

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

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

Slides

Background

4-5

Principles of Disclosure

7-8

Targeted Standards-level Review of Disclosures

Overview

10-11

Guidance for the IASB

13-16

Selecting Standard(s) for Review—Shortlisted Standards

18-21

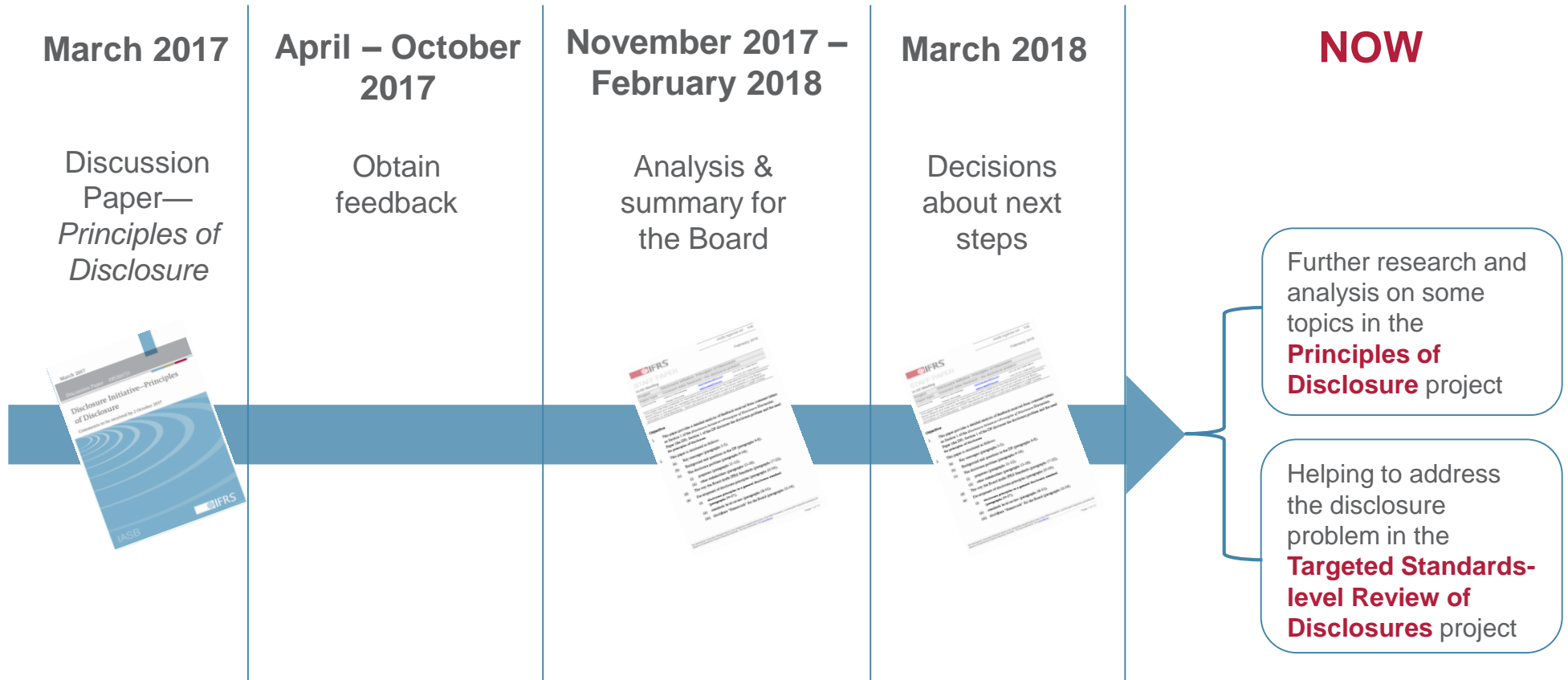
Background

Principles of Disclosure—the disclosure problem

- The IASB has identified three main concerns about disclosures in financial statements:
 - not enough relevant information
 - too much irrelevant information
 - ineffective communication



Where are we on the project timeline?



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

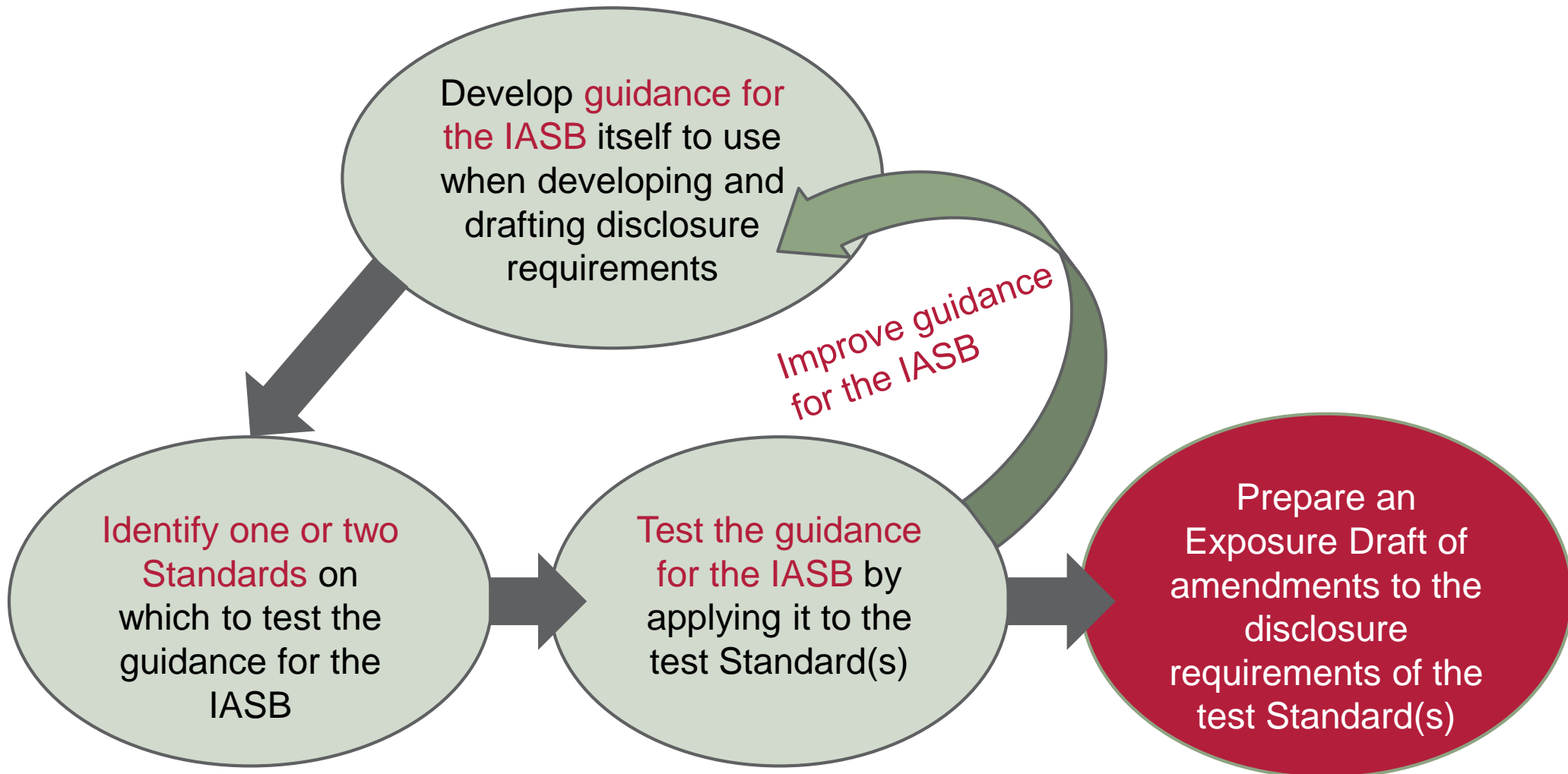
Topics unlikely to contribute significantly to addressing disclosure problem

- 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



Targeted Standards-level Review of Disclosures—Overview

11

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

Board Discussion

Step 1

How will the IASB use disclosure objectives in future?

May
2018

Step 2

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

June
2018
(expected)

Step 3

How will the IASB draft disclosure objectives and requirements?

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)

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

3

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**.

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

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>

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?

Keep up to date



@IFRSFoundation



IFRS Foundation



www.ifrs.org



IFRS Foundation

Comment on our work



go.ifrs.org/comment