

STAFF PAPER

September 2015

World Standard-setters Meeting

Project	Disclosure Initiative—Principles of Disclosure (POD)		
Paper topic	Drafting of disclosure requirements - cover paper		
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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*.

Introduction

1. Staff of the New Zealand Accounting Standards Board (NZASB) have been working with IASB staff to develop a new approach to drafting the disclosure requirements for Standards. This work is being undertaken as part of the Principles of Disclosure (POD) project. However, ultimately, feedback received on this approach (to be included as a chapter of the POD Discussion Paper) will inform the Standards level review of disclosures project, which is also part of the Disclosure Initiative. This project is in its early stages, but there are plans to develop a drafting guide to help the IASB and its staff develop disclosure requirements in new or amended Standards.
2. The work involved reviewing two existing standards (IAS 16 *Property, Plant and Equipment* and IFRS 3 *Business Combinations*) to develop proposals for inclusion in the POD Discussion Paper, to illustrate how a proposed new approach to drafting disclosure requirements could be applied to two existing Standards.
3. At its meeting in April 2015, the IASB discussed papers prepared by the NZASB staff on drafting disclosure requirements. The papers included a proposed new approach to drafting disclosure requirements and two ‘prototype’ disclosure sections, using IAS 16 and IFRS 3, which demonstrated how these Standards could be re-drafted.

4. The proposed approach was also discussed at the Asia-Oceania Standard-setters workshop in Tokyo in June 2015.
5. Based on the IASB's feedback on the proposed approach and the feedback obtained from the participants at the Tokyo workshop, NZASB staff have refined the proposed approach to drafting disclosure requirements.
6. The proposed approach is presented in the accompanying draft chapter (Agenda Paper 14B), which is intended for inclusion in the POD Discussion Paper planned to be published in Q1 2016. This draft chapter will be presented to the IASB at its September meeting. A verbal update of the IASB's discussions will be provided at the WSS meeting.

Purpose of this session

7. The purpose of this session is to seek your views on the suggested approach to drafting disclosure requirements.
8. Note that, we are seeking feedback on the overall approach. We are not seeking feedback on the location or content of the disclosure objectives, requirements or examples of information that could be disclosed to meet the proposed disclosure objectives. As explained in the draft chapter, the content and location of disclosure requirements will depend on the outcome of other issues being considered in the POD project, relating to the role and content of the notes to the financial statements.

Summary of the proposed approach

9. The main features of the proposed approach on which feedback is sought are:
 - (a) the inclusion of disclosure objectives, comprising an overall disclosure objective for each Standard that includes disclosure requirements and more specific disclosure objectives for each group of disclosure requirements;

- (b) greater emphasis on the need to exercise judgement to determine the extent and mix of information to be provided to meet the disclosure objectives, coupled with less prescriptive wording;
 - (c) the division of disclosure requirements into two tiers, with the extent of information to be disclosed depending on the relative importance of an item or transaction to the reporting entity and the extent of judgement required in accounting for the item or transaction. The two tiers are:
 - (i) summary information, to provide an overall picture of the effect of the item or transaction, which entities would be required to disclose, subject only to materiality; and
 - (ii) additional information that entities would be required to consider disclosing, based on assessment of whether disclosure of additional information was necessary to meet the disclosure objective.
10. The examples of information that could be disclosed for each specific objective are intended to convey suggestions for how the specific disclosure objective and overall disclosure objective could be met. The associated language is not highly prescriptive, because these are not necessarily prescribed disclosures. There may be other ways by which to meet the disclosure objective.
 11. In some cases, the proposed approach may result in the disclosure section for a Standard being longer than the current disclosure section. This is because the proposed new approach includes objectives to provide users with the reason why certain disclosures may be necessary, and may include more examples of the types of information that could be disclosed to meet the disclosure objectives. For instance, refer to the example using IAS 16 in Appendix A to the accompanying draft chapter.
 12. In other cases, the proposed approach may result in the redrafted disclosure section of a Standard being shorter than the current section. For instance, refer to the example using IFRS 3 in Appendix B to the accompanying draft chapter.
 13. Regardless of whether redrafted disclosure sections are longer or shorter for particular Standards, the amount of information disclosed in financial statements could be less in comparison to what is currently reported (and, hence, excessive disclosures eliminated), especially in situations where immaterial information is

being reported. This is because entities are unlikely to need to include in their financial statements all of the potential disclosures for each Standard that applies to them. For example, entities may disclose more information in relation to transactions and items that are of particular importance to them, but less information in relation to transactions and items that are relatively less important.

Questions for WSS participants

Overall objective and more specific objectives for each group of disclosures

- Q1. Do you consider it helpful to include, in each Standard containing disclosure requirements, an overall disclosure objective and more specific objectives for each group of disclosures?

Exercise of judgement

- Q2. Do you consider it helpful to include more emphasis on the need to exercise judgement to determine the extent and mix of information to be provided to meet the disclosure objectives?

Two tiers of disclosures depending on relative importance

- Q3. Do you think it is helpful to split disclosures between (a) summary information to be provided (subject only to materiality) and (b) additional information that an entity would be required to consider whether to provide to meet the disclosure objective?