

## STAFF PAPER

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Prepared for the joint Capital Markets Advisory Committee and Global Preparers Forum meeting

Project	Disclosure Initiative		
Paper topic	Cover memo		
CONTACT(S)	Michelle Sansom	msansom@ifrs.org	+44 (0)20 7246 6963
	Holger Obst	obst@drsc.de	+49 (0)30 206412 29
	Eduardo Baldoino	ebaldoino@ifrs.org	+44 (0)20 7246 6462

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### Purpose of this meeting

1. The purpose of this meeting is to receive input and feedback from the Global Preparers Forum (GPF) and the Capital Markets Advisory Committee (CMAC) on two projects under the IASB's Disclosure Initiative:
  - (a) Reconciliation of liabilities from financing activities (see Agenda Paper 3A Debt Disclosures); and
  - (b) Principles of Disclosure, specifically about cross-referencing of information in the notes (see Agenda Paper 3B) and organisation of information in the notes (see Agenda Paper 3C)
2. Appendix A of this paper briefly describes the two projects and Appendix B provides an overall update on the scope, progress and expected timing of the projects that form the Disclosure Initiative.

## Meeting procedure

3. GPF and CMAC members will be split into four break-out groups (30 minutes). Two break-out groups will be discussing the reconciliation of liabilities from financing activities (Agenda Paper 3A) and two break-out groups will be discussing topics in the Principles of Disclosure project (Agenda Papers 3B and 3C). After this, the break-out groups will report back and all parties will have a chance to express their views on all of the questions raised in the Agenda Papers (45 minutes).

## Appendix A—Project descriptions

### Reconciliation of liabilities from financing activities

- A1. The IASB is undertaking a narrow-scope project to amend IAS 7 *Statement of Cash Flows* with the objective of improving disclosures about an entity's liabilities relating to financing activities.
- A2. The narrow-scope project responds to requests from investors who have highlighted that understanding cash flows is critical to their analysis of the entity and that there is a need for improved disclosures about an entity's debt and the changes in that debt during the period to assist them in verifying their understanding of cash flows.
- A3. In October 2013 the IASB discussed whether disclosures changes regarding 'net debt' should be included as part of the proposed short-term Amendments to IAS 1 *Presentation of Financial Statements* project under the Disclosure Initiative.
- A4. The IASB requested, given the importance of this topic to many investor stakeholders, that further research be undertaken to evaluate the possibility of a short-term project addressing disclosures about 'net debt'. It decided not to include amendments regarding 'net debt' disclosures as part of the IAS 1 project.
- A5. In the early part of 2014 we undertook a short survey with investors to understand what information, if any, investors require about debt when analysing an entity. The results of the survey were presented to the IASB in March 2014 with a recommendation that the IASB should undertake a narrow-scope improvements project to address some of the concerns noted.

### Principles of Disclosure

- A6. The objective of the Principles of Disclosure research project under the Disclosure Initiative is to improve disclosure effectiveness in IFRS through identifying and developing a set of principles for disclosure in IFRS. The efforts in this project aim to set the basis for replacing three current Standards: IAS 1, IAS 7 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The project will also inform the review of disclosure requirements and guidance in Standards.

- A7. In April 2014 the IASB discussed the scope of the project, for which there was strong support. The IASB asked the staff to prioritise work on establishing principles:
- a. for the notes to the financial statements, including establishing the objective and boundaries of the notes and principles for organising, placing, formatting and linking information; and
  - b. that apply to the information in a complete set of IFRS financial statements, including the presentation and disclosure of non-IFRS financial information and comparative information.
- A8. Because many people are asking for immediate improvements to disclosure requirements, the IASB also considers proposing targeted changes to disclosure requirements if it identifies improvements or simplifications in this project that can be developed relatively quickly and are not dependent on other remaining research in this project.

## Appendix B—Progress of Disclosure Initiative projects

Project	Scope	Update	Timing
Amendments to IAS 1	<ul style="list-style-type: none"> <li>• Narrow-focus, clarifying amendments</li> <li>• Aimed at ensuring an entity is able to use judgement in the following areas:               <ul style="list-style-type: none"> <li>○ materiality;</li> <li>○ order of the notes;</li> <li>○ line items and subtotals; and</li> <li>○ Accounting policies.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Exposure Draft published March 2014.</li> <li>• Comment letter deadline 23 July 2014.</li> <li>• Currently undertaking outreach on the proposed amendments.</li> </ul>	<ul style="list-style-type: none"> <li>• IASB redeliberations – commencing September 2014.</li> <li>• Standard expected in Q4 of 2014.</li> </ul>
Reconciliation of liabilities from financing activities	<ul style="list-style-type: none"> <li>• Narrow-scope amendments to IAS 7</li> <li>• Improve disclosures about an entity’s liabilities arising from financing activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Objective, scope and approach discussed with IASB in March 2014.</li> <li>• Currently seeking input from investors and preparers.</li> </ul>	<ul style="list-style-type: none"> <li>• Ask the IASB for permission to draft proposed amendment and confirm due process steps – Q3 of 2014.</li> <li>• Exposure Draft expected Q4 of 2014.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Financial statements as a whole, with focus on:               <ul style="list-style-type: none"> <li>○ application in the notes; and</li> <li>○ significant accounting policies.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Objective, scope and approach discussed with the IASB in March 2014</li> <li>• Request for help sent to national/regional standard setters</li> <li>• Review of application in practice in:               <ul style="list-style-type: none"> <li>○ law;</li> <li>○ Itatute;</li> <li>○ auditing standards;</li> <li>○ local GAAP; and</li> <li>○ academic literature.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Paper to the IASB in Q3 of 2014:               <ul style="list-style-type: none"> <li>○ discuss information received and resulting analysis; and</li> <li>○ recommend ways to proceed.</li> </ul> </li> </ul>

<p>Principles of Disclosure</p>	<ul style="list-style-type: none"><li>• Principles of disclosure for the notes, including:<ul style="list-style-type: none"><li>○ objective and boundaries; and</li><li>○ principles regarding the organisation, placement, format and linkage of information.</li></ul></li><li>• Information in a complete set of IFRS financial statements, including:<ul style="list-style-type: none"><li>○ presentation and disclosure of non-IFRS financial information; and</li><li>○ comparative information.</li></ul></li><li>• Differential disclosures and proportionality.</li><li>• Cash flow reporting.</li><li>• Disclosure of interim financial information.</li></ul>	<ul style="list-style-type: none"><li>• At the April 2014 meeting the IASB decided on the scope of its Principles of Disclosure research project.</li><li>• Message that some topics should be given priority. At the April 2014 meeting, the IASB noted that the research should focus first on:<ul style="list-style-type: none"><li>○ principles of disclosure for the notes; and</li><li>○ information in a complete set of IFRS financial statements.</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Discussion Paper expected in 2015</li><li>• When possible and needed, discreet issues may be escalated and looked at individually.</li></ul>
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