

CMAC meeting, 16 March 2017
Agenda paper 6B

Disclosure Initiative

Examples of Better Communication in Financial Reporting

Mariela Isern

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or the IFRS Foundation.

Copyright © IFRS Foundation. All rights reserved

Purpose of this session

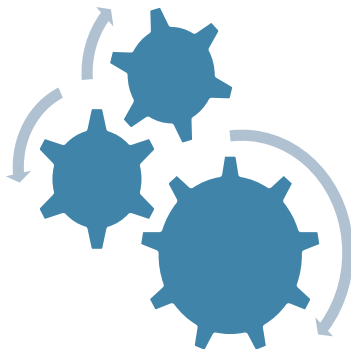
- To inform CMAC members about our plan to publish a report that illustrates how some entities have improved communication in their financial statements.
- The report which we expect to publish in the second quarter of 2017 is intended to:
 - demonstrate that better communication is possible; and
 - inspire other entities to improve communication.

The report (1/2)

- Our report will focus on effective communication principles listed in the appendix, to show:



— how preparers disclosed information *before* and *after* enhancing their communication in financial statements; and




— companies' journeys toward improving the way they communicate (the process).

The report (2/2)

- At the Accounting Standards Advisory Forum (ASAF) meeting in September 2016, we asked members to help us identify entities that have improved the way they communicate in their financial statements and would be willing to:
 - let us use them as examples in the report; and
 - discuss those improvements with IASB staff.

- We received about 35 suggestions from six jurisdictions. We have analysed and made a preliminary selection of entities from these jurisdictions.
- Currently we are:



Analysing financial statements of selected entities

Interviewing senior management to better understand their process

Noting the wider benefits and challenges and key lessons of the process

- Companies highlighted the following factors as important for improving communication :

Factors involving external parties

Consulting the right stakeholder groups

Meeting the information needs of the key stakeholders

Factors involving internal parties

Senior management support

Changing attitudes:
communication not compliance

Setting up realistic goals

- Making improvements is not time-consuming, the difficulty lies in taking the first step.

Questions for the CMAC

We would like to use the feedback you provide in response to these questions in the foreword to the report. It will not be attributed to individual CMAC members or to the CMAC as a group.

- Some entities are improving their financial statements by applying some of the principles of effective communication in the appendix. How do you think these improvements would help investors?
- Are you aware of entities that have started improving communication in their financial statements?

Contact us

Keep up to date



@IFRSFoundation



IFRS-Foundation, IASB



go.ifrs.org/email-alerts



IFRS Foundation

Comment on our work



go.ifrs.org/comment

Join the organisation, and help shape the future of financial reporting



go.ifrs.org/careers

Appendix—Effective communication principles (1/2)

- Communication can be more effective if information is:¹
 - **entity-specific**—companies tailor information to their own circumstances.
 - **simple and direct**—companies use simple descriptions and sentence structures without omitting useful information.
 - **organised**—companies rank pieces of information to help users understand their importance.

¹The principles of effective communication listed in the appendix are planned to be included in the *Principles of Disclosure* Discussion Paper.

Appendix—Effective communication principles (2/2)

- Communication can be more effective if information is:
 - **linked**—companies help readers understand the relationships between pieces of information.
 - **appropriately formatted**—companies select the appropriate format for the type of information provided (bullet point listings could replace narrative texts or tables could be the preferred format for disclosing data intensive information, for example).
 - **free of duplication**—companies avoid unnecessary duplication that clouds communication
 - **comparable**—companies disclose information in a way that enhances comparability among entities and across reporting periods without compromising its usefulness.