

STAFF PAPER

July 2022

IASB® meeting

Project	Disclosure Initiative: Targeted Standards-level Review of Disclosures
Paper topic	Summary of feedback from ASAF on the possible courses of action
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Purpose of the paper

1. This paper summarises the feedback from the Accounting Standards Advisory Forum (ASAF) at its July 2022 meeting on the possible courses of action and the next steps in response to the feedback on the Exposure Draft [Disclosure Requirements in IFRS Standards—A Pilot Approach](#) (Exposure Draft).
2. The meeting was attended by representatives of the following ASAF members:

Abbreviation	Member
AcSB	Canadian Accounting Standards Board
ARD	Accounting Regulatory Department, Ministry of Finance, China
ASBJ	Accounting Standards Board of Japan
ANC	Autorité des normes comptables, France
AOSSG	Asian-Oceanian Standard Setters Group
ASCG	Accounting Standards Committee of Germany
EFRAG	European Financial Reporting Advisory Group
FASB	Financial Accounting Standards Board, United States
GLASS	Group of Latin American Accounting Standard Setters
KASB	Korea Accounting Standards Board

Abbreviation	Member
PAFA	Pan African Federation of Accountants
UKEB	UK Endorsement Board

Structure of the paper

3. This paper is structured as follows:
- (a) questions for ASAF members (paragraph 4); and
 - (b) summary of feedback from ASAF members (paragraphs 5–17).

Questions for ASAF members

4. [Agenda Paper 5](#) of the July 2022 ASAF meeting set out the possible courses of action and the next steps for this project, and asked ASAF members whether:
- (a) the arguments for and against each possible course of action, and the potential next steps were correctly analysed;
 - (b) a middle ground approach as illustrated in the paper would provide a better framework for enabling entities to make effective judgements;
 - (c) there is anything the IASB should do to help address the disclosure problem if the IASB were to terminate the project; and
 - (d) the IASB should further develop the proposed amendments to the disclosure requirements of IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits*.

Summary of feedback from ASAF members

Analysis of possible courses of action and a middle ground approach

5. Almost all ASAF members who commented agreed that the arguments for and against each possible course of action, and the potential next steps, were correctly analysed.

6. The ANC, ARD, ASCG, EFRAG, GLASS and UKEB members suggested the IASB develop a middle ground approach. In particular:
- (a) the ANC and EFRAG members viewed the use of disclosure objectives as helpful. These members supported requiring compliance with specific disclosure objectives and mandatory items of information. However, they questioned the need for overall disclosure objectives as they said the overarching requirements in IAS 1 *Presentation of Financial Statements* were enough to require entities to disclose material information that is not explicitly required by other Accounting Standards. Both members suggested the IASB use prescriptive language when referring to items of information.
 - (b) the ARD, ASCG and UKEB members said a middle ground approach could strike a balance between providing comparable information, while allowing entities to provide entity-specific information. The UKEB member suggested having mandatory items of information that would help entities with ‘simple business models’ to meet the specific disclosure objectives.
 - (c) the GLASS member supported a middle ground approach after considering its costs and benefits. However, the member acknowledged that such an approach, on its own, would not resolve the disclosure problem.
7. Conversely, the AcSB, AOSSG and KASB members disagreed with a middle ground approach, arguing that a middle-ground approach would not effectively solve the disclosure problem. The AcSB member said that, while AcSB supported the use of disclosure objectives, mandatory items of information may not help shift behaviours away from the checklist approach. The member, therefore, suggested the IASB think and clearly articulate what it would achieve through the middle ground approach. Furthermore, the KASB member viewed the disclosure problem as a combination of various factors, which a middle ground approach alone cannot resolve. These members said the IASB should develop further guidance on making materiality judgements about disclosures.
8. The ASBJ member suggested the IASB explain in an Accounting Standard how the information needs of users were considered in developing disclosure objectives and

how mandatory items of information are connected to those disclosure objectives. Such explanations would help entities make materiality judgements.

9. The AOSSG member expressed concerns about including a cross-reference to paragraph 31 of IAS 1 at the beginning of the disclosure section of each Accounting Standard. This member said that including this cross-reference would cause confusion as to how paragraph 31 of IAS 1 would apply to Accounting Standards that do not include such a cross-reference.

Proposed amendments to IFRS 13 and IAS 19

10. The AOSSG, ANC, ARD, EFRAG and UKEB members said the IASB should not proceed with the proposed amendments to IFRS 13 and IAS 19. Instead, these members suggested the IASB apply the proposed approach prospectively when developing new Accounting Standards in the future:
 - (a) the ANC, EFRAG and UKEB members said that, based on the results of preparer fieldwork conducted during the consultation period of the Exposure Draft, applying the proposals would not result in a significant change in the information provided by entities applying IFRS 13 and IAS 19.
 - (b) the ANC member said nearly half of the respondents who commented on the Exposure Draft did not comment specifically on the proposed amendments to IFRS 13 and IAS 19, which may indicate a limited interest among stakeholders to proceed with the proposed amendments.
 - (c) the ANC member also said the IASB has already devoted a lot of time and resources to the package of Disclosure Initiative projects and has done all it could to help address the disclosure problem, and therefore, should allocate its resources to other projects on its work plan.
 - (d) the ARD and UKEB members said the IASB should decide the direction of the project first, before considering the proposed amendments to IFRS 13 and IAS 19.
11. If the IASB decides not to proceed with the proposed amendments to IFRS 13 and IAS 19, the ANC member suggested the IASB publish a feedback statement. That

feedback statement could help entities apply some of the thought process in the disclosure proposals when applying the current disclosure requirements in IFRS 13 and IAS 19.

12. Conversely, the AcSB, ASBJ, ASCG and GLASS members supported amending IFRS 13 and IAS 19:
 - (a) the AcSB member said AcSB the current disclosure requirements in IAS 19 are unpopular with both users and preparers of financial statements;
 - (b) the ASBJ member said some disclosure proposals in IFRS 13 and IAS 19 would result in entities providing useful information to users of financial statements;
 - (c) the ASCG member said finalising the proposed amendments to IFRS 13 and IAS 19 would provide a framework that might be useful when the IASB undertakes major new projects in the future; and
 - (d) the GLASS member said that amendments to IFRS 13 regarding Level 2 fair value measurements that are closer to Level 3 would result in useful information.

Digital reporting

13. The ANC, AcSB, ASCG, EFRAG and FASB members commented on the relationship between this project and digital reporting. These members said that digital reporting is changing the way financial information is being used and, therefore, the IASB should continue to closely monitor the developments in digital reporting. In particular, the AcSB member also said that developments in climate and sustainability reporting highlight the importance of digital reporting.
14. The ANC member said that the disclosure problem was acute when this project was initiated. However, as the project has progressed, developments in digital reporting mean that users can extract the information they need more easily. Therefore, the disclosure problem is now less severe.

Other comments

15. The AcSB and FASB members highlighted the limits of standard-setters' ability to address the disclosure problem, especially when different stakeholder groups have different views about individual aspects of the disclosure problem. Drawing from its experience in exploring changing the way disclosure requirements are written, the FASB member said auditors are often unwilling to move away from the use of checklists. If the IASB decides not to prescribe items of information, auditors or regulators are likely to develop their own checklists.
16. The AcSB and FASB members also expressed concern about the ability of small-sized and medium-sized entities to make the materiality judgements required by the proposals. If the IASB decides to finalise the proposed approach, the AcSB member said the IASB should continue to carry out education and monitoring activities to ensure a shift in behaviours, particularly among small-sized and medium-sized entities.
17. The ARD and KASB members highlighted the importance of guidance or illustrative examples for their stakeholders. In particular, the KASB member suggested including disclosure objectives in the basis for conclusions on the Accounting Standards, as well as guidance or illustrative examples to help entities decide what information is material and should be disclosed.