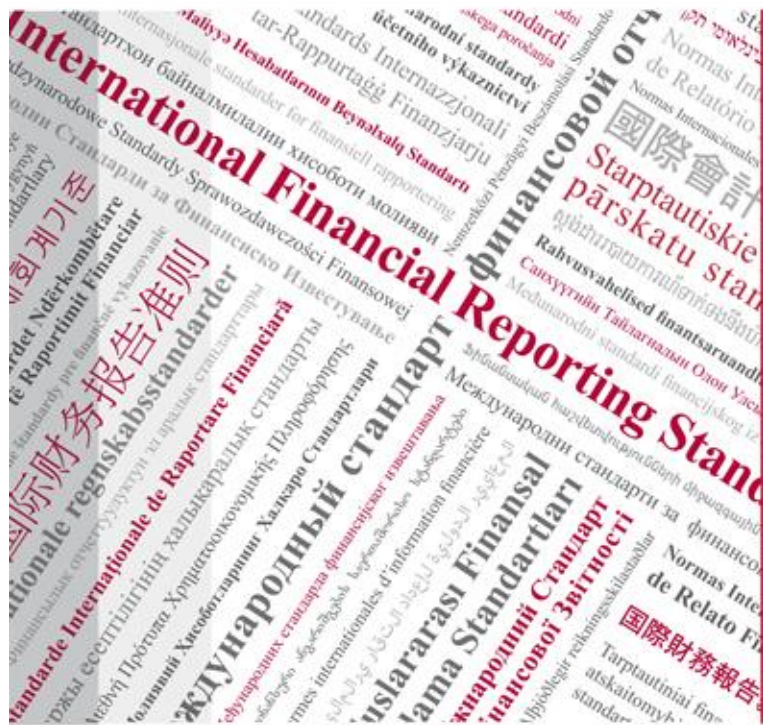


International Financial Reporting Standards



Disclosure Initiative

Agenda Paper 17A
IASB and FASB Joint Education Session

Agenda

- Overview
- Completed projects
- Research projects
 - Principles of Disclosure
 - Standards-level review of disclosures
- Implementation projects
 - Materiality
 - Proposed amendments to IAS 7
 - Proposed amendments to IAS 8
- Timeline – looking ahead

Disclosure Initiative

Completed projects

Ongoing activities

Implementation projects

Research projects

Amendments to IAS 1

Digital reporting

Proposed amendments to IAS 7 'debt reconciliation'

Distinction between a change in accounting policy and estimate

Materiality

Principles of Disclosure

Standards-level review of disclosures

Disclosure initiative – overview contd.

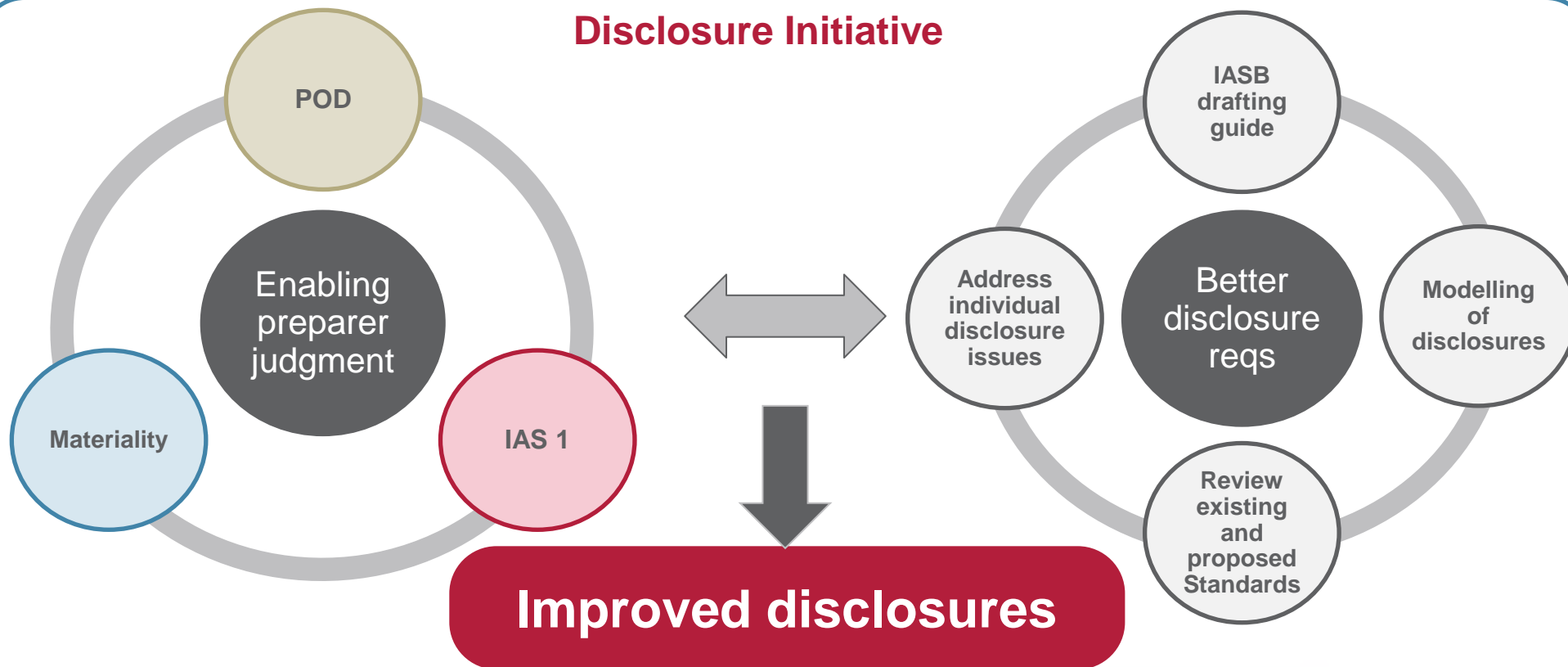
Disclosure problem?

Not enough relevant information

Too much irrelevant information (overload)

Poor communication

Disclosure Initiative



Completed projects

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASB or IFRS Foundation

Amendments to IAS 1

- Clarify that including immaterial information can obscure material information
- Clarify that the materiality assessment applies to the whole of the financial statements, including the notes
- Clarify that the concept of materiality applies within each Standard
- Clarify that specified line items can be disaggregated
- Include guidance about subtotals
- Amend language that has been interpreted as prescribing the order of the notes
- Remove contradictory examples from the significant accounting policy disclosure requirements

Research projects

Principles of Disclosure (POD) project

Why

- Requests for the IASB to develop a set of presentation and disclosure principles to help:
 - the IASB set better disclosure requirements in IFRS; and
 - entities make better judgements about what and how to disclose information.

Output

- Discussion Paper
 - Overall principles and specific issues
 - Ultimate goal is to produce a disclosure standard (IFRS) dealing with the basic structure and content of financial statements
 - Redevelop parts of IAS 1 *Presentation of Financial Statements*
- Education guidance – communication/formatting

Components of financial statements

Primary financial statements

Notes to the financial statements

Improvements to principles of disclosure

Materiality and aggregation of information

Communication principles including format and connected information

Application of the principles to specific issues

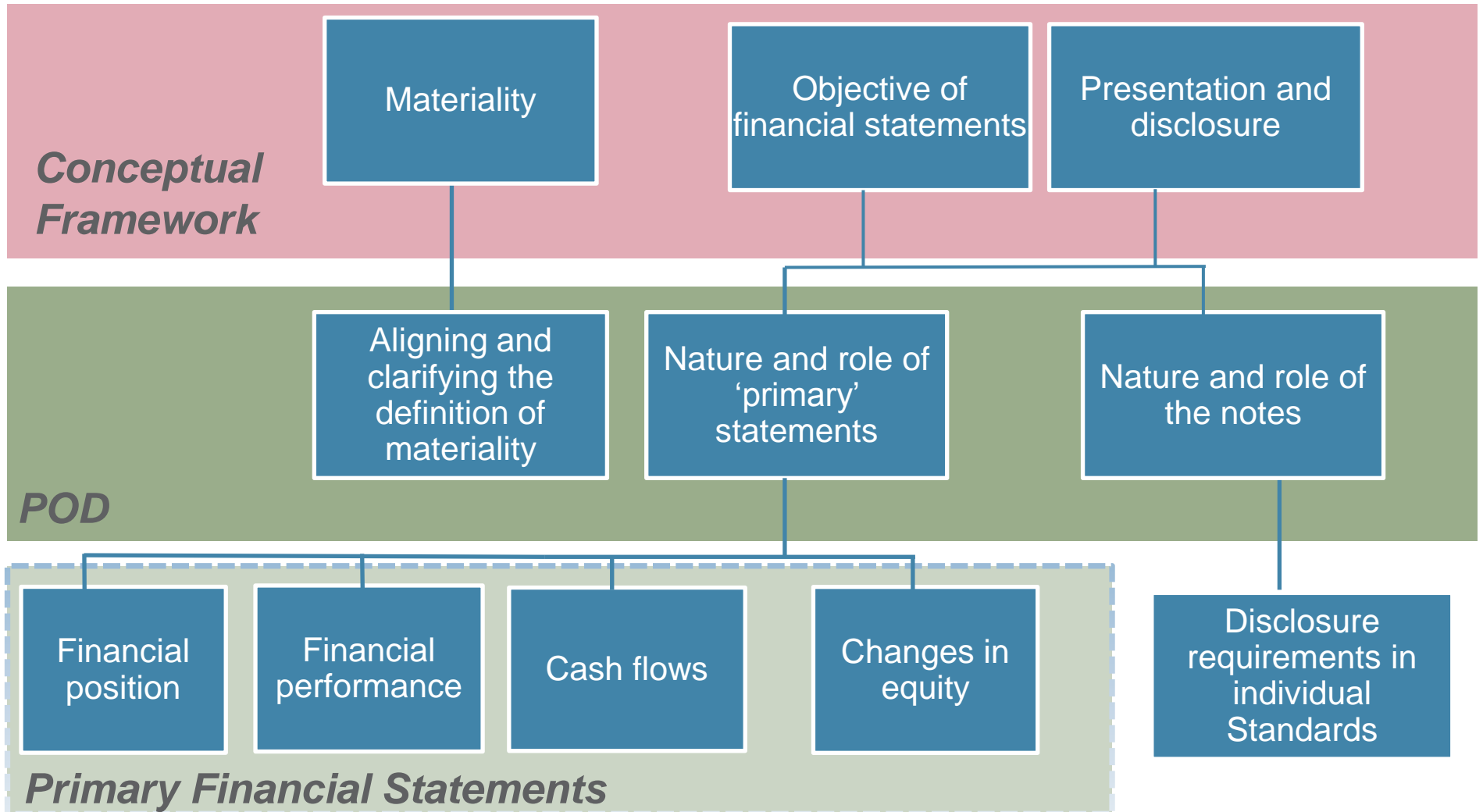
Cross-referencing of information

Accounting policies

Non-IFRS information/
performance measures

How to draft disclosure requirements

POD – relationship with other projects



Why

- The way some IFRS disclosure requirements are written has been identified as contributing to the disclosure problem.

Research

- Review across all IFRS disclosure requirements – identify themes.
- Analysis of selected Standards.

Output

- Drafting and content guide for developing disclosure requirements in new and amended Standards.
- Informs /informed by POD.
- Targeted improvements to existing disclosure requirements.

Implementation projects

Why

- Concern that materiality is not being applied well in practice.
- Key contributor to the ‘disclosure problem’.

Research

- Working with representatives of IOSCO and the IAASB.
- Review of how materiality is applied in different jurisdictions.
- Outreach undertaken – ASAF, WSS, AC.

Output

- Multi-faceted response:
 - Section in the *Principles of Disclosure* Discussion Paper:
 - align and clarify the definition of materiality in IAS 1, IAS 8 and the *Conceptual Framework*; and
 - discuss the ‘threshold’.
 - Exposure Draft of a Practice Statement in Q4 of 2015

Objective

- Help preparers apply the definition of materiality.

Contents

- General characteristics of materiality.
- Materiality within the context of disclosing information.
- Materiality within the context of recognition and measurement.
- Will NOT consider changes to the definition of materiality.

Proposed amendments to IAS 7 ‘debt reconciliation’

15

Time

- A narrow-scope project to amend IAS 7.
- Exposure Draft published in 2014, comment deadline was 17 April 2014.
- Analysis of feedback and re-deliberations at the IASB meeting in June and September 2015.

Why

- Address the lack of sufficient information about changes in debt during the reporting period.
- Help users of financial statements to understand the liquidity of an entity.

Response

- Require a reconciliation of the opening and closing liabilities that form part of an entity’s financing activities, excluding equity.
- Require disclosure about restrictions (disincentives) affecting an entity’s decision to use cash/cash equivalents.
- Final Standard planned for Q4 of 2015, depending on IASB re-deliberations.

Distinction between a change in accounting policy and estimate

16

Why

- Difficulty to distinguish between changes in accounting policies and accounting estimates based on the existing definitions.

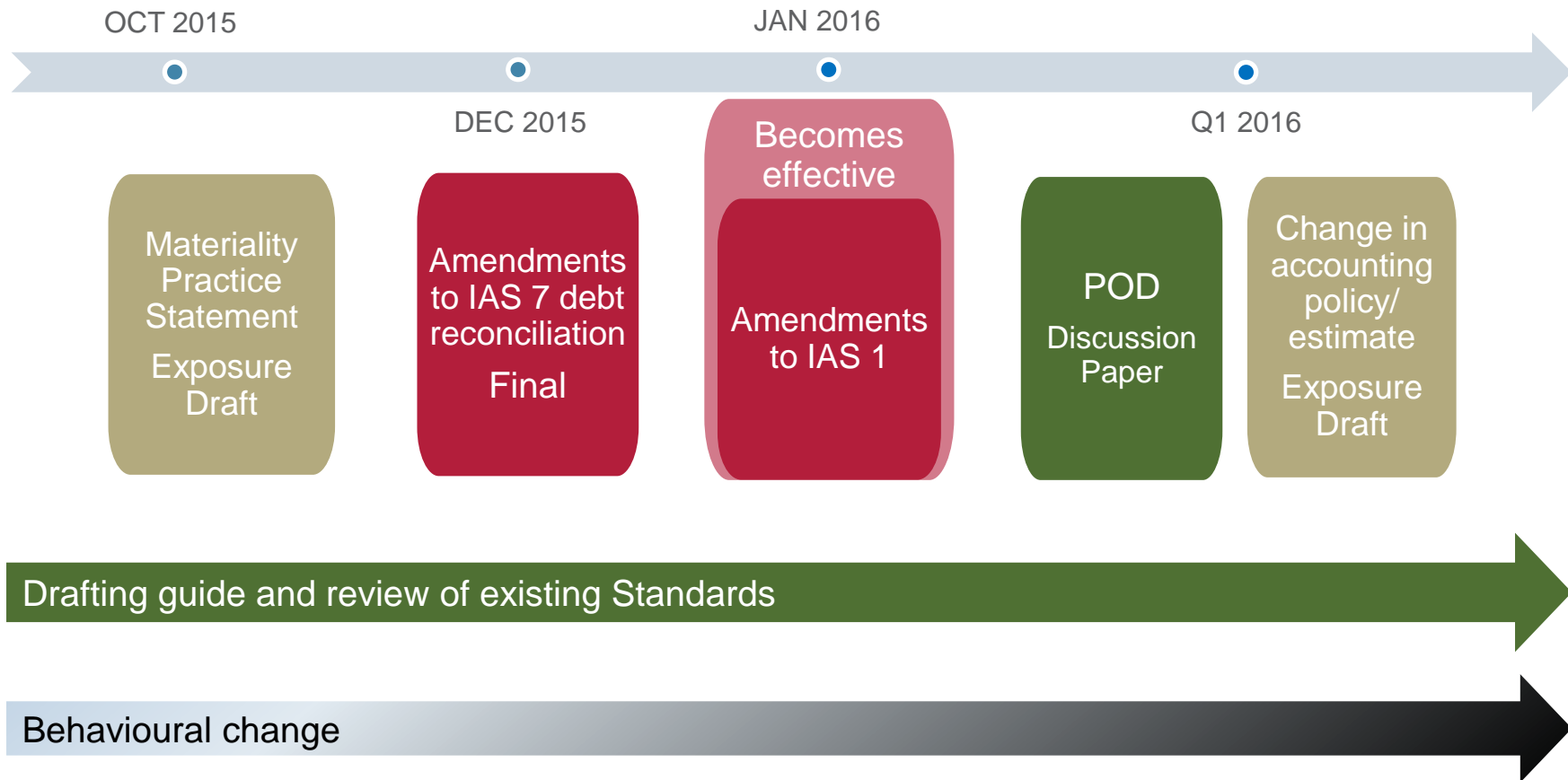
Research

- The Italian standard-setter (OIC) conducted surveys with preparers and investors in order to understand:
 - practical challenges in applying IAS 8; and
 - what information investors need when an entity makes an accounting change.

Output

- Improve the existing distinction and consider disclosure requirements when an entity changes an accounting estimate.
- Exposure Draft (*tentatively*) of a proposed amendment in Q1 of 2016.

Timeline – looking ahead





Appendix

The 10-point plan

- In June 2013 we set out a 10-point plan to improve disclosures
 - eight quick possible measures, which could lead to ‘tangible results in the short run’; and
 - two more extensive measures requiring additional work by the IASB.

The 10-point plan – status

1-3 – clarify current materiality guidance

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in a Standard.

4-5 – clarify guidance on the order of the notes, including accounting policies

- Remove language in IFRS:
 - that implies a prescribed order of the notes; and
 - prevents flexibility about the location of accounting policies in the notes.

6 – net debt reconciliation

- Consider adding a net-debt reconciliation requirement.

7 – develop further guidance on materiality

- Consider creation of either general application guidance or educational material on materiality.
- Work with the IAASB and IOSCO.

IAS 1 Amendments

- Final Standard issued in Q4 of 2014.

Proposed IAS 7 amendments

- Final Standard planned for Q4 of 2015.

Materiality Project

- Exposure Draft (ED) of a Practice Statement planned for Q4 of 2015.

The 10-point plan – status contd.

8 – disclosure objectives in new Standards

- Use less prescriptive wording for disclosure requirements.
- Focus on disclosure objectives and examples of disclosures that meet that objective.

9 – start research to create a new disclosure Standard

- Fundamental review of IAS 1 and IAS 8.
- Review of IAS 7 added to the Primary Financial Statements project.
- Consider whether to pursue some aspects of work done in a previous (uncompleted) project on Financial Statement Presentation.

10 – undertake a general review of disclosure requirements in existing Standards

- Once a new disclosure Standard has been completed.

New Standard

- Good progress – regulatory deferral accounts.
- NZXRB proposals on how to draft disclosure requirements.

POD Project

- Discussion Paper planned for Q1 of 2016.
- Primary Financial Statements project added to the research agenda.

Proposed IAS 8 Amendments

- ED planned for Q1 of 2016.

Standards level review of disclosures

- Targeted review of disclosure requirements in progress.
- Drafting Guide.