

Financial reporting in a digital world

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Intro

Honourable President of the People's Republic of Bangladesh, Honourable Planning Minister of the Government of the People's Republic of Bangladesh, ladies and gentlemen.

It is great to be here with you at this important conference. We are in the middle of Dhaka's commercial district. It houses both the garment manufacturers that Bangladesh is widely known for and the local offices of large, international organisations like the World Bank. It brings together local and international. Just as this conference does.

I will touch upon three main points in my remarks today. First, how the uptake of IFRS Standards is strengthening accountability and enabling cross-border investments. Second, how technology is affecting financial reporting. Third, what the IASB is doing to aid electronic consumption of financial information.

IFRS Standards and accountability

The mission of the IFRS Foundation and the International Accounting Standards Board is to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets. 125 countries now require the use of IFRS Standards –including almost all of the South Asian countries.

The South Asian economies represent a huge market with lots of potential to investors. About a quarter of the world's population live here. Growth expectations are above the seven per cent mark¹.

Bangladesh is open to foreign direct investment, which reached record levels in 2015. Together with the ongoing work to strengthen the regulatory system, this will help the country progress toward becoming a middle-income country by 2021.

¹ IMF Regional Economic Outlook Update, Oct 2016

Investors, both foreign and domestic, need access to information they can trust. Information that helps them decide where to get the best return for their money. Trustworthy information enables both investors and regulators to hold company managers to account.

Digital transformation

That brings me to the focus of this year's conference, *Navigating Through Digital Transformation Towards Better Accountability*.

Technology affects everybody. The number of people with access to the internet is climbing towards 4 billion. This changes the way we act and interact. It brings a wealth of opportunities. It also makes some activities redundant.

I have been asked if financial reports will become redundant as investors and others get more direct access to a wider range of information. I don't think that will happen. Nine in ten investors surveyed by the CFA Institute say that annual reports are important to them². The more information that becomes available, the more important it is to be able to sift trustworthy information from the more spurious. Financial statements will remain relevant, even in a digital world.

Last year, the World Bank published a report called Digital Dividends³. It focused on how the development and spread of digital technologies have to be complemented by 'analogue' developments, such as improving the business climate and governance.

Better Communication

Let me now give you an overview of what the IASB is doing in both the analogue and the digital area.

Last year, the IASB completed a public consultation that asked our constituents around the world what we should focus our efforts on. This is an exercise we carry out to make sure we are aware of our stakeholders' needs and views. It gives us helpful input to determine our work plan.

The conclusion we reached, was that a central theme for our work until 2021 will be Better Communication in Financial Statements. Financial statements are important communication tools in the financial markets. This was highlighted at the SAFA Awards last night. We want to increase the communication effectiveness of financial statements.

² https://www.cfainstitute.org/Survey/survey_extensible_business_reporting_language_xbrl.pdf

³ <http://documents.worldbank.org/curated/en/961621467994698644/pdf/102724-WDR-WDR2016Overview-ENGLISH-WebResBox-394840B-OUO-9.pdf>

The IASB is close to completing the major technical projects that were required to fill the biggest gaps in our Standards. We have new Standards on financial instruments, revenue and leases. We will shortly issue a new insurance contracts Standard. We can then focus on improving what we have. This is our analogue work.

We will improve the primary financial statements, such as the statement of financial performance.

We will also improve the notes section in the financial statements. Soon, we will publish a Discussion Paper on the Principles of Disclosure to seek input from around the world to help shape our work. Please do contribute with comments.

Companies have told us they find it hard to determine what information to disclose and how to disclose it. The aim of our work is to identify current disclosure issues and deal with them. We will help preparers communicate information more effectively. We will work to make disclosures more useful to users of financial statements.

There are several factors affecting how easy it is to consume information: the content, how it is structured and how it is delivered. The work I have mentioned so far covers content and structure. I will now talk briefly about the delivery of financial statements. Our digital work.

Investors increasingly consume financial information electronically. Our job is to make it easy for them to access IFRS data electronically. We do that by developing an IFRS Taxonomy.

A taxonomy is a system for classifying something. It allows information to be structured. The IFRS Taxonomy is a classification system for IFRS reporting. It consists of elements that companies use to tag the information in their financial statements. This enables users to identify and extract the information they are interested in. It helps investors and others get timely and cost effective access to accurate information in an electronic format. It enables them to create customised reports to meet their specific needs and facilitates analysis.

Many investors currently rely on data aggregators for electronic data. There is an increasing trend among regulators to require tagging of financial statements. In the future, investors can extract data electronically from company reports more directly. That highlights why we continue to develop the IFRS Taxonomy.

Close

I would like to close by thanking the South Asian Federation of Accountants (SAFA) and the Institute of Chartered Accountants in Bangladesh (ICAB) for organising this important event. I look forward

to hearing more about how technological advancements affect different market participants in Bangladesh and the wider region.

Thank you for your attention.