Disclosure Initiative—Project Update

Principles of Disclosure and Targeted Standards-level Review of Disclosures

CONTACTS

Siobhan Hammond  shammond@ifrs.org  +44 (0) 20 7246 6937
Aishat Akinwale  aakinwale@ifrs.org  +44 (0) 20 7246 6910
Kathryn Donkersley  kdonkersley@ifrs.org  +44 (0) 20 7246 6970

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## Agenda

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Background
The IASB has identified three main concerns about disclosures in financial statements:

- not enough relevant information
- too much irrelevant information
- ineffective communication

Enabling preparer judgement + Improved disclosure requirements = Improved disclosures & better communication
Where are we on the project timeline?

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<tr>
<th>March 2017</th>
<th>April – October 2017</th>
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<td>Further research and analysis on some topics in the <em>Principles of Disclosure</em> project</td>
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Principles of Disclosure
Principles of Disclosure—next steps

• Added a project on targeted standards-level review of disclosure requirements in IFRS Standards

• Perform **further research and analysis** before making next step decisions on:

  **Topics specifically considered in the Discussion Paper**
  - Which accounting policies to disclose

  **Location of information**
  - IFRS information outside the financial statements
  - Non-IFRS information inside the financial statements

  **Other topics highlighted by respondents**
  - Effect of technology and digital reporting
  - Materiality
    - Consider the practical effect of recent publications such as the Materiality Practice Statement
Principles of Disclosure—next steps

- Decided **not to pursue further** the following topics in the Principles of Disclosure project:

### Topics more relevant to the Primary Financial Statements project
- roles of the primary financial statements and the notes
- presentation of EBIT and EBITDA
- presentation of unusual or infrequently occurring items
- fair presentation of performance measures

### Topics unlikely to contribute significantly to addressing disclosure problem
- use of formatting in the financial statements
- location of accounting policy disclosures
- location of disclosure objectives and requirements in IFRS Standards
- use of ‘present’ and ‘disclose’ in IFRS Standards
Targeted Standards-level Review of Disclosures
Targeted Standards-level Review of Disclosures—Overview

1. **Identify one or two Standards on which to test the guidance for the IASB**
2. **Develop guidance for the IASB itself to use when developing and drafting disclosure requirements**
   - **Improve guidance for the IASB**
3. **Test the guidance for the IASB by applying it to the test Standard(s)**
4. **Prepare an Exposure Draft of amendments to the disclosure requirements of the test Standard(s)**

- Develop guidance for the IASB itself to use when developing and drafting disclosure requirements
- Identify one or two Standards on which to test the guidance for the IASB
- Test the guidance for the IASB by applying it to the test Standard(s)
- Prepare an Exposure Draft of amendments to the disclosure requirements of the test Standard(s)
Targeted Standards-level Review of Disclosures—Overview

**Guidance for the IASB**

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

**Test the Guidance for the IASB**

- 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.
- This test will enable further improvements the Guidance developed for the IASB.
Guidance for the IASB
Three-step process

Step 1
How will the IASB use disclosure objectives in future?

Step 2
What process will the IASB use to develop the content of disclosure objectives and requirements?

Step 3
How will the IASB draft disclosure objectives and requirements?

Board Discussion

May 2018

June 2018 (expected)

July 2018 (expected)
Step 1: Use of disclosure objectives—specific disclosure objectives

• The IASB 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)
The IASB 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 13. This might relate to, for example, an unusual material item or transaction, or other entity specific information.
Question for the Boards

1. In light of the FASB’s experiences with their Disclosure Framework projects:

   a) how did the FASB approach the development of guidance for itself for the *Disclosure Framework: Board’s Decision Process* project; and

   b) do the FASB Members have any advice or thoughts on the IASB developing guidance for itself to use in developing disclosure objectives and requirements in future?
Selecting Standard(s) for Review
Shortlisted Standards
Shortlisting process

- The staff have shortlisted 9 Standards for review.
- This was based on feedback received in the Principles of Disclosure project, specifically through:
  - 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

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<th>Statement of Cash Flows</th>
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<td>Employee Benefits</td>
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<td>IAS 21</td>
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| IFRS Standards | IFRS 2 | Share-based Payment |
|               | IFRS 3 | Business Combinations |
|               | IFRS 8 | Operating Segments    |
|               | IFRS 13 | Fair Value Measurement |
Question for the Boards

2. In light of the FASB’s experiences with their Disclosure Framework projects:

a) how did the FASB approach selecting the Standards for review; and

b) do the FASB Members have any advice in light of their experiences reviewing the disclosure requirements of similar Standards to some of those shortlisted by the IASB—for example, Income Taxes, Defined Benefit Plans and Fair Value Measurements?
Contact us

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