

Memo

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Project	Disclosure Framework
Project Stage	Redeliberations/Initial Deliberations
Issue(s)	Board's Decision Process and Entity's Decision Process

Introduction

1. The FASB added the disclosure framework project to its technical agenda in 2009. The project was added in response to requests and recommendations received from several constituents, including the Investors Technical Advisory Committee (ITAC) and the Securities and Exchange Commission's (SEC) Advisory Committee on Improvements to Financial Reporting.
2. The objective and primary focus of the disclosure framework project is to improve the effectiveness of disclosures in the notes to financial statements by clearly communicating the information that is most important to users of each entity's financial statements. The objective of improving effectiveness will require development of a framework that promotes consistent decisions about disclosure requirements by the Board and the appropriate exercise of discretion by reporting entities. To achieve this objective, the disclosure framework project comprises two components—the Board's decision process and the entity's decision process.

Board's Decision Process

3. The Board's decision process is intended to aid the FASB in identifying disclosures to be considered when setting disclosure requirements for individual accounting standards and

evaluating existing disclosure requirements. This process involves the FASB and its staff continuing to evaluate the costs, negative consequences, and benefits associated with each potential disclosure at the standard level.

4. In March 2014, as part of the Board's decision process, the Board issued a proposed Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which established concepts for the Board when considering which disclosures should be required. A summary of the proposed concepts and comment letter feedback are discussed in FASB Memo 79/IASB Agenda Paper 17C.

Entity's Decision Process

5. The entity's decision process is intended to promote the use of discretion by reporting entities when evaluating the requirements as set forth by the Board. To promote discretion, the Board determined that additional guidance on applying materiality is needed. The Board is considering potential changes to Topic 235, Notes to Financial Statements, and to Chapter 3, *Qualitative Characteristics of Useful Financial Information*, of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*.
6. A summary of the potential changes to Topic 235 and Concepts Statement 8, as well as how the potential changes differ from IFRSs, is discussed in FASB Memo 80/IASB Agenda Paper 17D.

Next Steps

7. The Board is continuing to evaluate its decision process in the context of the four Topics being reviewed, which include Topic 820, Fair Value Measurement; Topic 715, Compensation—Retirement Benefits; Topic 740, Income Taxes; and Topic 330, Inventory. Each of the Topics being reviewed is a separate project on the Board's agenda. Exposure Drafts related to Topic 235 and to Concepts Statement 8 are currently in the balloting stage.