STAFF PAPER

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Project	**Disclosure Initiative: Principles of Disclosure**
Paper topic	Feedback from users of financial statements

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Objective

1. The objective of this paper is to inform the Board about feedback received from users of financial statements (users) on the *Disclosure Initiative—Principles of Disclosure* Discussion Paper.

2. This paper summarises all feedback received from users relating to the Discussion Paper. Most of the feedback came from the user outreach programme described in Agenda Paper 11A. We also received eight comment letters from users.

3. We will not ask the Board any questions in this paper.

Overview

4. This paper is structured as follows:

   (a) Overall comments on the Discussion Paper (paragraphs 6-13);

   (b) Comments on specific sections of the Discussion Paper (paragraphs 14-87);

      (i) the disclosure problem (paragraphs 15-23);

      (ii) development of disclosure principles (paragraphs 24-26);

      (iii) principles of effective communication (paragraphs 27-32);

      (iv) roles of the primary financial statements and the notes (paragraphs 33-35);

(v) location of information (paragraphs 36-47);

(vi) use of performance measures in the financial statements (paragraphs 48-71);

(vii) disclosure of accounting policies (paragraphs 72-79);

(viii) centralised disclosure objectives (paragraphs 80-84);

(ix) New Zealand Accounting Standards Board staff's approach to drafting disclosure requirements in IFRS Standards (paragraphs 85-87);

(c) Comments on technology and digital reporting (paragraphs 88-90);

(d) Comments on the "Making disclosures more meaningful" case studies (paragraph 91).

5. The Discussion Paper includes an array of topics. Users that we spoke to were generally more interested in some topics than other topics. Not all users provided comments on every area of the Discussion Paper.

Overall comments on the Discussion Paper

6. Most users agreed with the disclosure problem described in the Discussion Paper and thought that lack of relevant information was the most important factor. Users were also concerned about ineffective communication. In particular, they highlighted the importance of proper application of materiality by entities when deciding what to disclose and how best to communicate that information.

7. Most users also agreed with the principles of effective communication described in the Discussion Paper. They considered comparability and entity-specific information to be particularly important but noted the potential for conflict between these two principles. Users had mixed views about whether the Board should develop mandatory requirements based on the principles of effective communication.

8. Many users thought that including IFRS information outside the financial statements, using appropriate cross references, could be useful in some circumstances. Nevertheless, users had some concerns about understandability, assurance and the on-going availability of information when entities use this

approach. They thought that entities should only use cross references to IFRS information outside the financial statements in a limited and structured way.

9. Many users agreed that the Board should not prohibit the inclusion of non-IFRS information in financial statements. These users thought that non-IFRS information provided by entities is useful to their analysis. However, users had some concerns about the risk of entities providing misleading information, or clouding IFRS information. Consequently, users thought the Board should require an entity to clearly identify, label, explain and reconcile any non-IFRS information presented in the financial statements.

10. Many users suggested that the discussions in the Discussion Paper about the use of performance measures would be better included in the Primary Financial Statements project. These users commented that it is difficult to provide feedback on fair presentation before the Board makes decisions about defining performance measures. Many users encouraged the Board to define one or more of EBIT, EBITDA and other performance measures such as operating profit.

11. Most users supported the suggestion to develop definitions of, and requirements for the presentation of, unusual or infrequently occurring items. Users thought this would help to avoid misleading or inconsistent use of those terms.

12. Most users support the Board developing requirements on which accounting policies an entity should disclose. Users think that useful accounting policy disclosures are those that relate to material items, transactions or events or provide insight into how an entity has exercised judgement in selecting and applying accounting policies.

13. Many users thought that the Board should consider the effects of advancing technology and digital reporting as part of the project.

Comments on specific sections of the Discussion Paper

14. This section summarises feedback received from users on the specific sections of the Discussion Paper.

The disclosure problem

15. The Discussion Paper identified three factors that contribute to the disclosure problem:

    (a) not enough relevant information;

    (b) irrelevant information; and

    (c) ineffective communication of the information provided.

16. Many users agreed with the disclosure problem described in the Discussion Paper but thought that the three contributing factors identified were not of equal importance. They thought that not enough relevant information was the biggest concern, followed by ineffective communication. Users were generally less concerned about irrelevant information.

Not enough relevant information

17. Many users were primarily concerned with a lack of relevant information. These users expressed the view that they are in favour of *more* disclosure and granularity in financial statements rather than less.

18. Users provided examples of disclosures by entities today that, in their view, do not contain enough relevant information. These examples included, but were not limited to:

    (a) information about how significant events, transactions and balances had contributed towards the reported profits and identifiable cash flows of an entity;

    (b) segmental reporting information;

    (c) effect of foreign exchange on the financial statements;

    (d) information about pension liabilities;

    (e) information about fair value.

Irrelevant information

19. Some users were less concerned about irrelevant information or 'disclosure overload'. These users noted that search functions available to analysts make overload less of a problem when analysing information.

20. Other users expressed concerns about entities obscuring relevant information in the financial statements by including immaterial information or by using boilerplate compliance statements.

Ineffective communication of the information provided

21. Many users also identified ineffective communication as a contributor to the disclosure problem. These users identified lack of clarity and lack of understandability as particular problems.

Other comments on the disclosure problem

22. Some users commented that, in their view, the problem is largely behavioural. These users suggested that entities struggle firstly with applying judgement in identifying relevant information and secondly with deciding the most effective way to communicate that information.

23. Similarly, some users noted that proper application of materiality is key to determining what information to disclose. Some users were concerned that the judgmental nature of materiality assessments could lead to entities omitting useful information from the financial statements. Others thought that difficulties in exercising judgement around materiality contributes to ‘disclosure overload’.

Development of disclosure principles

24. The Discussion Paper noted that one way the Board could respond to the disclosure problem is by developing a set of disclosure principles to:

    (a) help entities apply better judgement about disclosures and communicate information more effectively;

    (b) improve the effectiveness of disclosures for the primary users of the financial statements; and

    (c) help the Board improve disclosure requirements in IFRS Standards.

25. Most users that provided a specific view agreed that developing disclosure principles would contribute to improving the disclosure problem. This was for a variety of reasons:

(a) some users thought that guidance from the Board would help to improve consistency and comparability across different entities' disclosures;

(b) other users highlighted the importance of disclosure objectives and thought that potential benefits would come from all stakeholders sharing the same objectives; and

(c) some users thought that disclosure principles would be helpful to the Board's standard setting process.

26. A few users cautioned the Board against moving away from prescriptive disclosure requirements. These users thought that prescriptive requirements help to achieve comparability across different entity's disclosures. These users highlighted the importance of finding the right balance between principles and prescriptive requirements.

Principles of effective communication

27. The Discussion Paper considered principles of effective communication that entities should apply when preparing the financial statements. The Board identified the following principles for discussion:

(a) entity-specific, since information tailored to an entity's own circumstances is more useful than generic, 'boilerplate' language or information that is readily available outside the financial statements;

(b) described as simply and directly as possible without a loss of material information and without unnecessarily increasing the length of the financial statements;

(c) organised in a way that highlights important matters–this includes providing disclosures in an appropriate order and emphasising the important matters within them;

(d) linked when relevant to other information in the financial statements or to other parts of the annual report (see Section 4 Location of information) to highlight relationships between pieces of information and improve navigation through the financial statements;

(e) not duplicated unnecessarily in different parts of the financial statements or the annual report;

(f) provided in a way that optimises comparability among entities and across reporting periods without compromising the usefulness of the information; and

(g) provided in a format that is appropriate for that type of information – for example, lists can be used to break up long narrative text, and tables may be preferable for data-intensive information, such as reconciliations, maturity analysis etc.

28. Many users that commented on this area broadly agreed with all the principles of effective communication described in the Discussion Paper, with some describing them as ‘common sense’.

29. However, users had different views on whether the Board should develop mandatory requirements based on these principles:

(a) some users thought the Board should introduce mandatory principles of effective communication aiming at increasing transparency, consistency and comparability of reported information;

(b) other users did not think the principles should be mandatory requirements – this was either because they questioned the auditability of the principles, or because they had concerns that the development of mandatory principles could limit innovative communication in financial statements;

(c) a few users thought that the Board should develop more guidance than is in the Discussion Paper if the principles of effective communication were to become mandatory; and

(d) a few users thought that principles of effective communication would be more appropriately included in the Conceptual Framework.

30. A few users thought that the principles of effective communication could be extended beyond the financial statements to cover information published in other documents (for example, press releases and quarterly reporting).

31. Many users expressed the view that comparability and entity-specific information are the most important principles. Some of these users observed the potential for conflict between these two principles. Some said that they would prioritise comparability of information in the financial statements because they believe entities can use other documents – such as MD&A - to 'tell their stories' outside of the financial statements. Many users stressed that comparability is a big priority for them – both between different entities and between different reporting periods.

32. Some users thought that non-mandatory guidance on formatting might be helpful because it would highlight best practices to preparers. Conversely, other users did not consider guidance on formatting of financial statements to be necessary. Some described this as 'overkill', or thought that entities should be able to apply judgement as to the best formatting for their financial statements.

Roles of the primary financial statements and the notes

33. The Discussion Paper considered whether a general disclosure standard should specify which statements comprise the primary financial statements, and describe the roles of the primary financial statements and the notes. Such guidance could help the Board and entities to determine the appropriate location of information in the financial statements.

34. We received relatively few comments from users on this area of the Discussion Paper. Many of those that did comment generally agreed with the Discussion Paper proposals about specifying what the primary financial statements are and specifying the roles of the primary financial statements and the notes. In addition:

    (a) some users highlighted the importance of cash flow information and agreed that the Board should identify the statement of cash flows as a primary financial statement;

    (b) a few users highlighted the importance of segmental information, with one user group suggesting that this should also be identified as a primary financial statement;

    (c) a few users observed that, in their view, more disaggregation on the face of the primary financial statements would be welcome.

Consequently, these users cautioned against defining the primary financial statements as summary information; and

(d) a few users expressed concerns about any potential implication that the notes are inferior to the primary financial statements. These users recommended that the Board make a clear statement that the primary financial statements and the notes are equally important.

35. A few users expressed indifference as to whether an entity presents information on the face of the primary financial statements or in the notes, as long as the information is available somewhere.

Location of information

36. The Board received feedback that duplication and fragmentation of information can make financial statements and annual reports more difficult to analyse and understand. The Discussion Paper considered whether the Board can help to address these concerns by developing requirements on:

(a) providing information that is necessary to comply with IFRS Standards ("IFRS information") outside the financial statements;

(b) providing information that is identified as "non-IFRS" information inside the financial statements.

IFRS information outside the financial statements

37. Many users agreed that including IFRS information outside the financial statements, using appropriate cross-references, could be useful in some circumstances. This is because doing so helps to:

(a) avoid duplication of information;

(b) improve overall communication by linking related pieces of information; and

(c) present information that is the same every year in a location that does not clutter the financial statements.

38. Conversely, a few users prefer to have all IFRS information within the financial statements. These users think that the financial statements should be a self-contained document and were concerned that including important information

only by cross reference could undermine the usefulness of financial statements. These users also had concerns about the on-going availability of information outside the financial statements, and about whether IFRS information outside the financial statements would be subject to the same level of assurance as information inside the financial statements.

39. Some users expressed concerns about the risk of financial statements becoming less understandable if too much cross-referencing is used. These users were concerned about fragmentation of information. They suggested that entities should use cross-references only in a limited and structured way. Some of these users also stated that clear labelling of IFRS information placed outside the financial statements is important. These users also highlighted the need to ensure that all IFRS information has been subject to audit, and for entities to explicitly identify which information outside the financial statements has been audited.

40. Some users supported IFRS information outside the financial statements only if all IFRS information is inside the annual report. In other words, these users thought that all the information provided according to IFRS Standards should be in a single reporting package. Users were concerned that:

    (a) hyperlinks to other documents could cease to work in the long term (ie become broken links);

    (b) entities will make excessive use of cross-references outside the annual report that would lead to fragmentation of information; and

    (c) entities might use ‘serial’ or ‘circular’ cross-references– ie one cross-reference leading to another cross reference.

41. A few users expressed the view that they would rather have duplication of information than cross-referencing. These users did not consider duplication to be a significant problem and thought that duplication of information may be useful if it results in information being provided where users expect to see it.

Non-IFRS information inside the financial statements

42. Many users agreed that the Board should not prohibit the inclusion of non-IFRS information within the financial statements. These users noted that non-IFRS information provided by entities is often useful to their analysis.

43. However, most of the users that made this comment also expressed some concerns about the risk of clouding IFRS information, or misleading users of financial statements by including subjective non-IFRS information. Consequently, many users agreed that the Board should require entities to clearly identify, label, explain and reconcile any non-IFRS information included in the financial statements. Users also said that it is important that entities explicitly state whether information has been audited.

44. A few users were concerned that if the Board develops requirements about non-IFRS information in the financial statements, this might discourage the provision of useful non-IFRS information. These users encouraged the Board to be clear that their objective is to reduce misleading non-IFRS information and not to discourage provision of *any* non-IFRS information.

45. A few users were concerned that the suggested requirement to explain why non-IFRS information included in the financial statements is useful could result in boilerplate explanations. Some of these users recommended that the Board require entities to explain the economic rationale for including any non-IFRS information – eg why any non-IFRS information disclosed provides a better economic reflection than IFRS information.

46. A few users did not support the inclusion of non-IFRS information in the financial statements. These users were concerned that non-IFRS information could undermine the credibility or quality of information within the financial statements. They were also concerned about information being inconsistent with IFRS Standards, or otherwise misleading. These users thought that if non-IFRS information is included in the financial statements, then the information should be subject to audit. These users also commented that a mix of IFRS and non-IFRS information might be confusing to some investors and might negatively affect comparability across entities.

47. Users based in jurisdictions where there is significant regulatory supervision over non-IFRS information expressed some additional concerns. These concerns related to the possibility of overlap or conflict between any requirements developed by the Board and local requirements. These users would generally prefer non-IFRS information to remain outside the financial statements and be

subject to local requirements and regulation rather than any requirements in IFRS Standards.

Use of performance measures in the financial statements

48. The Discussion Paper considered whether the Board should develop additional requirements about the fair presentation of performance measures in the financial statements. In particular, the Discussion Paper considered the fair presentation of:

    (a) EBIT and EBITDA;

    (b) unusual or frequently recurring items;

    (c) other performance measures.

General comments

49. Many users said that they would prefer the Board to discuss the topics presented in this chapter of the Discussion Paper as part of the Primary Financial Statements project. These users stated that it is difficult to provide a firm opinion on presentation of performance measures until the Board decides what, if any, performance measures will become IFRS requirements.

50. Many users commented that, in their view, voluntary information about performance measures that entities provide is often useful to their analysis. Some of these users were concerned about the risk of any loss of information. In particular, some users suggested that the Board should:

    (a) make sure that any guidance or requirements developed relating to performance measures does not result in an over-aggregation of items or otherwise reduce the information disclosed by entities; and

    (b) make clear that the objective of any requirements or guidance relating to performance measures is to improve communication and not to discourage entities from providing alternative performance measures.

51. A few users thought the proposals in this chapter would be difficult for preparers to apply without the development of illustrative examples. They also thought that illustrative examples would help with the enforcement of any requirements relating to the use of performance measures.

Presentation of EBITDA, EBIT

52. Most users that provided comments on this area stressed that, in their view, the Board should define one or both of EBIT and EBITDA. Users think defining these measures would help to ensure consistency and comparability across entities. Users also thought that an IFRS defined profit measure would provide a useful IFRS measure for any alternative performance measures to be reconciled to.

53. Some users added that, in their view, the Board should explicitly prescribe the method of calculation of any defined profit measure. A few of these users thought that any principles-based definition of a performance measure would not be helpful and might lead to submissions to the IFRS Interpretations Committee.

54. A few users that thought the Board should define one or both of EBIT and EBITDA noted the difficulty of defining performance measures that are suitable for all entities. These users thought that if an IFRS prescribed performance measure does not provide relevant information then an entity should be required to explain why.

55. Many users thought that the Board should also consider defining other performance measures, particularly operating profit. These users commented that different operating profit measures across entities cause problems in their analysis. Some of these users also noted that some jurisdictions already define operating profit and this is useful in promoting comparability between entities.

56. Few users commented specifically on the preliminary view in the Discussion Paper that an entity should only present an EBITDA subtotal if it uses the nature of expense method in its income statement. Those that did comment thought that the use of EBITDA should not be limited and, consequently, thought the Board should permit presentation of EBITDA even if an entity uses a function of expense method in the income statement.

Unusual or infrequently occurring items

57. Most users supported the Board developing definitions of, and requirements for the presentation of, unusual or infrequently occurring items. These users commented that when entities use their own definitions of these terms they can

sometimes be misleading, or be used inconsistently either across entities or across different reporting periods.

58. Many generally agreed with the definition of unusual or infrequently occurring items as described in the Discussion Paper. Some users thought that the Board could be more specific in defining unusual or infrequently occurring items – for example by defining how often an event must occur to be considered infrequent, and how far into the past and future an entity should consider the occurrence of another similar event.

59. A few users commented that defining unusual or infrequently occurring items is difficult because these items are sensitive and involve significant judgement. Nevertheless, some of these users still supported the Board developing requirements for the presentation of these items because they thought this would introduce more discipline to the use of these items in financial statements.

60. Most users said that clear explanations of unusual or infrequently occurring items are essential. Some added that they want to see as much disaggregated information as possible about items that are unusual or infrequently occurring. Users also thought that the Board should require an entity to disclose their policy for distinguishing between frequently and infrequently occurring items.

61. A few users suggested alternative ways in which the Board could isolate particular items for entities to disaggregate in the financial statements. These suggestions included making distinctions between ‘core’ and ‘non-core’ items, ‘recurring’ and ‘non-recurring’ items and ‘operating’ and ‘non-operating’ items.

62. A few users thought the Board should supplement any guidance relating to unusual or infrequently occurring items with the idea that these include items that have both positive and negative effects on entity results. These users were concerned about entities only identifying unusual or infrequently occurring costs.

63. A few users thought the Board should consider developing sector-specific guidance about what items are unusual or infrequently occurring. For example, entities might consider inventory write-downs unusual in some industries but not others.

Fair presentation of performance measures

64. Most users expressed agreement with the idea of developing guidance on the fair presentation of performance measures. They were generally supportive of the discussions in the Discussion Paper and added a number of specific comments, as summarised below.

65. Many users highlighted the importance of reconciling any performance measures to related IFRS information. These users said that fully understanding any performance measures is essential for them to be able to perform a proper analysis. A few users noted that entities reconcile the same performance measures to different IFRS information. These users thought it would be useful for the Board to provide guidance for entities to help them assess what is the most directly comparable IFRS measure for reconciliation.

66. A few users thought that reconciling performance measures to IFRS information could be challenging for entities. This is because there are few performance measures defined by IFRS Standards and, consequently, it might be difficult to identify the most relevant IFRS number.

67. Some users highlighted the importance of clear labelling of alternative performance measures, including whether a performance measure has been audited.

68. A few users also highlighted the importance of entities presenting and measuring performance measures consistently year-on-year. These users expressed concerns about potential bias arising when entities change the way they present and measure performance measures each year.

69. A few users suggested that, in addition to the proposals in the Discussion Paper, entities should also be required to explain how they use any disclosed performance measures internally. In particular, these users thought entities should be required to disclose how any performance measures link to management compensation.

70. A few users would like the Board to consider defining a few of the most common performance measures. Other users do not think it is possible to define individual performance measures that are appropriate for every entity, because entities measure performance in a variety of ways that differs across industries. Some of

these users thought that the Board should consider defining or providing guidance on industry specific performance measures. For example, these users would like to see guidance on performance measures for retailers such as sales per square foot or revenue per store.

71. A few users thought that the requirements for fair presentation could be extended to performance measures presented in interim financial statements. These users expressed concerns about difficulties in reconciling performance measures in, for example, quarterly reporting documents to IFRS financial statements.

Disclosure of accounting policies

72. The Discussion Paper noted that users often express concerns about how accounting policies are disclosed in the financial statements. The Discussion Paper considered whether the Board should develop guidance to help entities decide which accounting policies to disclose, and where to locate those accounting policy disclosures in the financial statements.

73. To facilitate these discussions, the Discussion Paper identified three categories of accounting policy disclosure:

    (a) Category 1—accounting policies that are always necessary for understanding information in the financial statements, and relate to material items, transactions or events:

        (i) that have changed during the reporting period because the entity either was required to or chose to change the policies;

        (ii) chosen from alternatives allowed in the IFRS Standards;

        (iii) developed in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in the absence of an IFRS Standard that specifically applies; and

        (iv) for which an entity is required to make significant judgements or assumptions as described in paragraphs 122 and 125 of IAS 1 in applying the accounting policy.

    (b) Category 2 – accounting policies that are not in Category 1, but also relate to items, transactions or events that are material to the financial statements, either because of the amounts involved or because of their nature; and

(c) Category 3 – any other accounting policies used by the entity in preparing the financial statements not included in Categories 1 or 2.

74. Most users support the Board developing requirements on determining which accounting policies to disclose. These users generally thought that accounting policy disclosures are often not useful today and could be improved.

75. Most users thought that accounting policy disclosures are useful only when they relate to material items, transactions or events or provide insight into how an entity has exercised judgement in selecting and applying accounting policies. Most users do not want to see accounting policies that reproduce or summarise IFRS requirements.

76. Users expressed differing views about the categories of accounting policies described in the Discussion Paper:

(a) some users thought that entities should disclose only Category 1 accounting policies or that the Board should prohibit the inclusion of immaterial or irrelevant accounting policies. These users were concerned about obscuring relevant information with irrelevant information;

(b) other users disagreed with prohibiting disclosure of any types of accounting policies – including those described in Category 3. Some of these users were concerned about the judgement involved in deciding which accounting policies are material and thought that entities might exclude accounting policies that users want to see;

(c) some users thought that the categories described in the Discussion Paper could be difficult for entities to apply and preferred an alternative approach to developing requirements on which accounting policies to disclose (see paragraphs 77-78).

77. Many users thought that the application of materiality is key to deciding which accounting policies to disclose and thought that materiality should be the basis of any requirements developed by the Board. These users thought it would be useful if the Board develop more guidance on what is a material accounting policy.

78. Some users cautioned the Board about developing overly prescriptive requirements about accounting policies. These users thought that the Board should allow entities to exercise judgement and flexibility over the appropriate level of disclosure.

Location of accounting policies

79. Users had mixed views on the location of accounting policies, and whether it would be useful for the Board to develop non-mandatory guidance in this area:

(a) some users prefer accounting policies to be located with the related note to the financial statements;

(b) a few users prefer all accounting policies to be in one place. These users thought that accounting policies are interlinked and presenting them together assists with understanding;

(c) a few users thought that new or changed accounting policies should be presented separately in the first part of the notes;

(d) a few users thought that information about past accounting policies, or accounting policies that have not changed or do not involve significant judgement could be presented outside the financial statements – for example on a company's website; and

(e) some users prefer entities to exercise judgement about which is the most appropriate location for their accounting policies;

(f) a few users stated that, in their view, the Board's priority should be helping entities apply judgement about which accounting policies to disclose, rather than focussing on location.

Centralised disclosure objectives

80. The Board received feedback that a lack of clear disclosure objectives in IFRS Standards contributes to the disclosure problem. Consequently, the Discussion Paper considered whether the Board should develop a central set of disclosure objectives to provide a basis for developing more unified disclosure objectives and requirements in individual Standards. The Discussion Paper identified three possible methods of developing centralised disclosure objectives:

(a) Method A—focusing on the different types of information disclosed about an entity's assets, liabilities, equity, income and expenses;

(b) Method B—focusing on information about an entity's activities to better reflect the way users of financial statements assess prospects for future cash inflows and assess management stewardship; and

(c) a hybrid of Methods A and B.

81. The Discussion Paper also considered whether the Board should locate all disclosure objectives and requirements in one single Standard.

82. We received few comments from users on this Chapter of the Discussion Paper, either from outreach meetings or comment letters.

83. Those users that did comment on the potential approaches described in the Discussion Paper for developing centralised disclosure objectives had mixed views:

(a) some users preferred developing disclosure requirements based on an entity's assets, liabilities, equity, income and expenses (Method A described in the Discussion Paper). These users thought Method A would result in more comparable information than Method B;

(b) some users considered there to be potential benefits of developing centralised disclosure objectives on the basis of an entity's activities (Method B described in the Discussion Paper). These users thought that this approach was more aligned with the way that users perform their analysis than Method A;

(c) however, some users expressed concerns about Method B. These concerns included the level of complexity and judgement, and a potential loss of comparability across entities; and

(d) some users could not decide which of the three approaches they preferred.

84. The few users that commented on the proposal to develop a single disclosure standard did not support this suggestion. They were concerned about the amount of Board resources such an exercise would occupy. These users also observed

that a single disclosure standard would be subject to very frequent changes which they thought would be unhelpful.

New Zealand Accounting Standards Board staff's approach to drafting disclosure requirements in IFRS Standards

85. The Discussion Paper described an approach that has been developed by the staff of the New Zealand Accounting Standards Board (NZASB staff) for drafting disclosure requirements. This approach includes:

    (a) developing an overall disclosure objective for each Standard, and more specific disclosure sub-objectives;

    (b) two-tier disclosure requirements, with the amount of information to be disclosed based on the relative importance of an item or transaction to the reporting entity and the level of judgement involved in accounting for an item or transaction;

    (c) greater emphasis on the need for entities to exercise judgement in deciding how to meet disclosure objectives; and

    (d) less prescriptive wording in disclosure requirements.

86. We received few comments from users on this Chapter of the Discussion Paper, either from outreach meetings or comment letters.

87. Those users that did comment on the NZASB staff's approach had mixed views. Some users think the approach has some potential in encouraging entities to focus disclosure on the most important information. However, users also expressed concerns. In particular, they thought the approach might be difficult to implement and audit. A few users expressed a concern that the approach might 'raise the hurdle' for entities to disclose additional information and discouraged the Board from pursuing the approach further.

Comments on technology and digital reporting

88. The Discussion Paper did not ask a specific question about technology and digital reporting. Nevertheless, many users provided some comments on this. These comments were generally high level: most users thought that the Board should

consider the potential effect of advances in technology on communication between entities and users but did not go into further detail.

89. Some users stated that, in their view, increased use of technology will have implications for the way information is presented and consumed. Users raised the following examples of potential effects of technology:

(a) increased use of hyperlinks or detailed data files embedded in reporting packages; and

(b) some blurring of lines between the boundaries of financial statements and other information provided by an entity.

90. A few users thought that, whilst developments in technology should be considered, they do not reduce the need to improve the effectiveness of communication by entities in financial statements.

Comments on the "Making disclosures more meaningful" case studies

91. In addition to providing comments on the Discussion Paper, some of the users that we spoke to also provided feedback on the October 2017 Better Communication in Financial Reporting document *Making disclosures more meaningful*. Almost all users that commented on this document were supportive of the Board preparing this kind of material. These users generally thought that the case studies detailed in this document would help preparers to improve the communication in their financial statements.