

## STAFF PAPER

June 2018

## IASB Meeting

Project	Disclosure Initiative—Targeted Standards-level Review of Disclosures		
Paper topic	Guidance for the Board—Overview		
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## Objective

1. The objective of this paper is to summarise the staff's proposed approach to developing Guidance for the Board to use when developing and drafting disclosure objectives and requirements. The paper provides context for the Board when making decisions about individual elements of that Guidance.
2. This paper is an updated version of *May 2018 Agenda Paper 11A*. The updated information summarises decisions made by the Board on this topic to date (see paragraph 10).
3. This paper does not contain any questions for the Board.

## Overview

4. This paper is structured as follows:
  - (a) Background (paragraphs 5-7);
  - (b) Summary of approach and decisions made to date (paragraphs 8-13);
    - (i) *Step 1*: how the Board uses disclosure objectives;
    - (ii) *Step 2*: process for developing the content of disclosure objectives and requirements;
    - (iii) *Step 3*: drafting disclosure requirements;

- (iv) Overall summary of the draft Guidance.

## Background

5. In March 2017 the Board published the *Disclosure Initiative—Principles of Disclosure* Discussion Paper. 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.
6. While the Discussion Paper did not specifically discuss developing Guidance for the Board as a distinct and separate activity, almost all respondents to the Discussion Paper said the way the Board drafts disclosure requirements in IFRS Standards contributes to the disclosure problem (see *February 2018 Agenda Paper 11E*). In particular, they were concerned about:
- (a) lack of specific disclosure objectives in Standards;
  - (b) inconsistent or piecemeal drafting of disclosure requirements; and
  - (c) volume of prescriptive requirements.
7. In its March 2018 meeting, the Board considered how it could contribute to improving the disclosure problem. The Board decided, as a first step, to develop guidance for itself to use when developing and drafting disclosure requirements. The Board intended to develop this guidance as the first step in an iterative process to improve the disclosure requirements in IFRS Standards (see *March 2018 Agenda Paper 11B*). The Board decided to:
- (a) develop draft Guidance for the Board as a set of Board decisions (‘draft Guidance’);
  - (b) select one or two IFRS Standards (‘test Standard(s)’) on which to test the draft Guidance. Agenda Paper 11D for this meeting includes our initial staff analysis on selection of the test Standard(s);
  - (c) subsequently, apply the draft Guidance to the test Standard(s) with the intention of both:

- (i) improving the draft Guidance; and
- (ii) developing an Exposure Draft of proposed amendments to the disclosure requirements in the test Standard(s).

### Summary of approach

8. The staff are developing analysis and recommendations on this part of the project as a three-step process:
- (a) *Step 1*: how the Board will use disclosure objectives in future;
  - (b) *Step 2*: the process the Board will use to develop the content of disclosure objectives and requirements; and
  - (c) *Step 3*: how the Board will draft disclosure objectives and requirements.

#### ***Step 1: How the Board uses disclosure objectives (May 2018—Agenda Paper 11B)***

9. In its May 2018 meeting, the Board made decisions about how it will use disclosure objectives in future. This first step in developing draft Guidance responded to one of the central themes in the feedback received from respondents to the Discussion Paper. This feedback related to a lack of specific disclosure objectives in Standards. Many stakeholders think this makes it difficult for entities and others to understand why particular disclosure requirements exist. Consequently, it is difficult for entities and others to apply judgement in deciding whether a particular disclosure requirement is material because they do not understand what that disclosure requirement is intended to achieve.
10. In May 2018, the Board tentatively decided that when developing and drafting disclosure requirements in future, the Board will:
- (a) 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 primary users of financial statements are expected to do with the information;
  - (b) 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); and

- (c) continue to use high-level disclosure objectives within individual IFRS Standards. The purpose of these objectives would 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.

**Step 2: Process for developing the content of disclosure objectives and requirements (June 2018—Agenda Paper 11C)**

11. We think the second step in developing draft Guidance is to establish a process for *developing* disclosure objectives and requirements in Standards. This step will consider how the Board can ensure that the content of disclosure objectives and requirements is as effective as possible. For example:
- (a) in light of decisions made in Step 1: How will the Board get the information it needs to develop effective disclosure objectives? For example, how can the Board most effectively use outreach with users of financial statements, and other stakeholders?
  - (b) whether disclosure requirements should be developed alongside the relevant recognition and measurement requirements or as one package towards the end of a project?
  - (c) how to better integrate the development of the taxonomy into the standard-setting process?

**Step 3: Drafting disclosure requirements (expected July 2018)**

12. We think the third step is to develop guidance for *drafting* disclosure requirements in Standards. This step will consider how the Board can ensure that the way requirements are drafted effectively communicates the intent of those requirements. This step involves consideration of:
- (a) the language used in disclosure requirements;

- (b) how to make sure cross-standard issues are avoided—for example, repetition of requirements, conflicting requirements or multiple similar requirements in different Standards; and
- (c) effective communication of disclosure objectives and requirements.

***Overall summary of the draft Guidance (expected September 2018)***

13. Before moving on to apply the draft Guidance to the test Standard(s) (see paragraph 7), we will summarise all of the decisions made by the Board relating to the draft Guidance. At this point, we will ask the Board to:
- (a) consider whether it is happy with the draft Guidance (ie the collective outcome of Steps 1-3), or whether it would like to make any changes; and
  - (b) decide whether it is happy for the staff to move onto the next stage of the project: applying the draft Guidance to the test Standard(s).