

STAFF PAPER

October 2015

IASB Meeting

Project	Principles of Disclosure		
Paper topic	Due process and permission to ballot		
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This paper has been prepared 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*.

Purpose

1. This paper:
 - (a) sets out the due process steps undertaken in developing the *Principles of Disclosure* Discussion Paper ('the DP');
 - (b) discusses the comment period for the DP; and
 - (c) seeks the IASB's permission to ballot on the DP.

Background***Purpose of the Discussion Paper***

2. The IASB, in the Financial Reporting Disclosure Discussion Forum and Survey and in a variety of publications from its constituents, has heard that there is a need for the overall improvement of financial reporting disclosures. Consequently, the IASB decided to initiate a research project to identify and develop a possible set of principles for disclosure in IFRS that could form the basis of a Standards-level project.
3. This Discussion Paper is the first step towards issuing a General Disclosure Standard to revise or replace parts of IAS 1. The Discussion Paper is designed to obtain initial views and comments on a number of matters, and focusses on areas

that have caused disclosure problems in practice. Consequently, this Discussion Paper does not cover all the issues that the IASB would expect to cover in an Exposure Draft of a General Disclosure Standard. The Discussion Paper sets out the IASB's preliminary views on some of the topics discussed. However, the IASB has not reached preliminary views on all of the issues discussed in this Discussion Paper.

Who will be affected by the proposals in this Discussion Paper?

4. Currently, IAS 1 provides the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirement for their content. The proposals in the Discussion Paper ultimately aim to lead to a replacement of the existing IAS 1. Consequently, the preliminary views in this DP are primarily relevant to all entities preparing their financial statements in accordance with IFRS. The proposals are also relevant to auditors, regulators and users of the financial statements.

Genesis of the project

Development of the Discussion Paper

5. The Principles of Disclosure project is part of the broader Disclosure Initiative¹ with the focus on issues related to general disclosure guidance in IFRSs. Within this scope, the IASB staff considered a large amount of literature and other relevant activities that had been undertaken by constituents to identify issues that were frequently raised as issues that contribute to the disclosure problem.
6. The development of the DP has been driven by the overall objective of the Disclosure Initiative to make disclosures in financial statements more effective.

¹ <http://www.ifrs.org/Current-Projects/IASB-Projects/Disclosure-Initiative/Pages/Disclosure-Initiative.aspx>

The development of the DP did not focus on removing or adding particular disclosure requirements in individual Standards that addressed disclosures for particular transactions or events. Instead, it aimed to identify missing disclosure guidance or existing disclosure guidance that should be subject to improvements.

7. During the development of the DP the IASB excluded from its scope some of the disclosure issues that were initially considered to be part of the Principles of Disclosure project, including:
- (a) disclosure about changes in accounting estimates; and
 - (b) presentation and disclosure of cash flows.

The IASB concluded that these disclosure issues could be better developed separately or as part of other projects.

8. An overview of the tentative decisions that the IASB had made on the form and content of the Principles of Disclosure DP was provided at the public education session in June 2015. At this meeting it was announced that the DP would focus on the following issues:
- (a) Content of a general disclosure Standard;
 - (b) Components of financial statements;
 - (c) Improvements to the principles of disclosure;
 - (d) Disclosure of accounting policies;
 - (e) Non-IFRS information;
 - (f) Drafting disclosure requirements; and
 - (g) Implications of the improvement proposals.

IASB meetings

9. Since April 2014, the IASB has discussed the Principles of Disclosure DP at nine public meetings². The IASB also discussed the Principles of Disclosure project at two public education sessions in 2015.

² <http://www.ifrs.org/Current-Projects/IASB-Projects/Disclosure-Initiative/Principles-of-Disclosure/Pages/Discussion-and-papers-stage-2.aspx>

Consultative group

10. The *Due Process Handbook* states that the IASB normally establishes a consultative group for major projects. The purpose of a consultative group is to provide additional practical experience and expertise. In July 2014 the IASB decided not to establish a consultative group for the Disclosure Initiative, including the Principles of Disclosure project, because the topics within the Disclosure Initiative are pervasive in nature rather than addressing a particular technical accounting topic. Nonetheless, the IASB have been consulting a wide range of constituents, including the IASB's existing consultative groups.

External consultation

11. As mentioned above, the project benefits from work that constituents have undertaken with regard to disclosure. For the development of selected proposals and in order to gather preliminary views, the IASB staff held consultations with these constituents in targeted outreach activities.
12. The IASB has received input from the ASAF in five public meetings in March, June and September 2014 and in March and July 2015.
13. In developing this Discussion Paper, the IASB has also received helpful input from:
 - (a) GPF and CMAC meetings held in June and October 2014 and in June 2015; and
 - (b) World Standard-setters meetings in September 2014 and September 2015.

Comment period

14. The *Due Process Handbook* states that the comment period for a DP is normally at least 120 days.
15. Although we acknowledge that the DP will cover a range of issues and some may request additional time to develop their views, the staff recommend that the

comment period is 120 days. This is because we think the IASB should progress this project as quickly as possible.

Question 1 to the IASB

Should the comment period for the Principles of Disclosure DP be 120 days?

Permission to ballot

16. The appendix to this paper summarises the due process steps undertaken so far in developing this Discussion Paper.

Question 2 to the IASB

Is the IASB satisfied that it has completed all of the steps that are necessary to ensure that the Principles of Disclosure DP is likely to meet its purpose?

17. If you are satisfied that you have completed all necessary steps, the staff would like permission to prepare a ballot draft.

Question 3 to the IASB

Do the staff have permission to prepare a ballot draft of the Principles of Disclosure DP?

Appendix—Due process steps during the development of the Principles of Disclosure DP

- A1. General IASB requirements: although not a mandatory step in the due process, the IASB often publishes a Discussion Paper (DP) as its first publication on any major new topic as a vehicle to explain the issue and seek early comment from interested parties. It is normally the first major milestone in a research project. The IASB normally allows a period of 120 days for comment on such papers (*Due Process Handbook*, paragraphs 4.16–4.19).
- A2. Due Process Oversight Committee (DPOC) objective: to satisfy the DPOC that a thorough process was followed in the development of the papers. The DPOC responds to any comments received on the due process that the IASB followed when it developed and published a DP or RP.

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Actions</i>
Discussion or Research Paper development			
DP developed in public meetings.	Optional	Meetings held to discuss the topic.	The IASB discussed the Principles of Disclosure DP at its meetings in April, July, October, November and December 2014 and February, March, April, May, June and September 2015.
Or		Project website contains a full description with up-to-date information.	Website is up to date.
Decision to publish an RP is made in a public meeting, with a clear statement of the extent of the IASB's involvement.		Meeting papers have been posted in a timely fashion.	Papers for the IASB meetings were posted before each meeting.
Decision to publish an RP is made in a public meeting, with a clear statement of the extent of the IASB's involvement.		Decision was supported by a paper and reported in the <i>IASB Update</i> .	A summary of the meeting and any preliminary views reached was included in <i>IASB update</i> .
Consultation with the IFRS Advisory Council (the 'Advisory Council') has occurred.	Optional	Discussions with the Advisory Council on the topic.	The Advisory Council has received updates on the progress of the project but has not held detailed discussions on it.

Step	Required/ Optional	Metrics or evidence	Actions
Project-specific updates are sent via email alerts to registered users.	Optional	Frequency of alerts provided.	Project-specific information was sent together with other updates regarding the IASB's Disclosure Initiative activities.
Consultative groups are established depending on the nature of issues and the level of interest among interested parties.	Optional	Argument provided for or against the use of the consultative group. Extent of consultative group meetings that have been held. Feedback to the consultative group has been provided.	There are no consultative groups for the DI project. IASB decided that rather than form a distinct consultative group, it might be more effective to focus on wider stakeholder engagement as well as continuing to seek the advice of a number of existing consultative groups, in particular the ASAF, CMAC and GPF.
Online survey to generate evidence in support of or against a particular approach.	Optional	Survey shown on the IASB website. Number and diversity of respondents. Analysis of the response.	Not undertaken at this stage.
Outreach meetings to promote debate and hear views on the financial reporting issue that is being examined.	Optional	Schedule of the outreach meetings.	As indicated in paragraph 11, the staff has conducted targeted outreach activities. Further, the staff will plan outreach activities during the comment period of the DP.
Public discussions with representative groups.	Optional	Meetings held.	Selected topics of the Principles of Disclosure project have been discussed with the following representative groups: <ul style="list-style-type: none"> • GPF (June 2014, June 2015) • CMAC (June, October 2014, June 2015) • ASAF (March, June, September 2014 and March, July 2015)
Regional discussion forums, where possible, with national standard-setters with the IASB.	Optional	Extent of meetings held and the venues where issues have been discussed.	Selected topics of the Principles of Disclosure project have been discussed at the World Standard-setters meeting in September 2014 and September 2015. Disclosure Initiative activities, including the Principles of Disclosure project, have also been a topic at IFRS conferences.
Podcasts to provide interested parties with high level updates or other useful information about the specific project.	Optional	Number of podcasts. Number of participants on podcasts.	Not undertaken at this stage.

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Actions</i>
Publication			
DP or RP has appropriate comment period.	Required	The IASB has set the comment period. If outside the normal comment period, an explanation from the IASB to the DPOC has been provided, and the decision has been approved.	To be discussed at the October 2015 IASB meeting.
Press release to announce publication of the DP.	Optional	Release was announced in a timely fashion. Media coverage of the release.	Planned
Snapshot document to explain the rationale and basic concepts included in the DP.	Optional	Snapshot prepared at the time of the release.	Planned
Webcast of interactive presentations streamed in real time from the IASB's office.	Optional	Number of webcasts held.	Not undertaken at this stage.
The IASB determines if focused investor consultation is required to supplement the comment letters.	Required if DP issued	Staff Paper.	Project team will liaise with the investor team regarding focussed investor consultation.
Request for additional comment and suggestions by conducting fieldwork.	Optional	Meetings held.	Not undertaken at this stage.
Round-table meetings between external participants and members of the IASB.	Optional	Number of participants in round-table meetings and venues for the round-table meetings confirmed.	Not undertaken at this stage.