

STAFF PAPER

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Project	Disclosure Initiative: Targeted Standards-Level Review of Disclosures		
Paper topic	Preparer fieldwork—overview and participants		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Purpose and structure of this paper

1. In March 2021, the IASB published the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach* (Exposure Draft). The comment period on the Exposure Draft ended on 12 January 2022. During the comment period, 50 companies participated in fieldwork by applying the proposed disclosure requirements for one or both of IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*.
2. The purpose of this paper is to provide an overview of the fieldwork, including the participants. Agenda Papers 11B–11D summarise the fieldwork findings.
3. This paper is structured as follows:
 - (a) Background and overview (paragraphs 4–11);
 - (b) Fieldwork participants (paragraphs 12–17); and
 - (c) Appendix—fieldwork questionnaire.

Background and overview

Exposure Draft proposals

4. The Exposure Draft proposed a new approach to developing and drafting disclosure requirements in IFRS Standards (Guidance for the Board). The

proposed approach would have significant consequences on how stakeholders prepare, review, audit and enforce disclosures in financial statements. The Exposure Draft also proposed new disclosure requirements for IFRS 13 and IAS 19 (test cases) that were developed applying that approach. The test cases show stakeholders how the proposed approach would work in the Standards and, therefore, are intended to provide a robust basis for stakeholder feedback on how that approach would work in practice.

5. Paragraphs DG1–DG13 of the Exposure Draft describe the proposed Guidance for the Board. Applying the proposed Guidance, the IASB would:
- (a) require entities to comply with **overall disclosure objectives** that describe the overall information needs of users of financial statements. To comply with those objectives, entities would be required to assess whether information provided in the notes by complying with specific disclosure objectives is sufficient to meet the overall user information needs. If such information is insufficient, it would be necessary for entities to provide additional information to meet those user information needs.
 - (b) require entities to comply with **specific disclosure objectives** that describe the detailed information needs of users of financial statements. To comply with those objectives, entities would be required to disclose all material information for a transaction, other event or condition needed to meet the detailed user information needs. Specific disclosure objectives would be supplemented with explanations of what the information provided to meet those objectives is intended to help users of financial statements do.
 - (c) identify **items of information to meet each specific disclosure objective (items of information)**. Entities would need to apply judgement to determine the information they should disclose to satisfy the specific disclosure objective. The IASB would require entities to provide specific items of information only when the IASB has determined that those items of information are essential to meet the specific disclosure objective. Otherwise, and in most cases, the IASB would identify specific items of information that entities would not be required to disclose. Instead, those

items of information would be examples of what entities might disclose to meet the specific disclosure objective.

6. Paragraphs BC27–BC56 of the Basis for Conclusions on the Exposure Draft explain the process the IASB would follow to develop the disclosure objectives and items of information described in paragraph 5. This includes proposals about working closely with users of financial statements to understand their information needs in depth and reflect those needs in the proposed disclosure objectives. Paragraphs BC48–BC49 explain how the IASB will work closely with the IFRS Taxonomy team to understand the digital reporting consequences of new disclosure requirements developed applying the proposed new approach.

Fieldwork

7. The IASB asked the staff to perform fieldwork with preparers to explore the likely practical application of the proposals. We used a variety of methods to identify a broad range of fieldwork participants, including:
 - (a) requests to the Global Preparers Forum, Emerging Economies Group and various jurisdictional preparer and industry groups;
 - (b) working with National Standard-setters; and
 - (c) posting a notice to the IFRS Foundation website.
8. We asked participants to apply the proposed disclosure requirements for either or both test cases and:
 - (a) share their resulting disclosure note with us;
 - (b) complete a questionnaire about their fieldwork experiences (a copy of the questionnaire can be found in the Appendix); and
 - (c) meet with us to discuss the fieldwork.
9. Many participants provided all these deliverables, some provided one or two of them. Some participants did not provide a disclosure note because they said they would make few changes to their current disclosures. Some participants provided a template or proforma disclosure note (i.e., a note without numbers) or explained the changes they would make rather than providing the note itself. This was

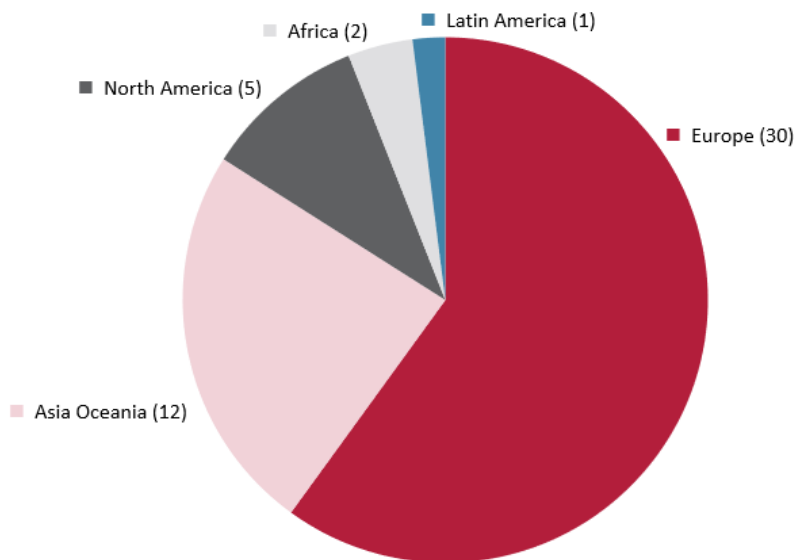
generally because of the costs of preparing a complete disclosure note (these costs are explored further in Agenda Papers 11B–11D).

10. Some participants discussed the fieldwork with their auditors or users of their financial statements—for example, sharing their resulting disclosure note with these stakeholders and incorporating their feedback. Findings arising from these interactions are included in Agenda Papers 11B–11E.
11. In some jurisdictions fieldwork participants also shared or discussed their fieldwork experiences with wider groups of stakeholders—such as national standard-setters, auditors, regulators and users of financial statements. These discussions have informed some of the comment letters and other feedback received from stakeholders other than preparers.

Fieldwork participants

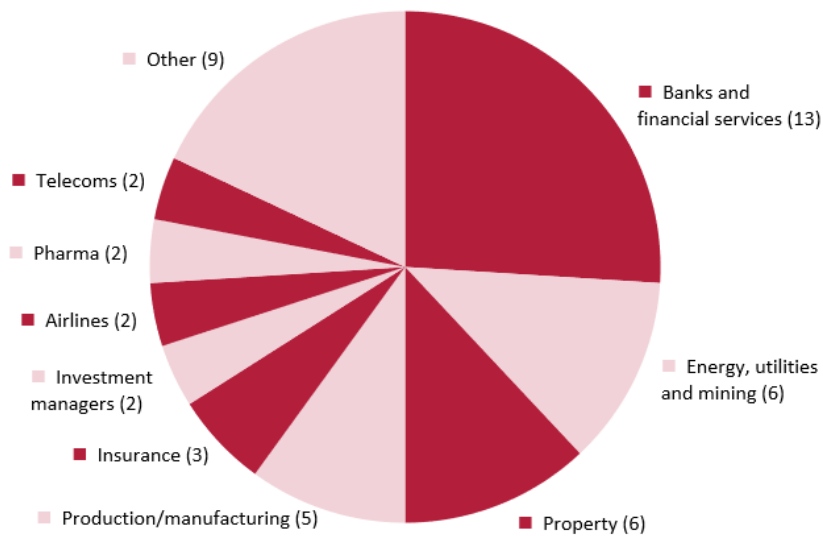
Geographical coverage

12. The pie chart below summarises the 50 fieldwork participants by jurisdiction:



Industry coverage

13. The pie chart below summarises the 50 fieldwork participants by industry:



Entity size

14. The IASB and stakeholders¹ have highlighted the importance of gathering input from entities of different sizes. The potential benefits of the proposals may be less likely to outweigh the costs for smaller entities. For example, smaller entities are likely to have fewer resources allocated to preparing disclosures. Consequently, small entities may face different or additional challenges when applying judgement to determine which information to disclose.
15. We sought to include smaller entities in the fieldwork. However, this proved difficult because it is generally large entities that volunteer to participate in the IASB’s work. In addition, we have heard from some smaller entities that they chose not to participate in the fieldwork because of the two selected test cases. They said fair value measurement and employee benefit disclosures are insignificant to their overall financial statements, or that all work relating to these disclosures is outsourced. Consequently, only a few participants who defined themselves as small participated. Where we did identify fieldwork findings

¹ For example, see [ASAF meeting summary June 2021 \(ifrs.org\)](https://www.ifrs.org/standards/updates/2021/06/asaf-meeting-summary-june-2021/)

specific to small entities we have highlighted them in Agenda Papers 11B–11D. However, most of the fieldwork findings relate to large entities.

16. Separately from the fieldwork exercise, we are aware that some National Standard-setters have undertaken specific activities to hear from small entities. Consequently, we expect further input about the likely effects of the proposals on these entities to come through the comment letter feedback.

References to fieldwork participants

17. Throughout Agenda Papers 11B-11D, we use the following terms to describe the extent to which fieldwork participants provided particular feedback:

<i>Term</i>	<i>Extent of response among participants</i>
Almost all	all except a very small minority
Most	a large majority, with more than a few exceptions
Many	a small majority or a large minority
Some	a small minority, but more than a few
A few	a very small minority

Question for the IASB

Does the IASB have any questions or comments about the fieldwork participants or the work they undertook?

Appendix—Fieldwork Questionnaire

A1. We asked fieldwork participants to complete the following questionnaire.

Process for determining how to satisfy disclosure objectives
<p>How did you determine the information to disclose to satisfy the disclosure objectives? In describing this process, please consider:</p> <ul style="list-style-type: none"> • the key factors you considered in determining the information to disclose. • whether the dialogue you have with your primary users was (or would be) necessary or helpful in determining the information to disclose. • whether you identified a range of possible disclosure items that would effectively meet the objectives in your circumstance and how the information eventually disclosed was selected. • the extent to which the following aspects of the proposals provided a sufficient basis for you to exercise judgement and identify information that is most useful in your circumstance: <ul style="list-style-type: none"> - the proposed disclosure objectives (<i>‘disclose information that enables users of financial statements to understand...’</i>) - the proposed explanations of what users will do with the information (<i>‘the information required by paragraph XX is intended to help users of financial statements...’</i>); and - the proposed items of information (<i>‘while not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph XX...’</i>).
<p>Did you have all the information you needed to meet the disclosure objectives or was it easily obtained? If not, what information was unavailable, costly or difficult to obtain and why?</p>
<p>Who at your organisation was involved in determining the information to disclose? Please describe the level and extent of their involvement. How did this compare to your normal disclosure practices?</p>
<p>What information do you think you would need to provide to your auditors to support the mock disclosures? Would this introduce additional costs? How would this compare to the information you currently provide to support your disclosures?</p>
<p>If the proposed amendments were to be finalised, what changes, if any, would you need to make to your disclosure systems and processes? How would any changes affect the amount of time it takes to finalise your disclosures?</p>
<p>Would you anticipate any other effects of satisfying disclosure objectives rather than prescriptive requirements to disclose particular items of information? For example:</p> <ul style="list-style-type: none"> • do you expect changes to the current level of dialogue you have with users? • do you think you would have more useful conversations with auditors and regulators about the information you disclose in your financial statements?

Overall, how did you find the experience of satisfying objective-based disclosure requirements as opposed to prescriptive requirements to disclose particular items of information?
Reporting outcomes
Is the information included in your mock disclosures similar to information you already disclose in your financial statements (or outside your financial statements, e.g. in management commentary or press release)? If not, please can you summarise the key differences?
Do you think your mock disclosures would provide information that is more useful to investors than is possible when applying the existing prescriptive requirements to disclose particular items of information? Why or why not?
How would you assess the overall cost of applying the proposed new requirements compared to applying the existing prescriptive requirements to disclose particular items of information? Please consider expected one-off costs in the first year of application and ongoing costs, if any.
Clarity of requirements
Were the proposed disclosure objectives clear? If not, please explain what was unclear and why?
Were the proposed explanations of what users would do with information provided clear? If not, please explain what was unclear and why?
Were the proposed items of information clear? If not, please explain what was unclear and why?
In the Exposure Draft, the Board proposes to use the language <i>‘While not mandatory, the following information may enable an entity to meet the disclosure objective in paragraph XX...’</i> to identify items of information. Is the language worded in a way that makes it clear you needed to apply judgement to determine the information to provide to meet the specific disclosure objectives? If not, what alternative language would you suggest and why?
Question specific to IFRS 13 proposals
Did your approach to the level of detail provided about fair value measurements in your financial statements change as a result of: <ul style="list-style-type: none"> • the requirement to consider the appropriate level of detail necessary to satisfy disclosure objectives (proposed paragraph 101 of IFRS 13); and/or • reduced references to particular levels of the fair value hierarchy throughout the proposals? Please explain why or why not.