

# 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

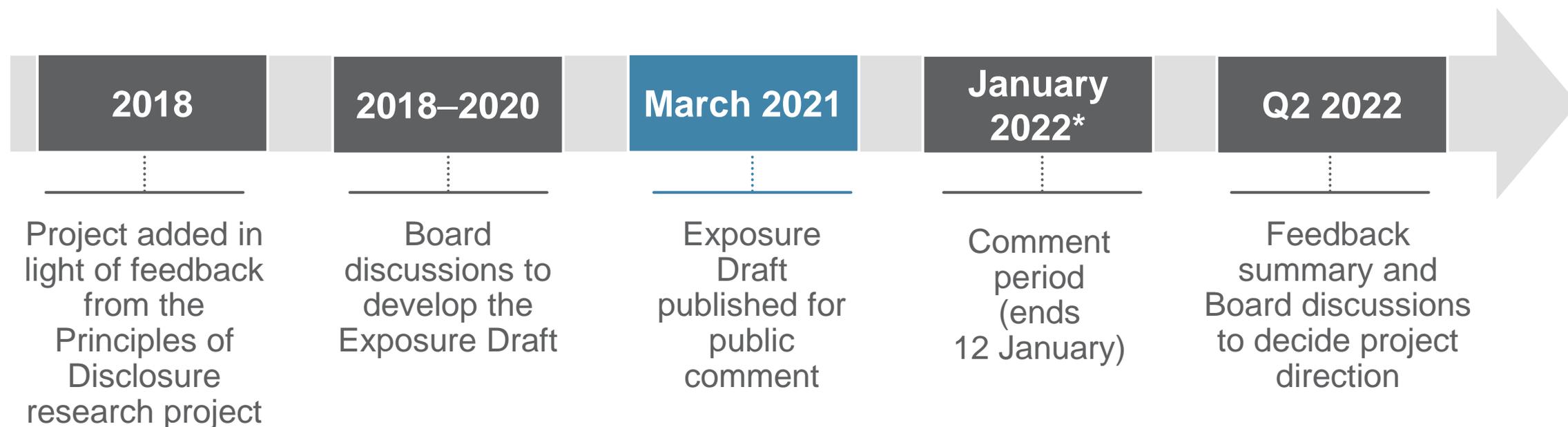
# Project objective and timeline

Agenda ref 6



**objective**

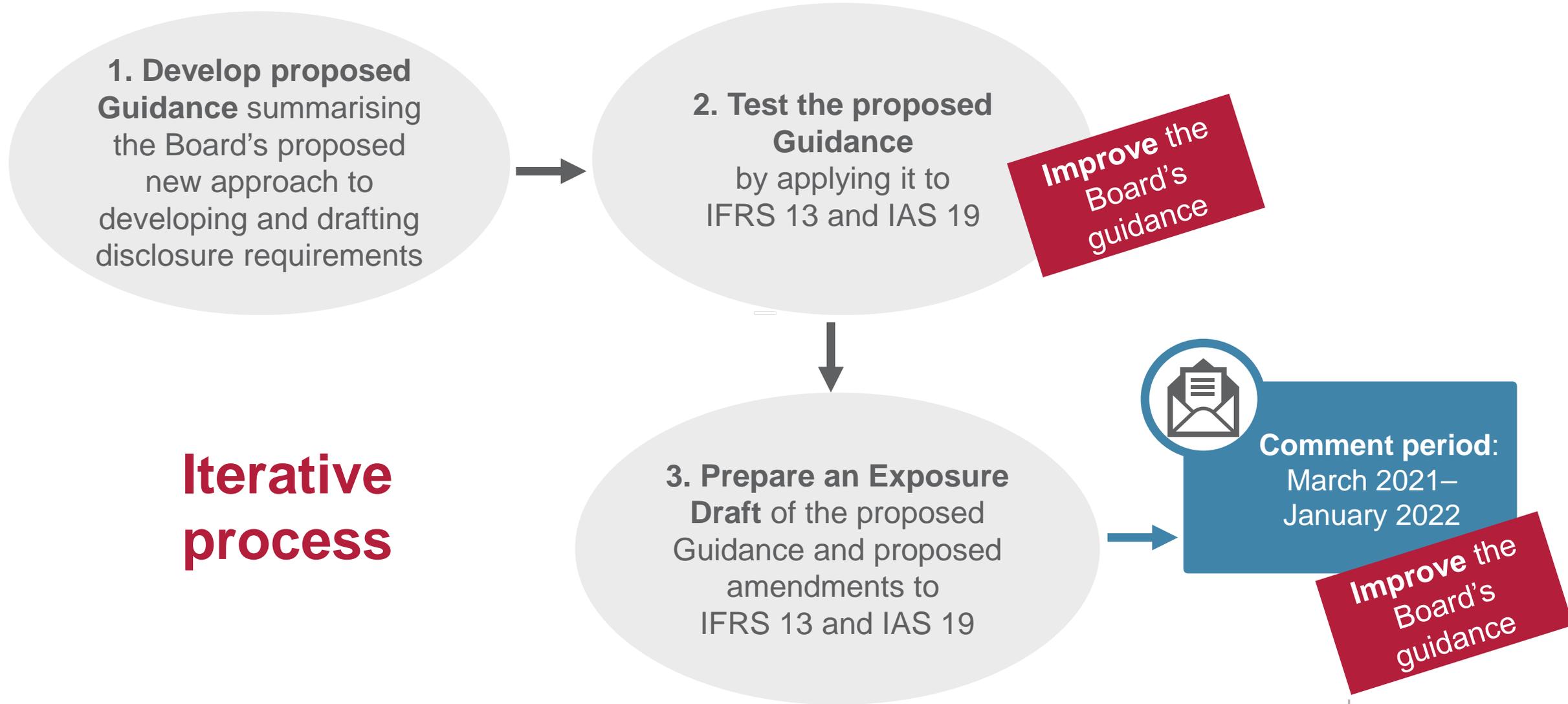
To improve the Board's approach to developing disclosure requirements in IFRS Standards, so companies can enhance their judgements in preparing the notes and provide more useful information for investors



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

# Project approach

Agenda ref 6



# Overview of the proposed Guidance for the Board

Agenda ref 6

## 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

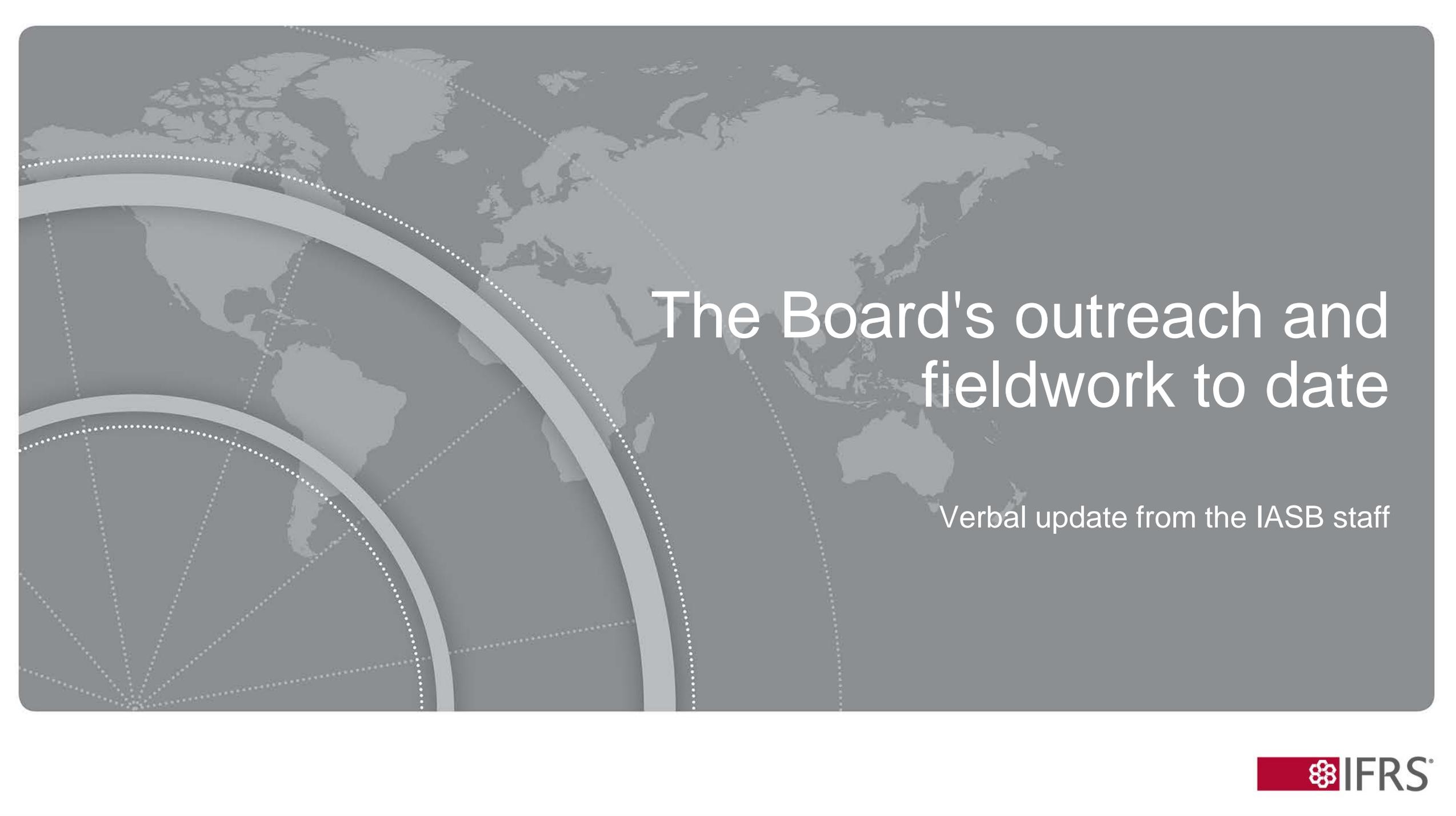
Many of today's disclosures are onerous to prepare



## 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 for the slide. Overlaid on the map are several thick, light gray curved lines that sweep across the continents. A network of thin, dotted white lines is also visible, connecting various points across the map, suggesting a global network or data flow.

# 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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