

# STAFF PAPER

**February 2015**
**IASB Meeting**

|                |                              |  |                     |
|----------------|------------------------------|--|---------------------|
| <b>Project</b> | <b>Disclosure Initiative</b> |  |                     |
| Paper topic    | Cover paper                  |  |                     |
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

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**Purpose of this meeting**

1. At this meeting we are planning to discuss a topic relating to the Principles of Disclosure research project in the Disclosure Initiative.
2. This paper describes:
  - (a) the papers for this meeting;
  - (b) an update on the Principles of Disclosure project; and
  - (c) next steps.

**Papers for this meeting**

3. The papers that we would like to discuss at this meeting are summarised in the table below.

| Agenda Paper | Title  |
|--------------|--|
| 11           | Cover paper  |
| 11A          | Principles of Disclosure—Non-IFRS information                            |
| 11B          | Principles of Disclosure—Alternative Performance Measures                |
| 11C          | Principles of Disclosure—Other Non-IFRS Information                      |
| 11D          | Principles of Disclosure—Supporting Material for Papers 11A, 11B and 11C |

## Update on the Principles of Disclosure project

4. The topics we plan to cover in the Principles of Disclosure project are outlined in Appendix A including a brief description of the current status of each topic.
5. We want to highlight two main changes since last month.
6. Firstly, we now anticipate completing the main discussions for the Discussion Paper in Q2 2015. The current work plan is therefore now targeting publication of the Discussion Paper in Q4 2015.
7. Secondly, at the IASB meeting in January, IASB staff indicated that it was looking at whether work undertaken by the UK FRC on cash flow reporting should form part of the Performance Reporting project rather than the Disclosure Initiative. This is because some of the changes proposed to the cash flow statement would suggest revisions for the other financial statements and therefore looking at these changes in the performance reporting project makes logical sense.
8. Therefore the work that the FRC has undertaken on Cash Flows is being moved to the Performance Reporting project. As a first step, we intend to publish his work as a Research Report during 2015 to generate input for the broader project. We are discussing with the UK FRC the different ways the report might be released, including with an IASB cover note.

## Next steps

9. In March 2015 we plan to bring the following papers as part of the Principles of Disclosure project :
  - (a) Characteristics of ‘primary financial statements’;
  - (b) Aggregation/disaggregation; and
  - (c) Content of the notes – follow-up paper regarding explanatory and supplementary information.
10. We are also planning to bring a paper as part of the Materiality project on the scope of the proposed Practice Statement and proposed changes to the materiality guidance in IFRS.

## Appendix A—Principles of Disclosure – Proposed topics in the Discussion Paper

| Proposed Section |  | Status  |
|------------------|--|---|
| <b>1</b>         | <b>Concepts for presentation and disclosure in financial statements</b>    |   |
|                  | The role of the primary financial statements and the notes                 | <ul style="list-style-type: none"> <li>• Discussed with the IASB in October 2014</li> <li>• Next steps:               <ul style="list-style-type: none"> <li>○ Follow-up discussion regarding the ‘content of the notes - explanatory and supplementary information’ and a discussion on the ‘role of the primary financial statements’ is planned for March 2015</li> </ul> </li> </ul>  |
|                  | Materiality  | <ul style="list-style-type: none"> <li>• Discussed with the IASB in November 2014</li> <li>• Follow-up discussion on the scope of the proposed Practice Statement and proposed changes to the materiality guidance in IFRS is planned for March 2015</li> <li>• Next steps:               <ul style="list-style-type: none"> <li>○ To describe in the Discussion Paper the rationale for retaining the current definition of materiality and to ask for feedback on this issue</li> <li>○ To propose to insert a paragraph in IAS 1 clarifying the key characteristics of materiality</li> </ul> </li> </ul>  |
|                  | Communication principles   | <ul style="list-style-type: none"> <li>• Discussed with the IASB in October 2014</li> <li>• Next steps:               <ul style="list-style-type: none"> <li>○ Drafting for the Discussion Paper</li> <li>○ Include a question on whether the communication principles should be part of IFRS or education material</li> </ul> </li> </ul>  |
| <b>2</b>         | <b>Applying the concepts across a complete set of financial statements</b> |   |
|                  | Aggregation/disaggregation   | <ul style="list-style-type: none"> <li>• IASB discussion planned for March 2015</li> </ul>  |
|                  | Grouping information/Cohesive depiction of entity’s activities             | <ul style="list-style-type: none"> <li>• Discussed with the IASB in October 2014</li> <li>• Drafting for the Discussion Paper</li> </ul>  |
| <b>3</b>         | <b>Applying the concepts to the notes</b>                                  |   |
|                  | Grouping information/Cohesive depiction of entity’s activities             | <ul style="list-style-type: none"> <li>• Discussed with the IASB in December 2014</li> <li>• Part of the discussion applicable to a complete set of financial statements (see above)               <ul style="list-style-type: none"> <li>○ the concept of cohesiveness should be included in the communication principle and any changes to IFRS arising from the Disclosure Initiative should not include a separate principle requiring cohesiveness across a complete set of financial statements.</li> </ul> </li> <li>• Next steps:               <ul style="list-style-type: none"> <li>○ Drafting for the Discussion Paper</li> </ul> </li> </ul> |

| Proposed Section  | Status   |
|---|--|
| Consistency/comparability of note disclosures   | <ul style="list-style-type: none"> <li>• IASB discussion planned for Q2 2015</li> </ul>  |
| Cross-referencing   | <p>Discussed with the IASB in July and November 2014</p> <ul style="list-style-type: none"> <li>• Next steps:               <ul style="list-style-type: none"> <li>○ Drafting for the Discussion Paper</li> <li>○ Include a general principle for disclosing information required by IFRS outside of financial statements and incorporating such information into the financial statements by cross-referencing. Include some limits for the application of this principle.</li> </ul> </li> </ul> |
| Format of information   | <ul style="list-style-type: none"> <li>• Discussed with the IASB in November 2014</li> <li>• Next steps:               <ul style="list-style-type: none"> <li>○ Drafting for the Discussion Paper</li> <li>○ Include high-level guidance on formatting that is applicable across IFRS</li> <li>○ Develop educational material on formatting</li> </ul> </li> </ul>   |
| Accounting policies   | <ul style="list-style-type: none"> <li>• Discussed with the IASB in September 2014               <ul style="list-style-type: none"> <li>○ Decision to include in the Principles of Disclosure project at that meeting</li> </ul> </li> <li>• Next steps               <ul style="list-style-type: none"> <li>○ Drafting for the Discussion Paper</li> <li>○ Discussions with the IASB to establish preliminary views – Q2 2015</li> </ul> </li> </ul>  |
| <b>4 Non-IFRS information in financial statements</b>   | <ul style="list-style-type: none"> <li>• For discussion at this meeting (Agenda Paper 11A)</li> </ul>  |
| <b>5 Cash flows (Research led by the UK FRC)</b>  | <ul style="list-style-type: none"> <li>• Discussed with the IASB in October and December 2014</li> <li>• Next steps               <ul style="list-style-type: none"> <li>○ Moved into the performance reporting project</li> <li>○ UK FRC will continue to carry out research jointly with the IASB</li> </ul> </li> </ul>   |
| <b>6 Disclosures about changes in accounting policies and estimates (Research led by the OIC)</b> | <ul style="list-style-type: none"> <li>• IASB discussion planned for Q2 2015</li> </ul>  |
| <b>7 Implications of recommendations</b>  | <ul style="list-style-type: none"> <li>• Application to existing standards – discussion planned for Q2 2015 (Research led by the NZXRB)</li> <li>• Overview of potential amendments to IAS 1</li> <li>• Other implications for an overall review across all Standards</li> </ul>   |