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Project	Disclosure Initiative—Principles of Disclosure (POD)		
Paper topic	Disclosure principles and objectives		
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Introduction

1. For background information, this paper sets out the broader disclosure principles and objectives that we have used for developing proposed disclosure sections for IAS 16 *Property, Plant and Equipment* and IFRS 3 *Business Combinations* in agenda papers 11G and 11H respectively.
2. The starting point is the expectation that these broader disclosure principles and objectives would be based on the qualitative characteristics of useful financial information and the objective of general purpose financial reporting. Therefore, possible disclosure principles and objectives to be applied in determining the disclosure objectives and requirements in Standards have been extracted from:
 - (a) the *Conceptual Framework for Financial Reporting (Conceptual Framework)*;
 - (b) the Discussion Paper DP/2013/1: *A Review of the Conceptual Framework for Financial Reporting* (Discussion Paper);
 - (c) the Pre-ballot Draft Exposure Draft *The Conceptual Framework for Financial Reporting* (Exposure Draft); and
 - (d) the IASB's discussions to date in the Disclosure project.

Disclosure principles and objectives

Disclosure principles

3. Principles would be useful to guide decisions, in selecting the information that the reporting entity should consider disclosing in its general purpose financial reports (GPFR) from the range of information that could be reported.
4. Based on the *Conceptual Framework*, Discussion Paper, Exposure Draft, and the IASB's discussions to date in the Disclosure project, we have summarised in Table 1 below some potential guiding principles.

Table 1: Disclosure principles

Reference	Guiding principle	Impact of guiding principle on possible disclosure requirements
CF p. QC4, QC7 ED CF p. 2.4, 2.6, 2.7	Information reported must be relevant i.e. capable of making a difference in decisions because the information has predictive value, confirmatory value or both.	Disclosure requirements should focus on information that is expected to be relevant.
CF p. QC11 ED CF p. 2.11	GPFR should include only information that is material.	Disclosure requirements should apply only to information that is material.
CF p. QC11 ED CF p. 2.11 DP p. 7.50 July 2014 ED CF p. 7.16(a)	Information reported should be entity-specific.	Disclosure requirements should encourage entity-specific disclosures rather than 'boilerplate' or generally available information.
CF p. QC4 ED CF p. 2.4, 2.13	Information reported should faithfully represent what it purports to represent. This involves providing information about the substance of an economic phenomena, not merely its legal form. To be a faithful representation, to the extent possible, information must be:	
CF p. QC12 ED CF p. 2.15	(a) complete;	All relevant information should be reported.
CF p. QC12 ED CF p. 2.16, 2.17	(b) neutral (supported by prudence); and	Disclosures should encompass both positive and negative aspects of the reporting entity's financial position, performance and cash flows.
CF p. QC12 ED CF p. 2.18	(c) free from error.	Information reported should be materially correct.
CF p. QC26 ED CF p. 2.29- 2.31	Verifiability of information helps assure users that information faithfully represents the economic phenomena it purports to represent. However, it may not be possible to verify some information.	This is considered in determining the potential disclosure requirements. For example, reporting entities may need to disclose supporting information to help users understand the extent to which the information is verifiable and to understand and evaluate the key judgements made and estimates used in its preparation, including significant sources of estimation uncertainty (such as underlying assumptions, the methods of compiling the information and other factors and circumstances that support the information).

Reference	Guiding principle	Impact of guiding principle on possible disclosure requirements
<p>CF p. QC20 DP p. 7.42 DP p. 7.50 July 2014 October 2014 ED CF p. 2.23, 7.16(d)</p>	<p>Comparative information should be provided and information reported should be comparable (without compromising the usefulness of the information disclosed).</p>	<p>Comparative information should be reported.</p>
<p>CF p. QC30 DP p. 7.50 July 2014 October 2014 ED CF p. 2.33 ED CF p. 7.16(b), (d) October 2014</p>	<p>Information reported should be clear, balanced and understandable (i.e. as simple and as direct as possible without a loss of useful information and unnecessary detail). In particular:</p> <p>(a) information should be easy to access and be able to be read in the context of the financial statements as a whole;</p>	<p>A reporting entity should have flexibility to tailor its reporting to suit its circumstances and to present information that is relevant and as understandable as possible. Standards should not be prescriptive about the format in which information should be disclosed.</p>
<p>October 2014</p>	<p>(b) information should be reported using appropriate formats for the type of information being disclosed;</p>	
<p>CF p. QC30 ED CF p. 2.33, 7.9-14 July 2014 DP p. 7.26</p>	<p>(c) an entity should classify, aggregate and disaggregate information about recognised elements in a way that reflects similarities in the properties of the information;</p>	
<p>October 2014</p>	<p>(d) where possible labelling, terms and presentation should be consistent; and</p>	
<p>October 2014</p>	<p>(e) information should be linked to highlight the relationships between information within the financial statements and other parts of the general purpose financial report.</p>	
<p>October 2014</p>	<p>Disclosures should not obscure useful information through, for example, inappropriate ordering of items or placing information in superfluous text.</p>	<p>Where appropriate, information about related items should be grouped together.</p>
<p>DP p. 7.50 July 2014 October 2014 ED CF p. 7.16(c)</p>	<p>Disclosures should not unnecessarily duplicate information.</p>	<p>Disclosure requirements should apply unless the same information is already provided elsewhere in the same GPFR and repetition is not necessary.</p>

Reference	Guiding principle	Impact of guiding principle on possible disclosure requirements
CF p. OB8 ED CF p. 1.8	Information reported should meet the needs of the maximum number of primary users.	Disclosure requirements should be focused on meeting the common information needs of primary users.
CF p. QC35 ED CF p. 2.38, 7.8	The costs of reporting must be justified by the benefits of reporting that information.	When setting disclosure requirements, consider the costs to preparers, relative to the usefulness of the information to users.

5. In summary:

- (a) disclosure requirements should be focused on information expected to be relevant to meeting the common information needs of primary users;
- (b) disclosure requirements should apply only if the information is material;
- (c) disclosure requirements should encourage entity-specific disclosures rather than 'boilerplate' or generally available information;
- (d) disclosure requirements should apply unless the same information is already provided elsewhere in the same GPFR and repetition is not necessary;
- (e) preparers should have flexibility to exercise their judgement in determining the extent and mix of information to provide in order to meet the disclosure objectives and provide users with relevant information;
- (f) preparers should have flexibility in determining how information should be presented to maximise its usefulness and understandability; and
- (g) comparative information should be disclosed (unless it is not necessary to meet the disclosure objectives).

Disclosure objectives

6. The objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. In particular, the objective is to provide:
 - (a) information to help users assess the prospects for future net cash inflows to the entity; and
 - (b) information about management's stewardship of the entity's resources.
7. Summarised in Table 2 below is information that may be provided in GPFR to meet the above objectives and, therefore, should be the primary focus of GPFR.
8. Also, GPFR are not intended to provide all information required by all users. Rather, GPFR are intended to provide information that will meet the needs of the maximum number of primary

users. Therefore, summarised in Table 3 below is information that is not the primary focus of GPFR.

Table 2: Information that should be the primary focus of GPFR

Reference	Information that should be the primary focus of GPFR
DP p. 7.35	Information about the reporting entity as a whole (to the extent necessary to understand the financial position, performance and cash flows of the entity as well as how effectively the entity's management have discharged their responsibilities).
DP p. 7.36	Information to enable users to identify the key drivers of the entity's financial position and performance.
	Information to enable users to understand:
DP p. 7.36 ED CF p. 7.2(a) CF p. QC28 DP p. 7.35 ED CF p. 7.2(b)	(a) the key risks arising from the entity's assets and liabilities;
	(b) the methods, assumptions and judgements and changes in those methods, assumptions and judgements, that affect amounts presented or otherwise disclosed; and
DP p. 7.36	(c) the key facts that cause uncertainties about measurements used in the financial statements.
CF p. OB12 ED CF p 1.12	Information about the financial position of a reporting entity including information about:
CF p. OB4 ED CF p.1.12,1.13,1.14 CF p. B13 CF p. B14 CF p. OB4 ED CF p.1.12,1.13,1.14	(a) the economic resources of the entity; and
CF p. OB13 DP p. 7.35 ED CF p 7.3	(b) the claims against the entity; and
	(c) the nature and extent of the entity's unrecognised assets and liabilities.
CF p. OB12 ED CF p. 1.15	Information about the financial performance of the reporting entity, that is, the effects of transactions and other events that change a reporting entity's economic resources and claims including information about:
CF p. OB16 ED CF p. 1.16 CF p. OB16 ED CF p. 1.16 CF p. OB16 ED CF p. 1.16	(a) the return that the entity has produced on its economic resources;
	(b) the reporting entity's past financial performance;
	(c) the variability and components of a reporting entity's financial performance;
CF p. OB15 ED CF p. 1.15	(d) changes in a reporting entity's economic resources and claims resulting from that entity's financial performance; and

Reference	Information that should be the primary focus of GPFR
CF p. OB21 ED CF p. 1.21	(e) changes in a reporting entity's economic resources and claims not resulting from financial performance, such as issuing additional ownership shares.
CF p. OB21 ED CF p. 1.20	Information about a reporting entity's cash flows during a period.
DP p. 7.39 ED CF p 7.4	Forward-looking information but only if it provides relevant information about the assets and liabilities that existed at the end of, or during, the reporting period.
CF p. OB4 DP 7.17, 7.33 July 2014 ED CF p. 1.22	Information about management's stewardship of the entity's resources; that is, how efficiently and effectively management have discharged their responsibilities to use the entity's resources.
CF p. OB7 ED CF p. 1.7	Information to help estimate the value of the reporting entity ¹ .
CF p. QC20 DP p 7.42 July 2014 ED CF p 7.6	Comparative information to provide relevant trend information.

Table 3: Information that is not the primary focus of GPFR

Reference	Information that is not the primary focus of GPFR
CF p. OB6 ED CF p. 1.6	All of the information that existing and potential investors, lenders and other creditors might need – pertinent information from other sources should also be considered.
CF p. OB10 ED CF p. 1.10	Information about the reporting entity for users other than the primary users of GPFR (such as regulators and members of the public other than investors, lenders and other creditors).
DP p. 7.36	Information that enables users of GPFR to recalculate the amounts recognised in the primary financial statements.
CF p. OB9 ED CF p. 1.9	Information required by management of the reporting entity.
CF p. OB7 ED CF p. 1.7	The value of a reporting entity. GPFR are not designed to show the value of the reporting entity ¹ .

9. In summary, the primary focus of GPFR and therefore, the objectives of disclosure, should be to provide:
- (a) information about the reporting entity;
 - (b) information about the measurement bases and related uncertainties of the entity's assets and liabilities;
 - (c) information about the key risks arising from the entity's assets and liabilities;

¹ GPFR are not designed to report the fair value of the entity. However, they are intended to provide information to help estimate the value of the reporting entity (CF p. OB7).

- (d) information about the financial position, financial performance and cash flows of the reporting entity;
 - (e) forward-looking information if that information provides relevant information about the assets and liabilities that existed at the end of, or during, the reporting period; and
 - (f) information about management's stewardship of the entity's resources and other relevant information.
10. The process of setting requirements for the disclosure of the above information in relation to specific types of transactions or balances should include considering whether the information is likely to be relevant to meeting the common information needs of primary users. Then, in applying the disclosure requirements, preparers' and auditors' materiality assessments about the amount of information to provide on these points should take into account the extent to which: (a) a resource or claim (and changes in resources or claims); and (b) risks and uncertainties about those resources or claims (and changes in resources or claims), impacts on the entity's financial position, performance or cash flow. For example, the greater those impacts are or could be, the more likely it is that individual items of information are material and/or more disaggregated information is necessary to meet user information needs.