

# Disclosure Initiative— Principles of Disclosure Comment letter overview

Accounting Standards Advisory Forum meeting  
December 2017

ASAF agenda paper 2

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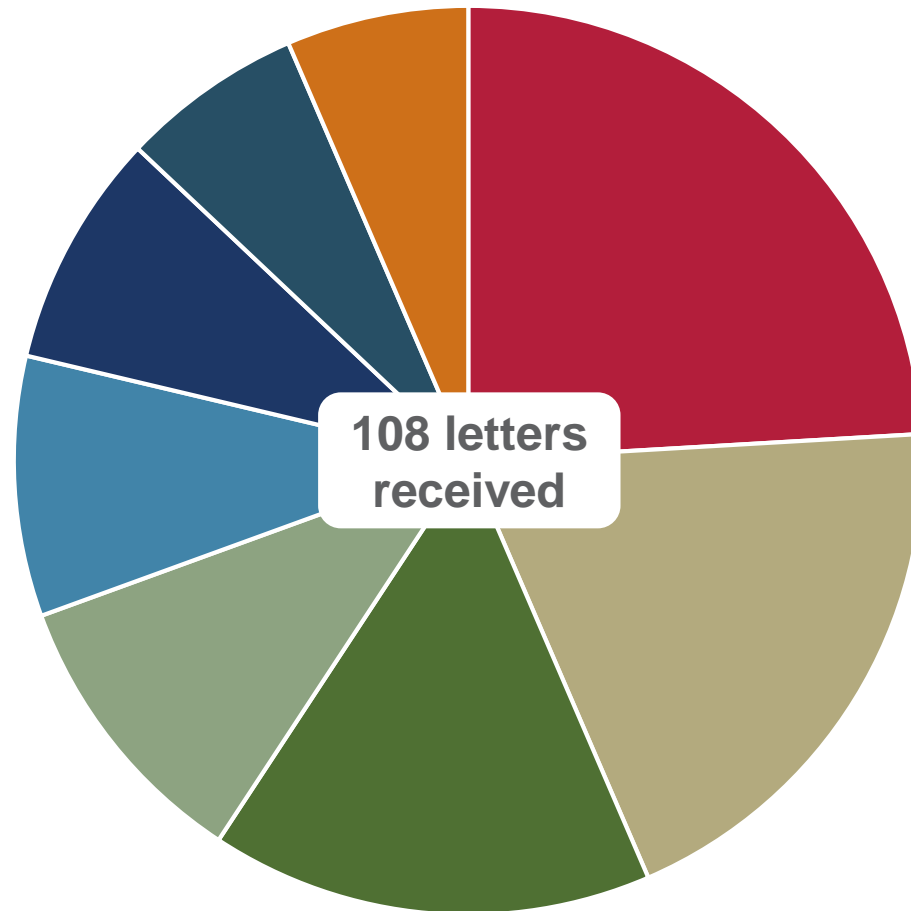


The objective of this session is to:

- Provide a preliminary high-level summary of the **key messages** received
- To ask for ASAF members' thoughts on the feedback, and advice on the project's **next steps**

**Please note that the full comment letter database analysis is not yet complete and this summary is indicative only**

# Comment letter breakdown



- Preparer (26)
- Standard setter (21)
- Institute/prof. body (17)
- Regulator (11)
- Other (10)
- Accounting Firm (9)
- Individual (7)
- User (7)

- Consensus that **there is a disclosure problem**
- **Mixed views** on the primary cause
- However, virtually all agree that **the Board can contribute to achieving positive change**
- Feedback received can be split into two categories:
  - 1) Is the project focussing on the right things? (breadth and depth)
  - 2) Specific feedback on the preliminary views in the discussion paper

Is the project focussing on the right things?

# General direction and focus

Respondents generally think the project needs more specific focus and in depth analysis. Feedback included:

Perception that it is difficult to fully understand the **practical consequences** of some preliminary views without further development

Board should focus on areas that will make the **most** difference to the disclosure problem and analyse them in more depth

# Interaction between Better Communication projects

Some concerns expressed about overlap, fragmentation and coherency in overall approach:

Some think Better Communication should be **one holistic project**

Others think boundaries need to be more **clearly distinguished**

# Conceptual Framework vs IFRS Standards requirements

Respondents generally think discussions should clearly distinguish between:

Guidance to assist the Board in setting standards  
(eg **Conceptual Framework** material)

Requirements for companies (ie **IFRS Standards** material)



# Technology / digital reporting

Respondents generally think digital reporting should be considered:

Disclosure problem is **not necessarily the same** if the information is reported or consumed electronically

Certain DP discussions are less relevant in a digital reporting environment (eg location, formatting)

Respondents generally supported a standards-level review of disclosure requirements:

Some think this should be prioritised by the Board as the most effective way to promote change

Others think the Board should *first develop disclosure principles then perform a standards level review*

# Specific feedback on the preliminary views

# Specific feedback on the preliminary views

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The disclosure problem	<ul style="list-style-type: none"><li>• General agreement with the problem</li><li>• Mixed views on the primary cause / best solution</li></ul>
Principles of effective communication	<ul style="list-style-type: none"><li>• General agreement with the principles</li><li>• Some concerns about tension between ‘entity specific’ and ‘comparability’</li><li>• Some concerns about practical application and enforceability</li><li>• Mixed views on whether developing principles of effective communication will help to solve the disclosure problem</li></ul>
Roles of the primary financial statements and the notes	<ul style="list-style-type: none"><li>• Mixed views on whether defining these roles would help to solve the disclosure problem</li><li>• General agreement that use of ‘present’ and ‘disclose’ should be clarified; mixed views on how this should be done</li></ul>

# Specific feedback on the preliminary views

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Location of information	<p><u>IFRS Standards information outside the financial statements</u></p> <ul style="list-style-type: none"><li>• General agreement that this can be useful in some circumstances</li><li>• Concerns about availability of information; fragmentation; and audit</li></ul> <p><u>'Non-IFRS information' within the financial statements</u></p> <ul style="list-style-type: none"><li>• General agreement that this can be useful in some circumstances</li><li>• Concerns about defining 'non-IFRS'; clouding IFRS Standards information; and audit</li></ul>
Use of performance measures	<ul style="list-style-type: none"><li>• General view that these discussions should be developed within the context of the PFS project</li><li>• General agreement with providing guidance / requirements on fair presentation of performance measures</li></ul>

# Specific feedback on the preliminary views

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Disclosure of accounting policies	<ul style="list-style-type: none"><li>• General agreement that providing guidance / requirements on which accounting policies to disclose could be useful</li><li>• General disagreement with providing guidance / requirements on location of accounting policies</li></ul>
Centralised disclosure objectives	<ul style="list-style-type: none"><li>• Mixed views on whether developing central disclosure objectives would help to solve the disclosure problem</li><li>• General view that 'Method B' is not well developed enough to conclude on a preferred approach</li></ul>
NZASB approach	<ul style="list-style-type: none"><li>• General view that practical consequences are difficult to determine without further development</li><li>• Mixed views on whether the Board should further develop this approach</li></ul>

# Questions for ASAF members

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- 1) Do you have any comments on overall feedback we received on the Principles of Disclosure DP?
- 2) What advice would you give the Board about the project's next steps?



# Contact us

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