Introduction

1 This Guidance was developed as part of the IASB's project Disclosure Initiative—Targeted Standards-level Review of Disclosures. The Guidance provides the IASB with a framework for developing and drafting disclosure requirements in IFRS Accounting Standards. The rationale of the Guidance is that such disclosure requirements, when applied by an entity, provide users of financial statements with useful information at a cost that does not exceed the benefits of its provision.

2 The IASB might need to adapt its application of this Guidance to the specific circumstances of the individual projects. For example, it might be difficult for the IASB to apply the Guidance in full when amending the disclosure requirements in an Accounting Standard issued before the Guidance was developed.

3 Although this Guidance is based on the requirements in the *Due Process Handbook*, it does not form part of the IASB's due process.[1]

4 The IASB will use its experience of developing and drafting disclosure requirements across different projects, and its understanding of the effects of applying those disclosure requirements, to update the Guidance as and when required.

Purpose of disclosure requirements

5 The *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) says that the objective of financial statements is to provide financial information about a reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the reporting entity and in assessing management's stewardship of the entity's economic resources.

6 That financial information is provided:

(a) in the statement of financial position, by recognising assets, liabilities and equity;

(b) in the statement(s) of financial performance, by recognising income and expenses;

(c) in other statements and notes, by presenting and disclosing information about:

(i) recognised assets, liabilities, equity, income and expenses, including information about their nature and about the risks arising from those recognised assets and liabilities;

(ii) unrecognised assets and liabilities, including information about their nature and about the risks arising from them;

(iii) cash flows;

(iv) contributions from holders of equity claims and distributions to them; and

(v) the methods, assumptions and judgements used in estimating the amounts presented or disclosed, and changes in those methods, assumptions and judgements.

1 In its October 2022 meeting, the IASB discussed the reasons for not including the Guidance in the *Conceptual Framework for Financial Reporting* or the *Due Process Handbook*.

7 Disclosures in the financial statements also include information about:

(a) transactions and other events that have occurred after the end of the reporting period if providing that information is necessary to meet the objective of financial statements; and

(b) possible future transactions and other possible future events (forward-looking information) if that information:

(i) is useful to users of financial statements; and

(ii) relates to an entity's assets or liabilities—including unrecognised assets or liabilities—or equity that existed during or at the end of the reporting period, or to income or expenses for the reporting period.

8 As part of the *Primary Financial Statements* project, the IASB is developing descriptions of the roles of the primary financial statements and the notes. Primary financial statements—statement(s) of financial performance, statement of financial position, statement of changes in equity and statement of cash flows—provide a structured summary of a reporting entity's recognised assets, liabilities, equity, income, expenses and cash flows. Such a summary is useful because it enables users of those financial statements:

(a) to obtain an understandable overview of the entity's assets, liabilities, equity, income, expenses and cash flows;

(b) to make comparisons between entities, and between reporting periods for the same entity; and

(c) to identify items or areas about which users of financial statements may wish to seek additional information in the notes.

9 The role of the notes is:

(a) to provide further information that is necessary for users of financial statements to understand the items included in the primary financial statements; and

(b) to supplement the primary financial statements with other information that is necessary to meet the objective of financial statements.

10 An implication of the roles of the primary financial statements and the notes is that the amount of information required in the notes typically will be different from that required in the primary financial statements, namely:

(a) to provide the summary of information about the entity's assets, liabilities, equity, income, expenses and cash flows, information presented in the primary financial statements is more aggregated than information disclosed in the notes; and

(b) to meet the objective of financial statements, more detailed information about the entity's assets, liabilities, equity, income, expenses and cash flows—including disaggregation of information presented in the primary financial statements—may be required in the notes.

11 Therefore—given the objective of financial statements and the different roles of the primary financial statements and the notes—the purpose of the disclosure requirements in an Accounting Standard can be stated as to require an entity to disclose the following types of information in the notes, if such information is useful to users of financial statements:

(a) information that supplements the information presented in the primary financial statements, including:

(i) disaggregation of information presented in the primary financial statements;

(ii) information about the nature of, and the risks arising from, recognised assets and liabilities;

(b) information about unrecognised assets and liabilities, including information about their nature and about the risks arising from them;

(c) the methods, assumptions and judgements used in estimating the amounts presented or disclosed, and changes in those methods, assumptions and judgements;

(d) information about transactions and other events that have occurred after the end of the reporting period; and

(e) forward-looking information relating to the entity's assets or liabilities—including unrecognised assets or liabilities—or equity that existed during or at the end of the reporting period, or to income or expenses for the reporting period.

12 Not every Accounting Standard will require the disclosure of every type of information described in the preceding paragraph.

13 Similarly, it is unnecessary for each Accounting Standard to explicitly refer to the need to make materiality judgements when applying disclosure requirements because:

(a) materiality is an overarching concept that applies across all Accounting Standards and across all requirements, including disclosure requirements;

(b) the inclusion of references to materiality in new Accounting Standards might create confusion about how this concept applies to Accounting Standards that have not been amended to include those references;

(c) entities might ignore such references, regarding them as mere boilerplate text; and

(d) if an Accounting Standard were to include well-drafted disclosure objectives and clearly linked items of information that satisfy those objectives, then entities, auditors and regulators would be able to understand what information users of financial statements need. In those circumstances, an entity would only be able to satisfy the disclosure objectives by making effective materiality judgements in relation to its disclosures. Auditors and regulators could then question those judgements.

Components of the disclosure requirements in an Accounting Standard

14 The disclosure requirements of an Accounting Standard that have been drafted in accordance with this Guidance will typically comprise three main components:

(a) an overall disclosure objective that describes the overall information needs of users of financial statements;

(b) specific disclosure objectives that describe the detailed information needs of users; and

(c) a description of the items of information that satisfy the specific disclosure objectives.

15 However, the disclosure requirements in every Accounting Standard need not include all three components. For example, the IASB could decide not to specify items of information if the purpose of a specific disclosure objective were to require an entity to disclose entity-specific information.

16 To enable entities to make effective materiality judgements, the IASB, when drafting disclosure requirements, will typically:

(a) include an overall disclosure objective that provides context of the overall user information needs to enable an entity to make materiality judgements and apply the requirements about specific disclosure objectives and items of information;

(b) require an entity to comply with specific disclosure objectives;

(c) support each specific disclosure objective with explanations of user assessments that rely on information an entity would disclose in satisfying the specific disclosure objective; and

(d) link a specific disclosure objective with items of information that an entity is required to disclose to satisfy that specific disclosure objective.

Overall disclosure objective

17 The IASB uses an overall disclosure objective in an Accounting Standard to provide an Accounting Standard-specific context of the overall user information needs to enable an entity to make materiality judgements and apply the requirements about specific disclosure objectives and items of information. Paragraph 31 of IAS 1 *Presentation of Financial Statements* says that an entity:

(a) need not provide a specified disclosure required by an Accounting Standard if the information resulting from that disclosure is not material; and

(b) should also consider if additional disclosures are necessary if compliance with the specified requirements in an Accounting Standard is insufficient to enable users of financial statements to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance.

18 The overall disclosure objective prompts an entity to consider whether applying the requirements about the specific disclosure objectives and items of information would result in disclosing material information to enable users of financial statements to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance.

19 The IASB will ensure that the focus of an overall disclosure objective is closely aligned with the objective of financial statements and the purpose of disclosure requirements. (See section *Purpose of disclosure requirements*.)

20 Example 1 illustrates a context-setting non-prescriptive overall disclosure objective drafted in accordance with this Guidance.[2]

Example 1—Overall disclosure objective

A The overall objective of paragraphs B–H is for an entity to disclose in the notes information that enables users of financial statements:

(a) to assess the effects of the net defined benefit liability (asset), and changes in it, on the entity's financial position, financial performance, and cash flows; and

(b) to evaluate the risks and uncertainties arising from the net defined benefit liability (asset).

21 IAS 1 includes the general principles for aggregation or disaggregation of information. It is unnecessary to repeat those general principles in every Accounting Standard containing a disclosure objective drafted in accordance with this Guidance. However, the IASB might use overall disclosure objectives in an Accounting Standard to provide guidance on how an entity applies the general principles of aggregation or disaggregation of information to the disclosure requirements in that Accounting Standard.

2 Examples 1–4 in this Guidance are based on the amendments to IAS 19 *Employee Benefits* proposed in the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*. These examples do not represent the requirements in IAS 19 and simply illustrate how the requirements could be drafted in accordance with this Guidance.

22 Example 2 illustrates specific guidance on the aggregation or disaggregation of information.[3]

> *Example 2—Guidance on aggregation or disaggregation*
>
> B The appropriate level of aggregation or disaggregation may vary for different items of information, and may depend on the nature of the information and on the disclosure objective that information would contribute to satisfying. Characteristics that could result in aggregation or disaggregation of information about defined benefit plans include:
>
> (a) geographical region;
>
> (b) regulatory environment;
>
> (c) characteristics of the plan (for example, flat salary pension plans, final salary pension plans, or post-employment medical plans);
>
> (d) composition of the plan participants (for example, active members, deferred members, or pensioners);
>
> (e) funding arrangement (for example, wholly unfunded, wholly funded, or partly funded); and
>
> (f) reporting segment.

Specific disclosure objectives

23 The IASB uses specific disclosure objectives to describe the detailed information needs of users of financial statements and uses the prescriptive language 'shall' to require an entity to comply with those disclosure objectives. To comply with specific disclosure objectives, an entity is required to use its judgement in order to identify and disclose material information that satisfies those objectives.

24 The IASB will make every effort to describe precisely the detailed information needs of users of financial statements. A specific disclosure objective will be accompanied by an explanation of user assessments that rely on information an entity discloses in satisfying that specific objective. The explanation is intended to help an entity identify material information that is required to be disclosed to satisfy the specific disclosure objective.

25 The IASB will ensure that the focus of specific disclosure objectives is closely aligned with the objective of financial statements and the purpose of disclosure requirements. (See section *Purpose of disclosure requirements*.)

3 See Footnote 2.

26 Example 3 illustrates a specific disclosure objective drafted in accordance with this Guidance.[4]

> *Example 3—Specific disclosure objective*
>
> C An entity shall disclose information that enables users of financial statements to understand:
>
> (a) the amounts, and the components of those amounts, associated with the net defined benefit liability (asset) included in the reported financial performance, reported financial position and reported cash flows; and
>
> (b) the reasons for change in the net defined benefit liability (asset) from the beginning of the reporting period to the end of that period.
>
> D That information is intended to:
>
> (a) help navigate detailed disclosures about defined benefit plans, and reconcile the amounts disclosed to the aggregated amounts included in the primary financial statements;
>
> (b) help understand how the entity's financial performance was affected because of the different components of defined benefit cost; and
>
> (c) provide insights into the entity's prospects for future cash flows.

27 Users of financial statements seek entity-specific information in addition to information that is comparable across entities. To that end, the purpose of some specific disclosure objectives—such as those requiring an entity to disclose information about the nature of, and risks arising from, recognised assets and liabilities—is to require disclosure of entity-specific information.

Items of information

28 The IASB identifies items of information and uses the prescriptive language 'shall' to require an entity to disclose those items of information to satisfy a specific disclosure objective. In deciding whether to require disclosure of an item of information, the IASB will consider whether such information is likely to be useful to users of financial statements—that is whether the information is relevant and faithfully represents what it purports to represent.

29 The IASB explicitly links every item of information described in the disclosure section of an Accounting Standard to one or more specific disclosure objectives. Such links clarify the relationship between a specific disclosure objective and the items of information to be disclosed; and, therefore, they help an entity make effective materiality judgements about the information that it needs to disclose in order to satisfy the detailed information needs of users (as explained in the specific disclosure objective).

30 The items of information the IASB requires an entity to disclose are those typically required to satisfy the linked specific disclosure objective. The application of materiality could lead an entity to disclose one, some or all items of information specified in an Accounting Standard, or to disclose additional items of information not specified in the Accounting Standard if those additional items are required to satisfy the specific disclosure objective. The IASB decides, on a case-by-case basis, the number of items of information to be linked to a specific disclosure objective. As explained in paragraph 15, the IASB could decide it is unnecessary to complement a specific disclosure objective with items of information if, for example, the purpose of the specific disclosure objective was to make an entity disclose entity-specific information.

4 See Footnote 2.

31 Example 4 illustrates requirements about items of information drafted in accordance with this Guidance.[5]

Example 4—Items of information

E In satisfying the objective in paragraph C, an entity shall apply paragraphs F–H.

F An entity shall disclose in the notes a tabular reconciliation from the opening to the closing carrying amounts of the net defined benefit liability (asset)—identifying its components, which include plan assets, defined benefit obligation and the effect of the asset ceiling—grouping the changes into:

(a) those included in the statement of profit or loss;

(b) those included in the statement presenting comprehensive income;

(c) those included in the statement of cash flows; and

(d) other changes.

G Changes in the net defined benefit liability (asset) that an entity shall disclose in the reconciliation include:

(a) current service cost;

(b) past service cost;

(c) interest income or expense;

(d) the return on plan assets, excluding amounts included in interest income in subparagraph (c);

(e) actuarial gains or losses from changes in actuarial assumptions;

(f) actuarial gains or losses from changes in experience adjustments;

(g) gains and losses from settlements;

(h) contributions into the plan by the entity;

(i) contributions into the plan by plan participants;

(j) benefits paid out to plan participants;

(k) changes in the effect of limiting a net defined benefit asset to the asset ceiling;

(l) the effect of business combinations and disposals; and

(m) the effect of changes in foreign exchange rates.

H An entity shall also disclose additional information to achieve the objective in paragraph C. That additional information shall include a description of:

(a) the nature of the benefits provided by the defined benefit plans;

(b) plan amendments, curtailments and settlements in the reporting period; and

(c) minimum funding requirements or agreed funding commitments, if any.

5 See Footnote 2.

Developing disclosure requirements

32 Understanding the information needs of users of financial statements informs both the development of disclosure requirements in an IFRS Accounting Standard and the Accounting Standard's recognition and measurement requirements. The IASB works closely with users of financial statements and other stakeholders early in the standard-setting process to understand what information users want financial statements to contain, and what assessments they would do using that information. Gaining a good understanding of the information needs of users helps the IASB develop sufficiently specific disclosure objectives, clear explanations of the assessments that users make, and descriptions of the items of information that are required to be disclosed.

33 In developing disclosure proposals, the IASB is guided by the *Conceptual Framework*. User information needs are converted into disclosure proposals to the extent that those information needs are within the remit of the objective of financial statements (see section *Purpose of disclosure requirements*). The *Conceptual Framework* says general purpose financial reports, such as financial statements, do not and cannot provide all of the information that primary users need. Those users need to consider pertinent information from other sources, for example, general economic conditions and expectations, political events and political climate, and industry and company outlooks.

34 The IASB integrates the development of disclosure requirements with the development of recognition and measurement requirements. The IASB applies a consistent approach to developing disclosure requirements, particularly specific disclosure objectives and items of information. The approach involves:

(a) understanding the information needs of users of financial statements;

(b) discussing user information needs with preparers and other stakeholders;

(c) understanding the disclosures that are required to support recognition and measurement requirements;

(d) performing a cost–benefit analysis;

(e) understanding and documenting the effects of disclosure proposals and requirements; and

(f) considering the digital reporting implications when developing disclosure requirements.

Understanding the information needs of users of financial statements

35 During the research phase of a project, through its outreach meetings with users of financial statements and its consultation documents such as a request for information, research paper or discussion paper, the IASB typically seeks:

(a) to understand whether the information that users of financial statements already receive is sufficient;

(b) if the information is insufficient, to understand whether:

  (i) the recognition and measurement models do not support the information needs of users;

  (ii) the existing disclosure requirements are inadequate, or are not being applied as intended; and

(c) to stimulate discussion about possible approaches to filling any information gaps identified.

36 In developing a discussion paper or an exposure draft, the IASB typically seeks:

(a) to identify and understand, and then to clearly explain the information needs of primary users of financial statements;

(b) to gather initial feedback on the potential costs and benefits of disclosing information that satisfies those needs; and

(c) to develop proposals that effectively respond to the information needs of users and feedback on the cost of disclosing the information.

37 The IASB gets feedback from users through their comment letters on consultation documents. The IASB also seeks input from the international community of users by engaging with, for example:

(a) its consultative body, the Capital Markets Advisory Committee;

(b) user-consultative bodies of national standard-setters;

(c) user-representative groups around the world; and

(d) rating agencies, buy-side and sell-side analysts, portfolio managers and other investment professionals.

38 In all its outreach activities with users or through its consultation documents, the IASB typically seeks to understand:

(a) what information users of financial statements want an entity to disclose in the notes;

(b) why they are interested in that information;

(c) what assessments they make, or would make, using the information;

(d) what level of detail is required to meet their needs; and

(e) of the items of information they want, what information is central to the making of their assessments.

39 The IASB seeks to obtain sufficient feedback from its outreach activities to be able to develop and clearly explain specific disclosure objectives and the user assessments that rely on information an entity would disclose in satisfying the specific disclosure objectives.

Discussing user information needs with preparers and other stakeholders

40 The IASB seeks to understand from preparers and other stakeholders—such as auditors, regulators, national standard-setters and accountancy bodies—the potential costs, benefits and effects of disclosure requirements or disclosure proposals. To obtain input from those stakeholders, the IASB engages with, for example:

(a) its consultative groups, including the Global Preparers Forum and project-specific consultative groups;

(b) preparers and preparer-representative groups around the world;

(c) the Accounting Standards Advisory Forum, the Emerging Economies Group, national standard-setters, standard-setting bodies and accountancy bodies;

(d) accounting firms; and

(e) regulators and enforcement bodies.

41 In these outreach activities, or through its consultation documents, the IASB typically seeks to understand:

(a) whether and why applying a disclosure requirement or a disclosure proposal is, or would be, unduly onerous;

(b) whether the information needs addressed by a proposed requirement could be satisfied by requiring the disclosure of alternative items of information that would be less costly to prepare;

(c) what information entities typically disclose in the notes beyond that explicitly required by Accounting Standards—and, if so, why they do so;

(d) whether a disclosure requirement or a disclosure proposal is worded in a way that makes it possible, or would make it possible, for preparers, auditors, regulators and enforcement bodies to assess whether information disclosed, or that would be disclosed, is sufficient, or would be sufficient, to satisfy the disclosure objectives; and

(e) what jurisdictional disclosure requirements that are not required by Accounting Standards are considered useful.

Understanding the disclosures that are required to support recognition and measurement requirements

42 As well as considering user information needs when developing disclosure requirements, the IASB also considers disclosures that may be required to support recognition and measurement requirements. As it develops the recognition and measurement requirements, the IASB identifies:

(a) disclosure requirements that are required for users to understand the information resulting from applying the recognition and measurement requirements; and

(b) disclosures that provide useful information to users that cannot be provided through the recognition, measurement and presentation requirements in an Accounting Standard.

43 In many cases, feedback from stakeholders informs the IASB's discussions about disclosures that may be required to support recognition and measurement requirements. The IASB considers whether to hold further discussions with its advisory bodies, consultative groups or others if any clarification or additional feedback is necessary.

Performing a cost–benefit analysis

44 In analysing and developing any project proposals, including those related to disclosure, it is important for the IASB to consider their likely effects. This includes understanding the costs of disclosure proposals versus their expected benefits.

45 The IASB formalises and documents its analysis as part of an effects analysis developed for publication. The IASB considers the likely costs and benefits of disclosure proposals throughout the life of the project, and typically includes a question in an exposure draft requesting views on disclosure proposals and their potential costs and benefits.

Understanding and documenting the effects of disclosure proposals and requirements

46 The IASB draws on the knowledge it has acquired throughout the standard-setting process when preparing an effects analysis for inclusion in consultation documents and Accounting Standards. The purpose of this step is to communicate to stakeholders the IASB's expectations about:

(a) the benefits of the disclosure proposals or requirements, including the benefits of improved information for users;

(b) the likely effects and costs of disclosure proposals or requirements for entities, users and other stakeholders; and

(c) any other effects, such as the expected digital reporting or regulatory consequences of disclosure proposals or requirements.

47 Work performed earlier in a project often provides most of the information necessary for the IASB to document its effects analysis. However, the IASB considers whether further consultation with stakeholders is required to ensure it has a comprehensive understanding of the likely effects of disclosure proposals or requirements.

Considering the digital reporting implications when developing disclosure requirements

48 The IFRS Accounting Taxonomy is a system for classifying and structuring financial data in a manner which:

(a) allows tagging to make that data computer-readable; and

(b) helps users find, understand and compare large amounts of financial information to facilitate efficient financial analysis.

49 The IFRS Accounting Taxonomy:

(a) lists the computer codes (elements) that preparers can use to identify (tag) disclosures in financial statements prepared using IFRS Accounting Standards;

(b) describes the accounting meaning of each element and provides references to the Accounting Standards; and

(c) organises elements into groups and defines relationships between them, to help preparers and users of tagged financial statements find those elements more easily.

50 The IASB seeks to develop disclosure requirements that are worded in a manner that facilitates the digital consumption of the information that entities provide by applying those disclosure requirements. In developing disclosure requirements that can be applied effectively in both a digital reporting format and a paper-based format, the IASB seeks to understand whether:

(a) proposed disclosure requirements can be incorporated into the IFRS Accounting Taxonomy and taxonomy elements can be easily created from the wording in disclosure proposals;

(b) developing the IFRS Accounting Taxonomy highlights opportunities to improve disclosure proposals—for example, by more clearly specifying the information required to be disclosed; and

(c) common digital reporting practice highlights opportunities to improve the wording of items of information or to develop illustrative examples, and thereby to improve the IFRS Accounting Taxonomy elements, potentially leading to entities providing more comparable information and creating fewer extensions.

51 IFRS Accounting Taxonomy elements would only be created for information required by an Accounting Standard or items of information included in the illustrative examples that accompany the Accounting Standard. In accordance with this Guidance, IFRS Accounting Taxonomy elements would typically be created for: an overall disclosure objective; each specific disclosure objective; each item of information linked to a specific disclosure objective; and any additional items of information included in illustrative examples.

52 The IFRS Digital Reporting team reviews the drafting of proposed disclosure requirements and provides input for effects analysis before the publication of an exposure draft. Following the publication of an exposure draft, during the comment period and redeliberation phase of a project, proposals to update the IFRS Accounting Taxonomy are discussed with the IASB and the IFRS Taxonomy Consultative Group. Once the IASB has issued an Accounting Standard, the IFRS Accounting Taxonomy is updated, subject to consultation on the proposed changes.

Other drafting matters

Using consistent language

53 The consistent use of language can contribute to the consistent application of Accounting Standards. To help maximise the use of consistent language, the IASB:

(a) considers defining terms and concepts introduced in the disclosure requirements of an Accounting Standard.

(b) works with the IFRS Foundation's Translations, Adoption and Copyright team to consider how a term or concept is, or would be, defined when translated.

(c) avoids using the same words to signify different terms or concepts, and avoids using different words to signify the same term or concept. If the use of the same term with different meanings is unavoidable, the IASB considers if additional interpretative guidance, such as an explanatory paragraph, should be provided to explain why the term or concept has been used in a particular context; and clearly links each use of the term or concept to the related explanation.

(d) makes clear the intended location of information when using the terms 'present' and 'disclose' in an Accounting Standard. The IASB will use 'present in the primary financial statements' and 'disclose in the notes'.

Linking related requirements and guidance across Accounting Standards and other publications

54 Linking information across Accounting Standards and other IASB publications, such as IFRS practice statements:

(a) promotes the consistent drafting of disclosure requirements in Accounting Standards; and

(b) ensures the relationship between individual disclosure objectives and requirements in Accounting Standards, and the concept of materiality, is consistent and clear.

55 To minimise inconsistencies and any confusion about the intended relationships between disclosure requirements in different Accounting Standards, the IASB seeks to minimise duplication when developing disclosure requirements, for example by cross-referring between Accounting Standards. However, the IASB will do so only if that practice does not adversely affect the clarity of the disclosure requirements for preparers or the understandability of the resulting information for users.