

# Targeted Standards-level Review of Disclosures

Accounting Standards Advisory Forum

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ASAF agenda paper 11B

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

**The following slides are a copy of the briefing material used to facilitate outreach meetings with users of financial statements on the Targeted Standards-level Review of Disclosures project**

Overview

Timeline of disclosure review

Scope of IAS 19 and IFRS 13

Questions for investors

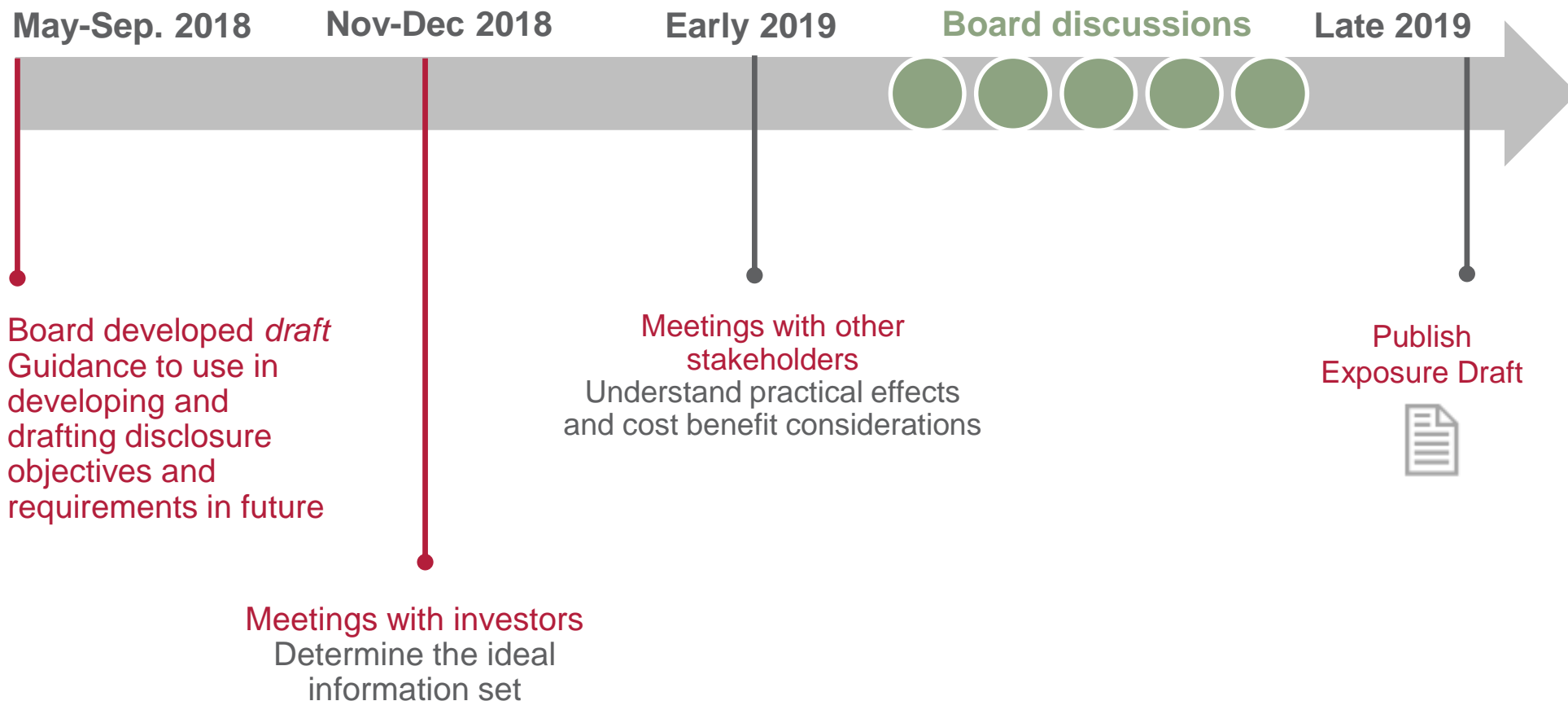
IFRS 13 disclosure feedback so far...

Appendix

- **A:** Existing IAS 19 disclosure requirements
- **B:** Existing IFRS 13 disclosure requirements
- **C:** Additional project details (Disclosure Initiative)

- The Board is performing a review of the disclosure requirements in IAS 19 and IFRS 13.
- The Board plans to use this information to **improve the disclosure requirements in IAS 19 and IFRS 13**, and to serve as a test case for improving the way it develops and drafts disclosure objectives and requirements in future.
- In particular, the Board is aiming to base all disclosure requirements on specific disclosure objectives. These objectives will explain:
  - **what** information users want;
  - **why** they want that information; and
  - **how** they will analyse that information.

# Timeline of disclosure review



## Applies to employee benefits\* ...

**provided to all employees**  
(full-time, part-time, permanent, temporary)

**however settled**  
(including payments in cash, goods or services)

**however provided**  
(including formal plans, legislative requirements, informal practice\*\*)

## Types of employee benefits



### Short-term employee benefits

Expected to be settled wholly before 12 months after the end of the reporting period



### Post-employment benefits

- Defined benefit plans
- Defined contribution plans



### Termination benefits



### Other long-term employee benefits

\* Except those to which IFRS 2 *Share-based Payment* applies.

\*\* that give rise to a constructive obligation where entity has no realistic alternative but to pay those benefits.

# Scope of IFRS 13

## IFRS 13 applies when...

another IFRS Standard requires fair value measurement for some or all items within its scope, with or without IFRS 13 disclosures

IFRS 3 *Business Combinations*\*

IFRS 9 *Financial Instruments*\*\*

IFRS 5 *Assets Held for Sale*\*\*

IAS 19 *Employee Benefits*\*,\*\*

IAS 36 *Impairment*\*,\*\*

IAS 41 *Agriculture*

another IFRS Standard permits fair value measurement, with IFRS 13 disclosures required

IAS 16 *Property, Plant and Equipment*

IAS 38 *Intangible Assets*

IAS 40 *Investment Property*

another IFRS Standard requires fair value information for items measured at cost

IFRS 9 *Financial Instruments*

IAS 40 *Investment Property*

\* IFRS 13 disclosures are not required

\*\* applied to some items in the scope of the Standard or to items in specific circumstances

# 1 Questions for investors—**analysis**



**How do you analyse employee benefit and fair value measurement information?**

- a) What are the inputs to your analysis for each topic?
- b) How do you use the information on each topic?
- c) Is there any analysis that you would like to do on each topic, but cannot because you don't have the information?



## 2 Questions for investors—**usefulness**



In the meeting materials are extracts from XXX\* annual reports.

- a) Can you highlight for us which disclosures are useful to you today, and why?
- b) Are there any disclosures for which an *alternative* piece of information would have been more useful? Why?
  - i. Are those disclosures provided by other companies that you analyse or are aware of?
- c) What are your views on the level of granularity provided? Would you like more or less disaggregation on any information?
- d) Are there any disclosures that you do not use at all?

\*For each user, we included example disclosures from companies they monitor

## 3 Questions for investors—**blank page**

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**If you had a blank page approach...**

- a) What would be your ideal information set on employee benefits and fair value measurement, and why?
- b) If relevant, can you distinguish between critical and 'nice to have' information for each topic?
- c) How granular does the information on each topic need to be to meet your needs?

# IFRS 13 disclosure feedback so far...

Below are some specific suggestions we've heard so far about ways in which existing IFRS 13 disclosure requirements could be improved. **Do you have any experience and/or agree with any of these suggestions—if so, how & why?**

- Require additional disclosures for Level 2 measurements, particularly disclosures about unrealised gains and losses recognised in profit or loss
- Require quantitative sensitivity analysis for investment property measured at fair value
- Specify whether quantitative sensitivity analysis should be presented on the basis of absolute or relative changes
- Specify whether the effects on profit or loss/OCI presented as part of sensitivity analysis should be pre-tax or post-tax
- Require the effects of foreign exchange to be included in its own line item in reconciliations of opening to closing balances on Level 3 measurements

# Appendices

# Appendix A:

## Existing IAS 19 disclosure requirements

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Disclosure requirements	Defined Benefit Plans (DBP)	Defined Contribution Plans (DCP)	Multi-employer plans (accounted for as a DBP)	Multi-employer plans (accounted for as a DCP)	DBP that share risks between entities under common control (accounted for as a DBP)	DBP that share risks between entities under common control (accounted for as a DCP)
Amount recognised as an expense		✓				
Characteristics of the plan and associated risks	✓		✓		✓	✓
Reconciliation from the opening balance to the closing balance of the net defined benefit liability (asset)	✓		✓		✓	
Reconciliation from the opening balance to the closing balance of any reimbursement rights	✓		✓		✓	
Description of the relationship between any reimbursement right and the related obligation	✓		✓		✓	
Disaggregation of the fair value of the plan assets into classes that distinguish the nature and risks of those asset	✓		✓		✓	✓
Fair value of the entity's own transferable financial instruments held as plan assets	✓		✓		✓	✓
Fair value of plan assets that are property occupied by, or other assets used by, the entity	✓		✓		✓	✓
Significant actuarial assumptions used to determine the present value of the defined benefit obligation	✓		✓		✓	✓
Sensitivity analysis to each significant actuarial assumption	✓		✓		✓	
Description of any asset-matching strategies used by the plan or the entity to manage risk	✓		✓		✓	
Description of any funding arrangements	✓		✓	✓	✓	✓
Expected contributions to the plan for the next annual reporting period	✓		✓	✓	✓	✓
Maturity profile of the defined benefit obligation, including the weighted average duration of the defined benefit obligation	✓		✓		✓	

# Appendix A (contd): Existing IAS 19 disclosure requirements

Disclosure requirements	Defined Benefit Plans (DBP)	Defined Contribution Plans (DCP)	Multi-employer plans (accounted for as a DBP)	Multi-employer plans (accounted for as a DCP)	DBP that share risks between entities under common control (accounted for as a DBP)	DBP that share risks between entities under common control (accounted for as a DCP)
Description of the extent to which the entity can be held liable to the plan for other entities' obligation			✓	✓		
Description of any agreed allocation of a deficit or surplus on wind-up of the plan or the entity's withdrawal from the plan			✓	✓		
Reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan				✓		
Information about any deficit or surplus in the plan that may affect the amount of future contributions				✓		
Indication of the level of participation of the entity in the plan compared with other participating entities				✓		
Contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy					✓	✓
Policy for determining the contribution to be paid by the entity					✓	✓

There are no specific disclosure requirements in IAS 19 for short-term employee benefits, other long-term employee benefits and termination benefits. Where necessary, disclosure requirements in other Standards (for example IAS 1 *Presentation of Financial Statements* and IAS 24 *Related Party Disclosures*) are to be disclosed.

# Appendix B:

## Existing IFRS 13 disclosure requirements

Disclosure requirements	Item measured at fair value						Item measured at cost, fair value disclosed		
	Recurring			Non-recurring			L1	L2	L3
	L1	L2	L3	L1	L2	L3			
Fair value at end of reporting period	✓	✓	✓	✓	✓	✓	✓	✓	✓
Reasons for the measurement				✓	✓	✓			
Level within fair value hierarchy	✓	✓	✓	✓	✓	✓	✓	✓	✓
Transfers between the levels in the hierarchy	✓	✓	✓						
Policy for determining when transfers between hierarchy have occurred	✓	✓	✓						
Description of valuation technique and inputs used		✓	✓		✓	✓		✓	✓
Changes to valuation technique and reasons		✓	✓		✓	✓		✓	✓
Quantitative information about significant unobservable inputs			✓			✓			
Reconciliation of opening and closing balance (including information on transfers in or out)			✓						
Unrealised gains/losses recognised in profit or loss			✓						
Description of valuation processes and policies			✓			✓			
Sensitivity to changes in unobservable inputs (narrative)			✓						
Sensitivity to reasonably possible change in assumptions (quantitative, for financial instruments only)			✓						
If highest and best use differs from current use, reasons why (non-financial assets only)	✓	✓	✓	✓	✓	✓	✓	✓	✓
If portfolio exception in paragraph 48 of the standard is applied (financial instruments only)	✓	✓	✓						

### Recurring fair value measurement

IFRS Standards require or permit FVM at the end of each reporting period. Applies to FVM for property, plant and equipment, financial instruments, intangible assets, investment property, and agricultural assets carried at fair value.

### Non-recurring fair value measurement

IFRS Standards require or permit in particular circumstances. Applies to FVM for assets held for sale and impaired assets.

### Draft guidance for the Board

- **How the Board will use disclosure objectives in future** (see slide 4).
- **What process the Board will use to develop the content of the disclosure objectives and requirements.**
  - Better involvement of stakeholders—in particular, primary users and preparers.
  - Consider disclosure objectives and requirements at all stages of the project.
- **How the Board will draft disclosure objectives and requirements.**
  - Use prescriptive language to require entities to comply with disclosure objectives.
  - Rely on IAS 1 description of materiality as pervasive rather than refer to materiality in the disclosure sections of individual IFRS Standards.

### Test the draft guidance for the Board

- The objective of the disclosure review will be to **improve the disclosure requirements in the selected test standards (IFRS 13 and IAS 19) 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.



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