

Better communication— Update on activities

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Aims of this agenda topic

- To **update members** of the progress made on the Board's Better Communication in Financial Reporting theme

Better Communication in Financial Reporting

Disclosure
Initiative

Primary
Financial
Statements

IFRS
Taxonomy™

Content and organisation of the content

Content delivery

Disclosure Initiative

Disclosure Initiative

Completed projects

Materiality
implementation
projects

Research projects

Amendments
to IAS 1 to
remove
barriers to
application of
judgement

Amendments
to IAS 7 to
improve
disclosure of
liabilities from
financing
activities

Materiality
Practice
Statement

Definition
of
Material

Principles
of
Disclosure

Standards-
level
Review of
Disclosures

Disclosure Initiative—Principles of Disclosure Discussion Paper (March 2017)

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- Suggests principles to make disclosures in financial statements more effective
- Please comment by **2 October 2017**
- We are interested in hearing whether you think the suggested principles **also apply to digital reporting**, considering the impact of XBRL, AI and other technologies.



Outline of Discussion Paper

Principles of effective communication in preparing financial statements



Principles on where to disclose information

Roles of the primary financial statements
and the notes

Location of information



Principles to address specific disclosure concerns of users of financial statements

Use of performance measures

Disclosure of accounting policies



Principles for improving disclosure objectives and requirements

Centralised disclosure objectives

Drafting disclosure requirements

Primary Financial Statements

Scope of initial research

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Primary Financial Statements

Statement(s)
of financial
performance



- ✓ **requiring EBIT (*)**
- ✓ providing guidance on **management operating performance measure (*)** and/or alternative EPS
- ✓ better ways to communicate OCI

Statement of
cash flows



- ✓ eliminating options for the classification of interest and dividends
- ✓ aligning the operating sections in the statements of cash flows and statements of financial performance
- ✓ requiring a consistent starting point for reconciliations

Statement of
financial
position

Statement of
changes in
equity



- × No specific change

- ✓ developing templates for primary financial statements

- ✓ **achieving greater disaggregation (*)**

(*) Discussed in March Board meeting

Structure – what we hear

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Comparability

vs

Flexibility

Lack of comparability makes financial information less useful

Flexibility allows preparers to tell their own story

Users prefer financial statements standardised by data aggregators

As long as necessary information is available in the notes, primary financial statements can be concise

Recognition and measurement should be principle-based, but presentation should be more detailed

IFRS Standards should remain principle-based

March 2017 Board Meeting—Proposed subtotals

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Statement(s) of financial performance	
Revenue	10,000
Cost of goods sold	<u>-4,000</u>
Gross profit	6,000
SG&A	<u>-2,500</u>
Management Operating Performance Measure	3,500
Infrequent operating income and expenses	<u>-500</u>
EBIT	<u>3,000</u>
Finance income	200
Finance expense	<u>-1,200</u>
Pre-tax profit	2,000
Taxation	<u>-600</u>
Profit	1,400

Flexibility—Management Operating Performance Measure

Performance measure that management uses to communicate progress towards its business objective or strategy.

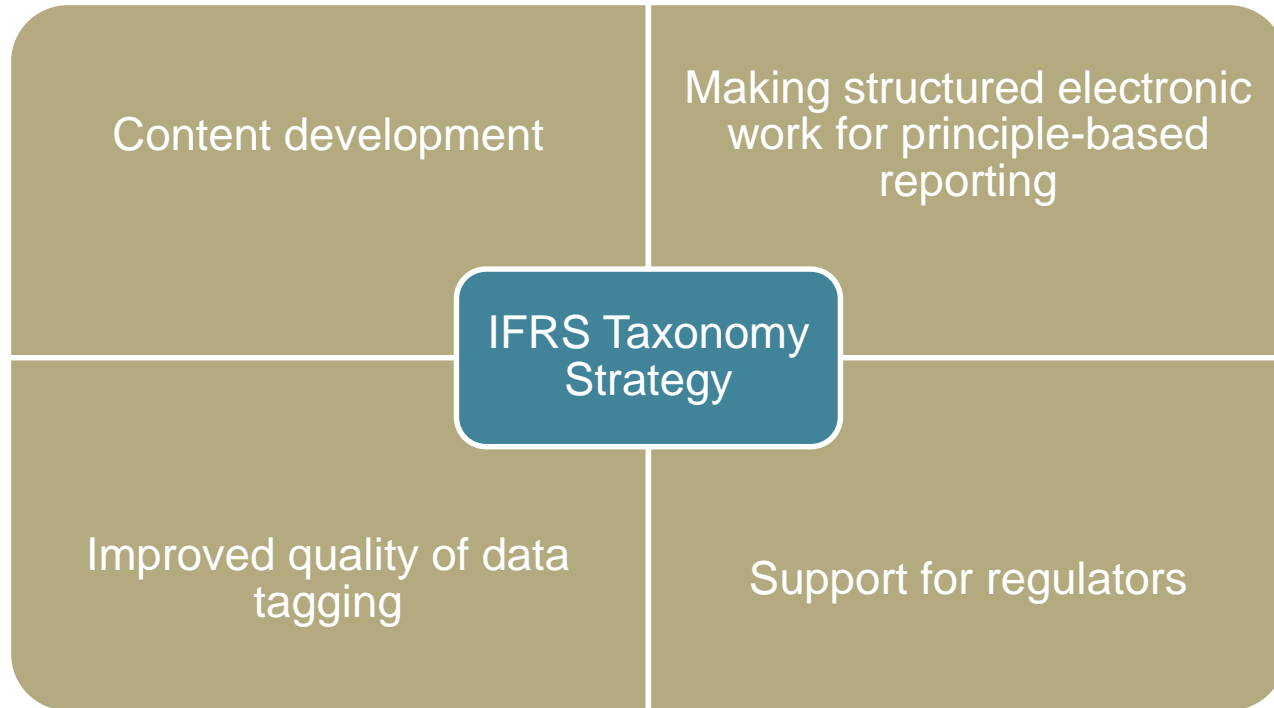
Items Performance Measure is different from EBIT. between the two subtotals show how an entity's Management Operating

Comparability—EBIT

Comparable performance measure—an anchor—among entities with different capital structures.

IFRS Taxonomy activities

IFRS Taxonomy areas of focus



Areas of focus in the last six months

Topic	Taxonomy due process stage	Publication date
Applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i> (Amendments to IFRS 4)	Final Update	Q4 2016
IFRS 17 <i>Insurance Contracts</i>	Proposed Update	Q2 2017

- **287 new elements:**
 - 107 numeric (of which 101 monetary)
 - 116 string (text)
 - 44 domain (members)
 - 20 text block
- **15 new tables**, employing from 1 to 4 axes
- More than **400 lines** in the presentation linkbase

- Proposed IFRS Taxonomy Update **published on the same day IFRS 17 was issued** (18 May 2017)
- **Public comment period of 120 days**, at request of IASB Board Members (ends 18 September 2017)
- **ITCG Members are encouraged to review** the proposed Taxonomy Update because some changes were made to the ITCG review version
- Please submit comment letters

Content—upcoming IFRS Standards

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Areas of focus in the next six months

Topic	IASB due process stage	Expected publication date	Taxonomy impact
Disclosure Initiative— Materiality Practice Statement	Drafting	within 3 months	limited or none
Uncertainty over Income Tax Treatments (IFRIC)	Drafting	within 3 months	limited or none
Plan Amendment, Curtailment or Settlement / Availability of a Refund (IAS 19, IFRIC 14)	Analysis	within 6 months	limited or none

- We received two comment letters on the **Proposed Taxonomy Update Common Practice (agriculture, leisure, franchises, retail and financial institutions)**
- The Staff discussed the feedback with the **IFRS Taxonomy Review Panel**:
 - general support for the proposals, all proposed elements were added to the annual *IFRS Taxonomy 2017*
 - amendment to the label of one element to clarify its meaning (from ‘revenue from rendering occupancy services’ to ‘revenue from rendering of hotel occupancy services’)

- Common practice disclosures related to IFRS 13 *Fair Value Measurement*
- Initial **analysis of sample IFRS financial statements has been completed**
- The Post-implementation Review project team has **identified areas** where additional analysis may reveal further common practice, these areas include:
 - Sensitivity of fair value measurement (FVM) to changes in unobservable inputs
 - Reconciliation of FVM categorised within Level 3 of the fair value hierarchy
- The Taxonomy team is **currently reviewing this**

Common practice

Financial institutions

- Feedback suggested that additional elements may be needed for IFRS disclosures commonly presented on the primary financial statements. A total of 20 elements have been included in *IFRS Taxonomy 2017*.

Specific content

Discontinued and continuing operations

- This will be discussed later today (Agenda Paper 4).

Data model

IFRS Taxonomy tables

- This will be discussed later today (Agenda Paper 5).

Educational materials

- A new IFRS Taxonomy guide specifically aimed at preparers—discussed later today, see Agenda Paper 2

Taxonomy implementation notes

- The staff is proposing to add implementation notes for a limited number of elements—discussed later today, see Agenda Paper 7

Element references

- Starting from the IFRS Taxonomy 2017, each element has a direct reference to the IFRS Standards—see next slide

Elements sourced from IFRS Standards' accompanying materials now have a direct reference to the IFRS Standards.

Free eIFRS basic account holders	
Element references to the Standards	Access to the related IFRS Standards
Element references to the accompanying materials to the Standards	Access to the related IFRS Standards as above. However accompanying materials only available via paid subscription
Professional eIFRS subscribers	
Element references to the Standards	Access to the related IFRS Standards and direct link to the relevant paragraph/section
Element references to the accompanying materials to the Standards	Access to the related accompanying materials and direct link to the relevant paragraph/section

Element references support accurate tagging; reading relevant paragraphs in IFRS Standards helps a preparer understand the intended accounting meaning of an element

- Our focus in the last six months has been on **supporting the US SEC and ESMA** in their implementation of the IFRS Taxonomy:
 - regular meetings to discuss any issues that may arise
 - participation in workshops and XBRL US webinars
 - possible involvement in ESMA field testing
- New **terms and conditions** of using the IFRS Taxonomy

Support for regulators—available translations

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Language	Latest before 2015	2015	2016	2017
Arabic	2014	X		
Chinese, simplified	2009			
Chinese, traditional	2010			
Dutch	2009			
French	2009			
German	2009			
Hungarian	2014	X	X	WIP
Italian	2011			
Japanese	2014	X	X	WIP
Korean	2014	X	X	WIP
Portuguese (Portugal)	2006			
Spanish	2014	X	X	X
Ukrainian	2013		X	WIP
Turkish	2013	X	X	WIP
	Total:	6	6	1 (June 2017)

What do we hear?

- Entity-specific disclosures are important to preparers but not easily accessible to investors
- Telling a company's story remains important (no excessive standardisation)
- The tagged data is at risk of being taken out of context and becoming misleading to users

What are we doing?

- Working with XBRL International on entity-specific disclosures
- Primary Financial Statements Project
- Working with ESMA, the US SEC and other regulators on good electronic reporting

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