements

Research project – IAS 1, IAS 7 and IAS 8 – FSP project

Review of existing Standards

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Amendments to IAS 1

Time

- Short-term project
- First paper to IASB in late Q3

Why

- Perception that some language prevents judgement/requires certain presentations

Response

- Propose amendments to IAS 1

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Amendments to IAS 1—what?

- Clarifying that including immaterial information can obscure material information
- Clarifying that the materiality assessment applies to the whole of the financial statements, including the notes
- Clarifying that materiality applies within a Standard
- Remove language that has been interpreted as prescribing the order of the notes
- Including language which allows more flexibility about where accounting policies are disclosed
- Consider adding a requirement to reconcile net-debt if disclosed

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Interaction with the work of the Interpretations Committee

- The Interpretations Committee have received submissions on the following aspects of IAS 1:
 - Going concern
 - Current/non-current classification for liabilities
 - Presentation of items of other comprehensive income arising from equity accounted investments
- We propose that the timing of the IASB's deliberations on these topics be linked with those of the Disclosure Initiative's short term amendments to IAS 1
- Combined deliberations, and the publication of a combined ED, will be more convenient and efficient for both the IASB and its constituents

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Materiality

Time

- Short-term project
- Start in second half of 2013

Why

- Responding to concern that materiality is not being applied well in practice

Response

- Working with auditors, regulators & others
- Assessing adequacy of existing guidance & propose whether additional guidance is required or not

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Review new disclosure requirements 13

- Time**
 - Short-term project
 - On going
- Why**
 - Responding to comments that the way IFRS disclosure requirements are written contribute to the disclosure problem
- Response**
 - Look at the way new ED disclosure requirements are worded
 - Work with auditors, regulators and preparers

Research project – IAS 1, IAS 7 and IAS 8, and FSP 14

- Time**
 - Longer-term project
 - Start in 2013
- What**
 - Exploratory work on whether the work previously done on the FSP project could form the basis of a research project
 - In parallel with the *Conceptual Framework*
- Outcome**
 - Could, in essence, be a disclosure framework for IFRSs

Standards-level review 15

- Time**
 - Longer-term project
 - Over the next two years
- What**
 - Research project to review disclosure in IFRS more holistically
 - Identify and assess conflicts, duplication and overlaps
- Outcome**
 - Assess whether additional action is required

Timeline

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Draft timeline 17

	2013	2014				Comments
	Q3-Q4	Q1	Q2	Q3	Q4	
Amendments to IAS 1	IASB deliberations	Publish ED			IFRS	Final date of IFRS subject to deliberations, comments, etc.
Materiality	Research	Paper to IASB				Outcome dependent on research
New EDs		On going				
IAS 1, 7, 8 and FSP research	Project plan	Research (possible public research paper)				Potential 2015 Agenda Consultation proposal
Existing standards	Project plan	Research				Potential 2015 Agenda Consultation proposal

Conceptual Framework

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