

Targeted Standards-level Review of Disclosures

Accounting Standards Advisory Forum meeting

ASAF Agenda Paper 6
December 2021

Purpose of this session

- To provide a brief reminder of the proposals and a verbal update on the Board's outreach and fieldwork.
- To hear initial feedback from ASAF members' jurisdictions on the proposals.

Questions for ASAF members

- What feedback have ASAF members received from their jurisdictions on the proposed:
 - Guidance for the Board?
 - new disclosure requirements for IFRS 13 *Fair Value Measurement*?
 - new disclosure requirements for IAS 19 *Employee Benefits*?



Summary of the Board's proposals

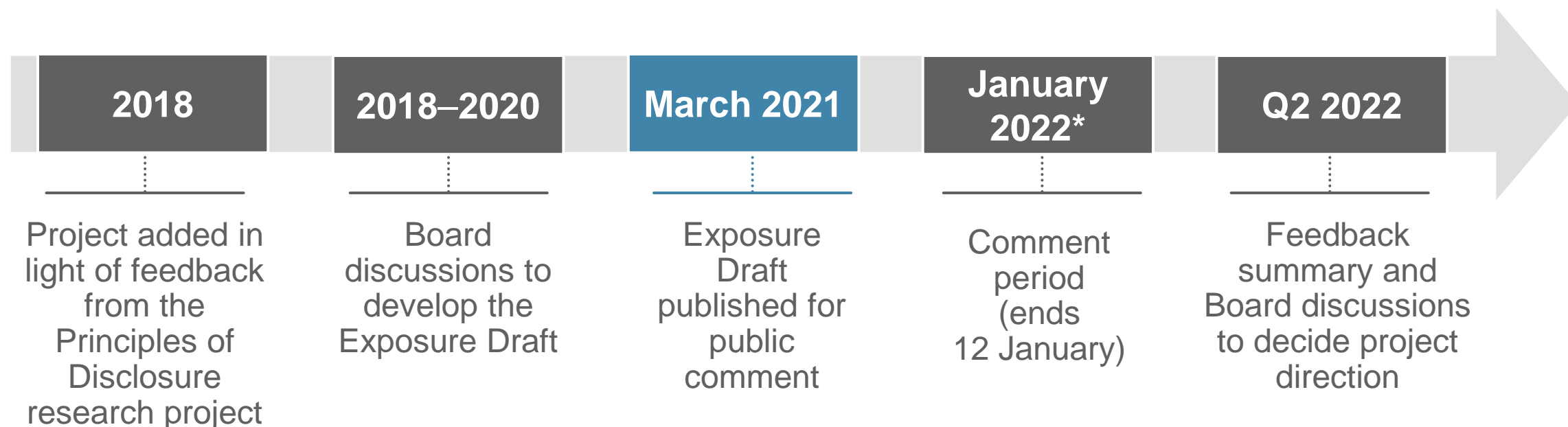
Project objective and timeline

Agenda ref 6



objective

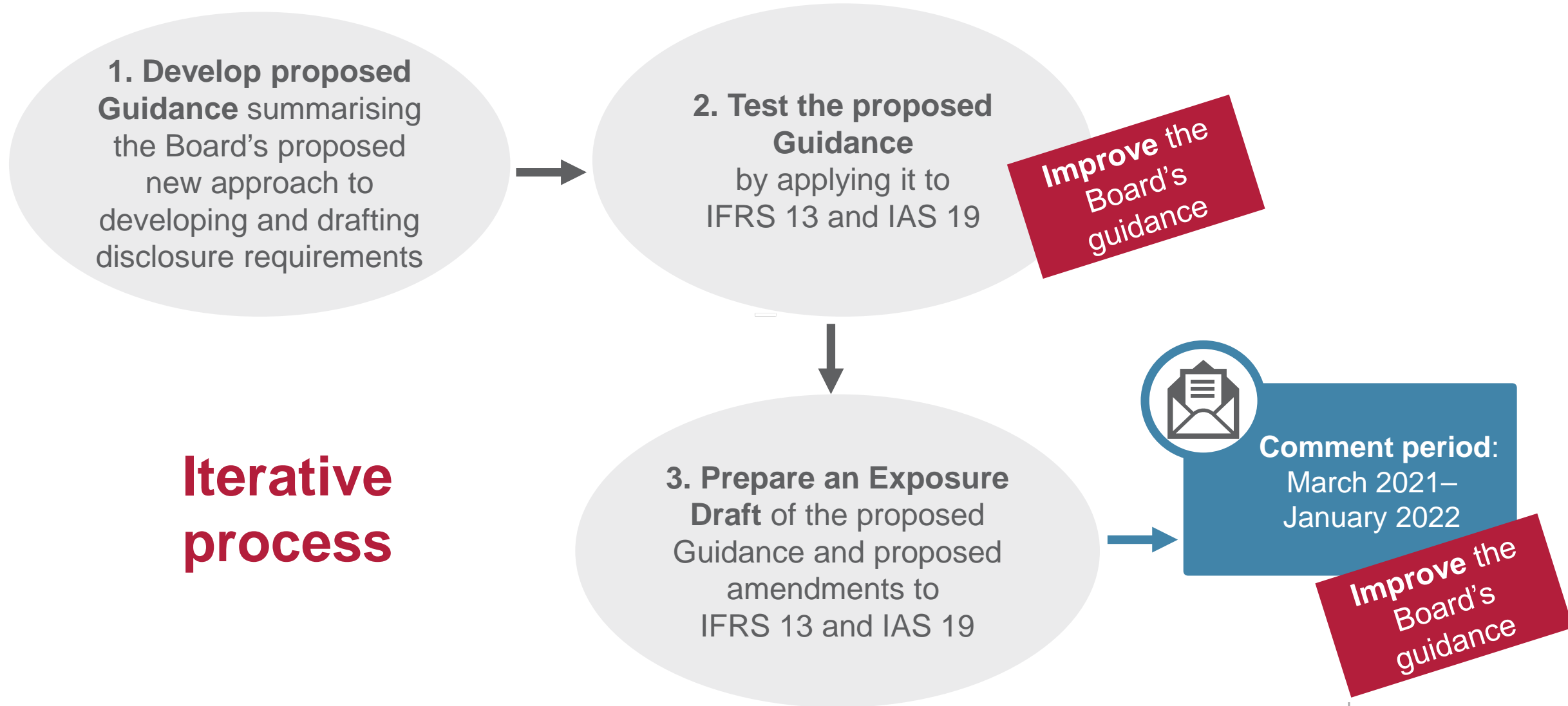
To improve the Board's approach to developing disclosure requirements in IFRS Standards, so companies can enhance their judgements in preparing the notes and provide more useful information for investors



*) At its July 2021 meeting, the Board decided to extend the comment period for the Exposure Draft.

Project approach

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**Iterative
process**

Overview of the proposed Guidance for the Board

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What stakeholders say

Board's main proposals



Companies may not always understand why information is useful, so they find it difficult to make effective judgements

A

Engage investors even earlier in the standard-setting process, and then develop specific disclosure objectives based on their information needs



The easiest way to achieve compliance is to apply disclosure requirements like a checklist

B

Require companies to comply with disclosure objectives that can only be met **by applying judgement**



Complying with high volumes of prescriptive requirements does not leave time to apply materiality judgements

C

Minimise requirements to disclose particular items of information, thus removing a perceived compliance burden



Key messages from stakeholders

Proper application of materiality is critical. Detailed disclosures often:

- focus on immaterial fair value measurements; and
- do not contain information about material fair value measurements.

Today's disclosures are onerous to prepare

Investors rarely ask a company questions about its detailed fair value measurement disclosures



Board's main proposals

- **Disclosure objectives that explain and focus on key investor needs**—for example, information about a company's exposure to uncertainties.
- Require companies to focus on the appropriate level of detail.
- Removal of a perceived Level 3 checklist by avoiding reference to particular levels of the fair value hierarchy.

Companies are **required** to satisfy disclosure objectives. Items of information will help companies to apply judgement.



Key messages from stakeholders

Focus on the risk: defined benefit plans

Investors prioritise information about future cash flow effects of defined benefit obligations

Ineffective communication about the effect of defined benefit plans on the primary financial statements is a problem

Many of today's disclosures are onerous to prepare



Board's main proposals

- **Disclosure objectives that explain and focus on key investor needs**—for example:
 - ✓ an 'executive summary' of amounts in the primary financial statements for defined benefit plans.
 - ✓ information about the future cash flow effects and risk exposure of defined benefit plans.
- Removal of less decision-useful and costly information, such as a detailed sensitivity analysis.

Companies are **required** to satisfy disclosure objectives. Items of information will help companies to apply judgement.



The Board's outreach and fieldwork to date

Verbal update from the IASB staff

A grayscale world map is the background, showing continents and a grid of dotted lines. Overlaid on the left side are several thick, curved, light-gray lines that sweep across the map from the bottom left towards the top right.

Questions for ASAF members



What feedback have ASAF members received from their jurisdictions on the proposed:

- Guidance for the Board?
- new disclosure requirements for IFRS 13 *Fair Value Measurement*?
- new disclosure requirements for IAS 19 *Employee Benefits*?

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