

Disclosure Initiative

Better Communication in Financial Reporting

IFRS Advisory Council meeting
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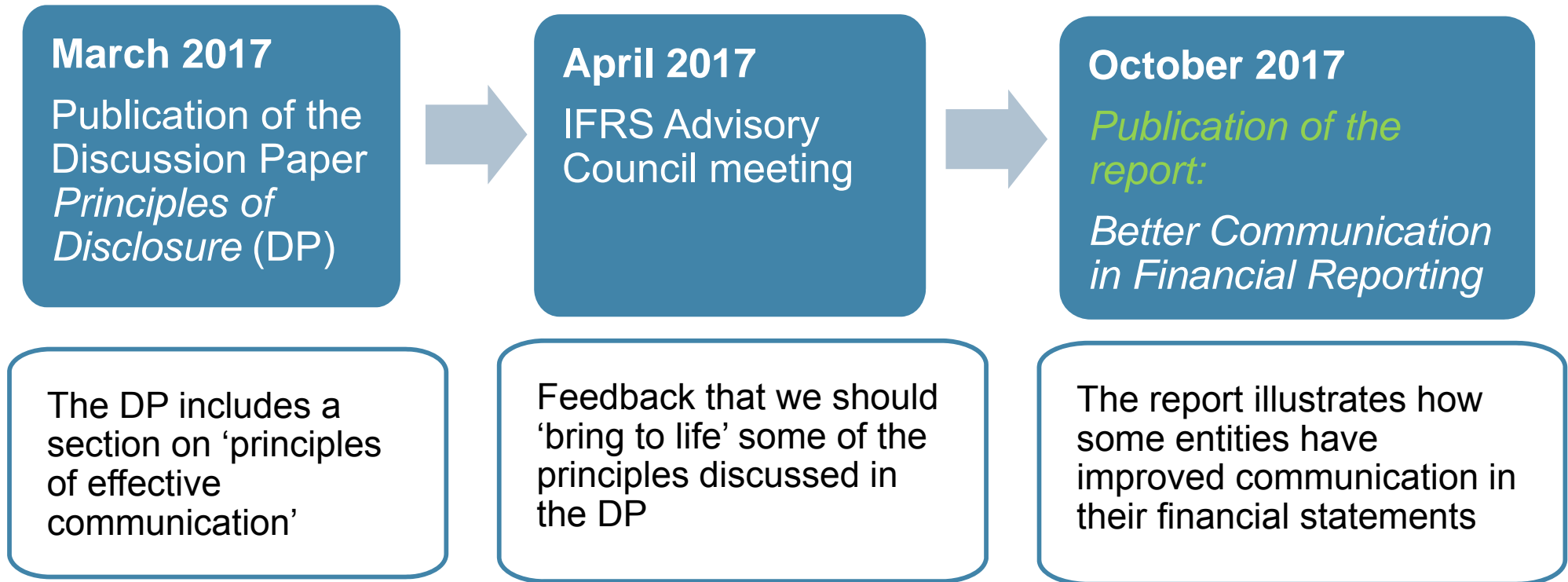
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Agenda

- Purpose of this session
- The report
- Principles of effective communication
- The data used
- Making improvements
- Factors for making improvements
- Questions for Advisory Council members

Purpose of this session

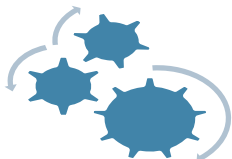


The purpose of this session is to inform you about the report, due to be published on the web site in October, and ask you to raise awareness of the report in your jurisdiction

All Council members will receive an alert when the report is published.

The report

- Purpose of the report is to:
 - demonstrate that better communication is possible; and
 - to inspire other entities to improve communication.
- The report focuses on the application of the seven principles of effective communication. The report:
 - shows how entities disclosed information *before* and *after* enhancing their communication in financial statements; and
 - describes how entities improved the way they communicate (the process).



- Communication can be more effective if information is:¹
 - **entity-specific**—tailoring information to the entity’s own circumstances.
 - **simple and direct**—using simple descriptions and sentence structures without omitting useful information.
 - **organised**—ranking pieces of information to help users understand their importance.
 - **linked**—helping readers understand the relationships between pieces of information.

¹The principles of effective communication listed in the appendix are proposed in the Discussion Paper *Disclosure Initiative—Principles of Disclosure*.

- Communication can be more effective if information is:
 - **formatted**—selecting a suitable format for the type of information entities provide (for example: bullet point listings could replace narrative texts or tables could be the preferred format for disclosing data intensive information).
 - **free of duplication**—avoiding unnecessary duplication that obscures communication.
 - **comparable**—disclosing information in a way that enhances comparability among entities and across reporting periods without compromising its usefulness.

The data used

- We used 6 entities as case studies.
- We identified entities by:
 - asking the members of the Accounting Standards Advisory Forum (ASAF) for recommendations; and
 - consulting specialised publications dealing with disclosure effectiveness.
- In developing the report:
 - we analysed financial statements; and
 - discussed the improvements with the entities.

Making improvements

- Relatively small improvements can significantly enhance usefulness
- In many cases the most difficult step was starting the process
- Regulators and auditors also have a role to play
- We identified key factors for making improvements in communication, split between factors involving external parties and those involving internal parties

Factors for making improvements

Involving external parties

Consulting the right stakeholder groups

Meeting the information needs of the investors

Support from auditors, regulators and national standard-setters

Involving internal parties

Support from senior management

Changing attitudes: communication not compliance



Setting realistic goals

Collaboration between staff members from different departments


Questions for Advisory Council members

- Do you have any suggestions about how we can raise awareness of this report to promote effective communication in financial statements?
- Do you have any additional questions or comments on the report?


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