

# Principles of Disclosure

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# Where are we?

March 2017

Discussion Paper—*Principles of Disclosure*



April - October 2017

Obtain feedback

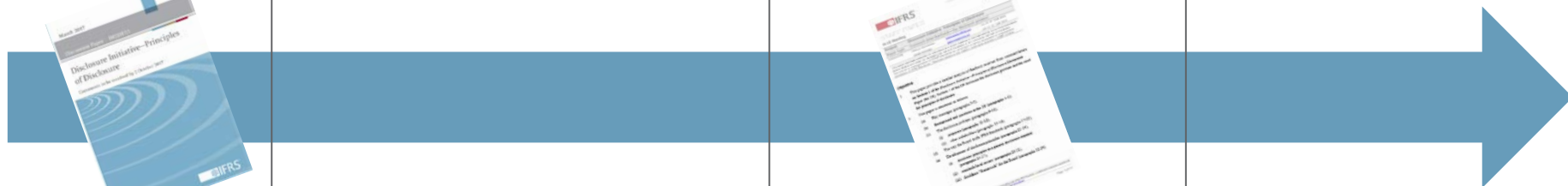
November 2017 – February 2018

Analysis & summary for the Board



**NOW**

Decide next steps



# Purpose of the session

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- In this meeting, we will:
  - Provide a brief summary of some of the feedback messages received in response to the Principles of Disclosure Discussion Paper
  - Ask GPF members for their thoughts on the feedback and their advice on next steps



# Addressing the disclosure problem

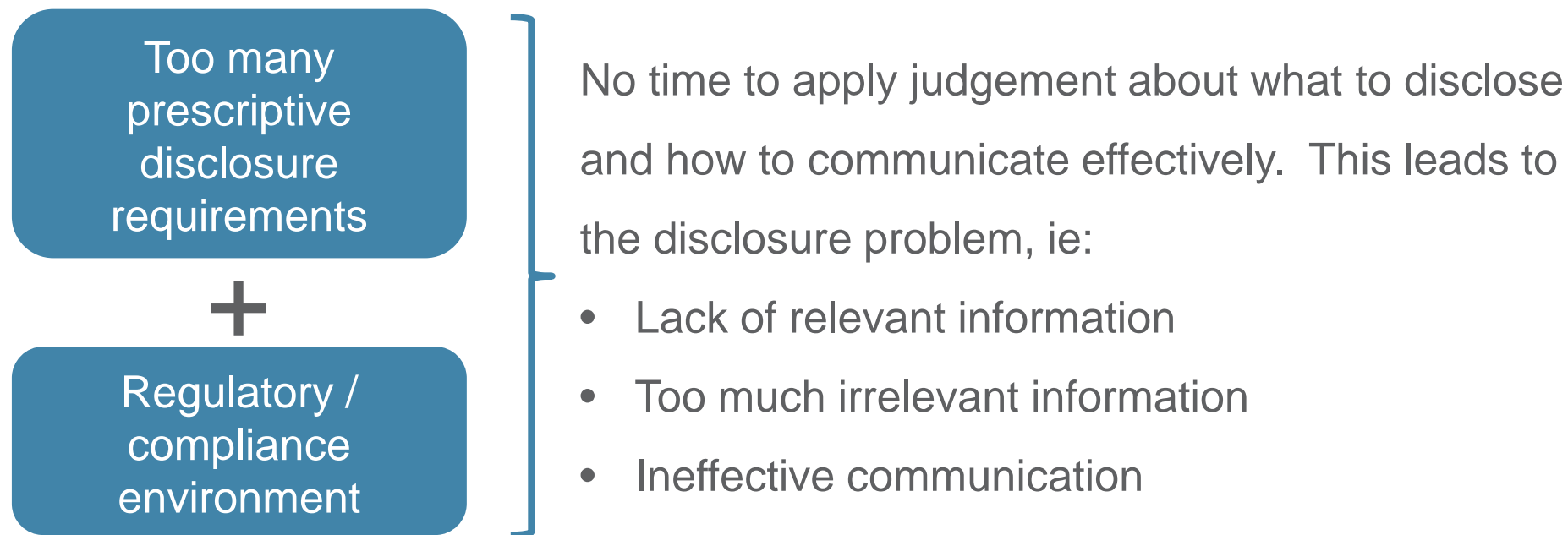
# Addressing the disclosure problem

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In summary...

- Many think that developing principles will not be enough to help solve the disclosure problem
- Many think the Board should review disclosure requirements in individual Standards
- However, different stakeholders have different expectations about what a standards-level review might do
- In deciding upon next steps, we would like to understand what preparers think about these different expectations

# Summary of preparer views



Consequently, some think the way to address the disclosure problem is to review requirements with a view to eliminating those that are perceived to be **unnecessary** or **duplicative**

Users are **most** concerned about lack of relevant information and ineffective communication

They are **less** concerned about too much irrelevant information

If the Board amend disclosure requirements in IFRS Standards, many agree this should be based on the information needs of users.

In light of user views, this could lead to **more** disclosure requirements rather than **less**.

# Possible objectives of a standards-level review

All of the following were different suggestions made by stakeholders:

## Possible objectives of a **targeted** review:

- Remove **unnecessary requirements** and/or **add additional requirements** (see slides 6 and 7)
- Review **particular IFRS Standards** for which stakeholders thought disclosure requirements could be improved

## Possible objectives of a **comprehensive** review

- Remove **prescriptive language** ('shall' and 'as a minimum')
- Link disclosure requirements in individual IFRS Standards to **materiality** considerations
- Achieve **consistency** in the balance of objectives based requirements and prescriptive requirements



# Questions to GPF

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- 1) Do you have any thoughts on the different views described on slides 6 and 7?
  
- 2) If the Board did perform a standards-level review of disclosure requirements, would you prefer:
  - A comprehensive review of all Standards?
  
  - A targeted review of specific Standards? Which ones?



# Project focus/prioritisation

# Project focus/prioritisation

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- In addition to developing disclosure principles, the Discussion Paper identified several other things the Board could do to help solve the disclosure problem
- Many think the Board needs to better focus the project – ie identify and prioritise the things that are **most** important
- On the next slide we have listed some of the topics covered in the Discussion Paper

Developing guidance or requirements on<sup>†</sup>....

Which accounting policies to disclose?

IFRS information outside the financial statements

Non-IFRS information inside the financial statements

Clarifying the use of 'present' and disclose in IFRS Standards

Formatting

Location of accounting policies

Higher  
priority??

Lower  
priority??

<sup>†</sup>See appendix for a summary of what the Discussion Paper said on each of these topics

- 1) Do you agree with the relative prioritisation described on slide 12?
- 2) Do you think the Board should undertake some or all of the activities listed on slide 12? Which ones?



# Technology

- The effect of technology and digital reporting was not addressed in detail in the Discussion Paper
- Nevertheless, many respondents thought the Board should consider the potential consequences of technology. For example:
  - what would effective communication look like in a digital reporting environment?
  - considerations about location and formatting might become less relevant
- Conversely, some say we can't predict how technology will change. Therefore, the Board's objective should be to help companies to improve communication in financial statements as they are now

# Question to GPF

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- 1) Do you think the Board should consider technology and digital reporting as part of the project? Why?



# Contact us

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## Comment on our work



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**This Appendix summarises at a high level what the Discussion Paper said about the topics listed on slide 12**

## Accounting Policies

The Board observed that users of financial statements often express concerns about how accounting policies are disclosed in the financial statements. In particular, the accounting policy section of an entity's financial statements can be long and unhelpful due to the lack of clarity around how to effectively communicate accounting policy disclosures.

In order to address these concerns, the Board considered developing guidance that:

- clarifies which accounting policies are necessary for understanding the financial statements
- explains how to better organise and locate information about accounting policies and significant judgements and assumptions

## IFRS information outside the financial statements / non-IFRS information inside the financial statements

The Board observed that duplication and fragmentation of information can make financial statements and annual reports more difficult to analyse and understand. In order to address these concerns, the Board considered whether:

- Information necessary to comply with IFRS Standards may be placed outside the financial statements, but within the annual report if:
  - it makes the annual report as a whole more understandable;
  - the financial statements remain understandable; and
  - the information is faithfully represented, clearly identified and incorporated into the financial statements by means of a cross-reference.
- Information labelled as ‘non-IFRS’ may be placed within the financial statements if it is clearly identified and explained and included in a list of ‘non-IFRS’ information.

## Clarifying the use of ‘present’ and ‘disclose’

Some stakeholders say that the Board should clarify the meanings of the terms ‘present’ and ‘disclose’ when using them to describe the location of information in the financial statements. The Board observed that the term ‘present’ usually describes providing information in the primary financial statements, whereas ‘disclose’ usually describes providing information in the notes. Nevertheless, the Board observed that the terms are not used exclusively in this way.

The Board considered whether to:

- prescribe the meaning of the terms; or
- specify the intended location as either ‘in the primary financial statements’ or ‘in the notes’, when subsequently drafting Standards.

## Formatting

The Board received feedback that more effective use of formatting would improve how entities communicate information. For example, some said that more frequent use of tables and graphs, where appropriate, helps users of financial statements to understand and compare information quickly. In order to address this feedback, the Board considered whether to develop guidance on formatting. This might cover, for example:

- types of formats;
- when one particular format is more appropriate than another; and
- illustrative examples.