

Targeted Standards-level Review of Disclosures

Accounting Standards Advisory Forum meeting
July 2018

ASAF agenda paper 3

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Purpose and Agenda

The purpose of this session is to ask ASAF members' advice on:

- The Board's process for developing and drafting disclosure objectives and requirements
(slides 4-13, questions 1 and 2)
- Which one or two IFRS Standards the Board should select for review
(slides 14-19, question 3)

Agenda

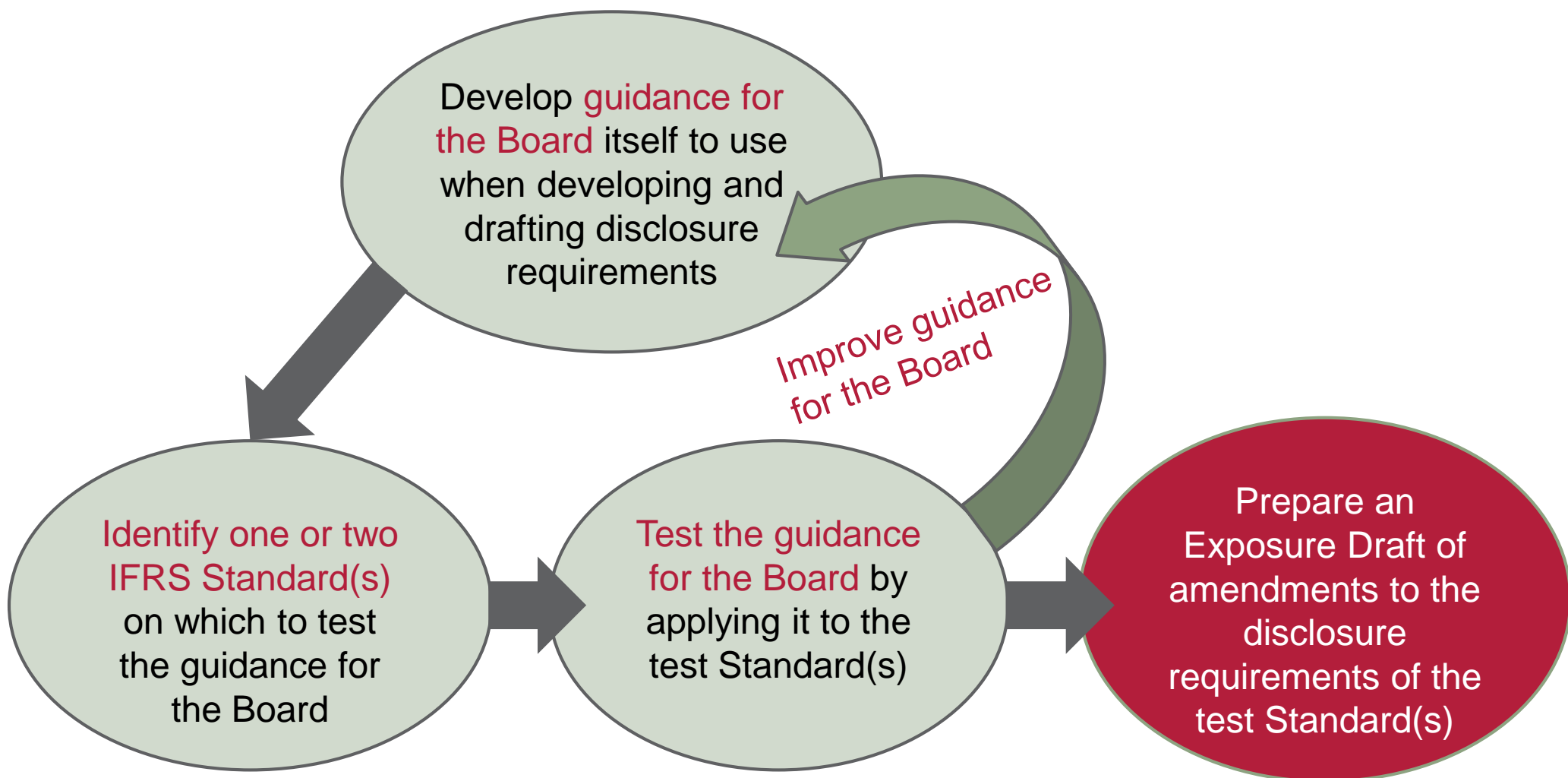
- Overview
- Guidance for the Board to use when developing and drafting disclosure objectives and requirements
- Selecting Standard(s) for review

Questions for ASAF Members

- 1) Do you have any suggestions for the Board about how it can maximise the effectiveness of stakeholder liaison to help develop specific disclosure objectives? (see slide 9)
- 2) Do you have any suggestions for the Board about its process for developing and drafting disclosure objectives and requirements? (see slides 11 and 12)
- 3) Which one or two Standard(s) from the list on slide 17 would you recommend that the Board selects for Targeted Standards-level Review of Disclosure? Why?

Overview

Targeted Standards-level Review of Disclosures—Overview



Guidance for the Board

- Will be developed as a set of Board decisions
- Formal stakeholder feedback will be obtained when subsequently used as part of Standard-setting

Test the guidance for the Board

- The objective of the targeted Standards-level review will be to **improve the disclosure requirements and hence, the usefulness of the disclosures** provided to the primary users of financial statements
- The objective will **not** be **to change the volume of disclosure requirements**, although this may be a consequence

Guidance for the Board

Three-step process

Board Discussion

Step 1

How will the Board use disclosure objectives in future?

May
2018

Step 2

What process will the Board use to develop the content of disclosure objectives and requirements?

June
2018

Step 3

How will the Board draft disclosure objectives and requirements?

July
2018

Summarise and review all draft Guidance

Sept.
2018

Step 1: Use of disclosure objectives— specific disclosure objectives

The Board tentatively decided to:

1

Base all disclosure requirements on one or more **specific disclosure objectives**. These objectives should explain **why** the information is useful to the primary users of financial statements and **what** the primary users are expected to do with the information

2

Draft all disclosure requirements in a way that explicitly states the underlying objective(s) and **clearly links** each specific item of information included in disclosure requirements with the related objective(s)

For example: ‘an entity shall disclose information that enables users of financial statements to [understand/assess/review/compare] y. To meet this objective, an entity shall consider disclosing x’

Step 1: Use of disclosure objectives— high-level disclosure objectives

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The Board also tentatively decided that it will **continue to use high-level disclosure objectives** within individual IFRS Standards

- The purpose of these high-level disclosure objectives will be to prompt entities to consider the **overall disclosure** relating to a particular topic in their financial statements and whether the information provided **meets user information needs** for that topic
 - for example, whether there is any material information not captured by the specific objectives described on slide 9. For example, this might relate to an **unusual material item or transaction, or other entity specific information**

Step 2: Process for developing disclosure objectives and requirements

- The Board's considerations included:
 - How to best leverage the **IFRS Taxonomy** into the process of developing disclosure objectives and requirements
 - The process for **understanding user and other stakeholder needs** to:
 - enable development of specific objectives
 - make informed cost-benefit decisions
 - understand the effects of proposed requirements
- Refer to June 2018 Board Agenda Paper 3C[†]

[†]<https://www.ifrs.org/-/media/feature/meetings/2018/june/iasb/ap11c-di.pdf>

Step 3: Process for drafting disclosure objectives and requirements

- The Board's considerations will include:
 - the **language** used in disclosure objectives and requirements;
 - how to make sure cross-standard issues are avoided—for example, **repetition** of requirements, **conflicting requirements** or **multiple similar requirements** in different IFRS Standards; and
 - effective communication – ie how to draft disclosure objectives and requirements so that they most **effectively communicate the Board's intent**
- This topic will be discussed at the July Board Meeting

- 1) Do you have any suggestions for the Board about how it can maximise the effectiveness of stakeholder liaison to help develop specific disclosure objectives? (see slide 9)
- 2) Do you have any suggestions for the Board about its process for developing and drafting disclosure objectives and requirements? (see slides 11 and 12)

Selecting Standard(s) for Review

Shortlisted Standards

- Based on feedback received in the Principles of Disclosure project 9 Standards have been shortlisted for review:

Comment letter
feedback on the
March 2017
Discussion Paper

User outreach
programmes

Feedback from
consultative
groups

- The IASB is unlikely to consider any recently issued Standards or Standards for which a Post-Implementation Review will be taking place in the foreseeable future.

Issues identified with the shortlisted Standards

- Stakeholders have provided feedback that each of the shortlisted Standards have some or all of the following problems:

1 Lack of, or insufficient disclosure objectives

2 Disclosure requirements that are:

Duplicative

Lengthy

Incomplete

Not useful

Costly to produce

Difficult to understand

Overly prescriptive

3 Disclosure requirements that often result in insufficient or boilerplate information in the financial statements

Shortlisted Standards

IAS Standards

IAS 7	<i>Statement of Cash Flows</i>
IAS 12	<i>Income Taxes</i>
IAS 16	<i>Property, Plant and Equipment</i>
IAS 19	<i>Employee Benefits</i>
IAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>

IFRS Standards

IFRS 2	<i>Share-based Payment</i>
IFRS 3	<i>Business Combinations</i>
IFRS 8	<i>Operating Segments</i>
IFRS 13	<i>Fair Value Measurement</i>

Selecting one or two Standards

At the July Board Meeting, staff will ask the Board to select one or two Standard(s) for review

The staff will recommend that the Board selects Standard(s) that:

- 1) Provide relevant material for testing Guidance for the Board
 - the selected Standards should contain many of the issues identified by respondents to the Principles of Disclosure Discussion Paper (see slide 16);

AND

- 2) Would benefit individually from a review of disclosure requirements
 - users would receive more useful information if the disclosure requirements in the Standard(s) are improved

Question for ASAF Members

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- 3) Which one or two Standard(s) from the list on slide 17 would you recommend that the Board selects for Targeted Standards-level Review of Disclosure? Why?

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