

# International Financial Reporting Standards

GPF meeting, 2 March 2016  
Agenda paper 3A

## Disclosure Initiative: project update

*Principles of Disclosure* Discussion Paper – approaches  
to drafting disclosure guidance

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*please note that these slides include additional notes and graphs to be printed in colour.*

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# Agenda

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- Purpose of this session
- Disclosure Initiative – overview and time line
- *Principles of Disclosure* Discussion Paper – overview
- Appendix
  - Project by project descriptions
  - ‘10-point plan to improve disclosures’ progress

## Purpose of this session

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- The following slides are for the information of the GPF members and are aimed at providing an update about the Disclosure initiative with a specific focus on the Principles of Disclosure project.
- Most importantly the material available in these slides on the Principles of Disclosure project is meant to provide background information to the discussion under Agenda Paper 3B about ‘approaches to drafting disclosure guidance’.

## Disclosure Initiative

Completed projects

Amendments to IAS 1

Amendments to IAS 7

Implementation projects

Distinction between a change in accounting policy and estimate

Materiality

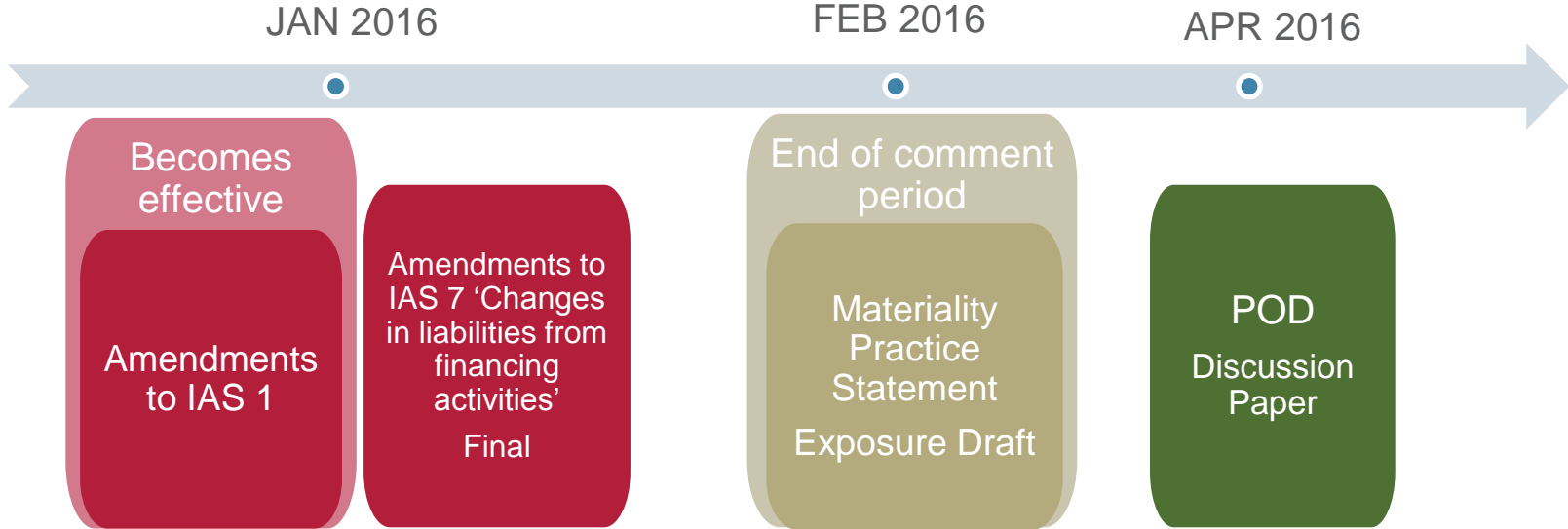
Research projects

Principles of Disclosure (POD)

Standards-level review of disclosures

Digital reporting ongoing activities

# Disclosure Initiative—Time line



Drafting guide and review of existing Standards

Behavioural change



## The Disclosure Problem

Too much irrelevant information

Too little relevant information

Poor communication

## Components of financial statements

Primary financial statements

Notes to the financial statements

## Improvements to principles of disclosure

Materiality and aggregation of information

Communication principles including format and linked information

## Application of the principles to specific issues

Placement of information

Accounting policies

Performance measures

**How to draft disclosure requirements  
(for the Board's use)**

# Thank you

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# Appendix

- 10-point plan progress
- Project-by-project descriptions

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# ‘10-point plan to improve disclosures’

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## The 10-point plan

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- In June 2013 we set out a 10-point plan to improve disclosures
  - eight quick possible measures, which could lead to ‘tangible results in the short run’; and
  - two more extensive measures requiring additional work by the IASB (‘the Board’).

# The 10-point plan – status

## 1-3 – clarify current materiality guidance

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in a Standard.

## 4-5 – Clarify guidance on the order of the notes, including accounting policies

- Remove language in IFRS Standards:
  - that implies a prescribed order of the notes; and
  - prevents flexibility about the location of accounting policies in the notes.

## 6 – net debt reconciliation

- Consider adding a net-debt reconciliation requirement.

## 7 – develop further guidance on materiality

- Consider creation of either general application guidance or educational material on materiality.
- Work with the IAASB and IOSCO.

## IAS 1 Amendments

- Final Standard published Q4 2014.

## IAS 7 Amendments

- Final Standard issued January 2016.

## Materiality Project

- ED Practice Statement published in October 2015.

# The 10-point plan – status continued

## 8 – disclosure objectives in new Standards

- Use less prescriptive wording for disclosure requirements
- Focus on disclosure objectives and examples of disclosures that meet that objective

## New Standard

- Good progress – Amendments to IAS 7.
- POD<sup>1</sup> project proposals on how to draft disclosure requirements.

## 9 – start research to create a new disclosure Standard

- Fundamental review of IAS 1 and IAS 8.
- Review of IAS 7 added to the Primary Financial Statements project.
- Revisit work done in Financial Statement Presentation project.

## POD Project

- DP planned for Q2 2016.
- Primary Financial Statements project added to the research agenda.

## 10 – undertake a general review of disclosure requirements in existing Standards

- Informed by the principles being developed in POD.
- Develop a drafting guide for use by the Board when developing disclosure requirements.

## Standards-level review of disclosures

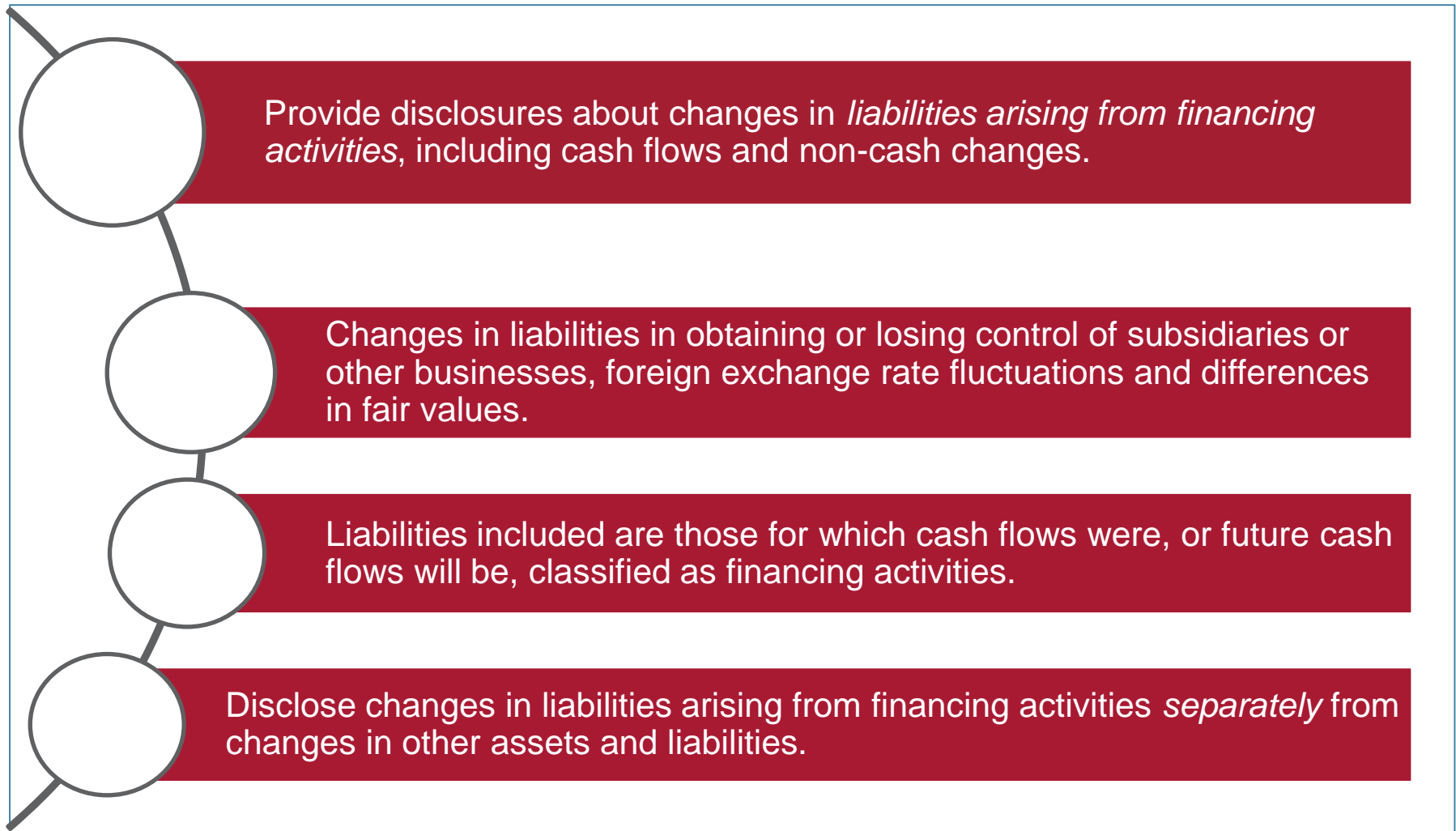
- Target review of disclosure requirements in progress.

<sup>1</sup>Principles of Disclosure

# Completed projects

# Amendments to IAS 1

- Clarify that including immaterial information can obscure material information
- Clarify that the materiality assessment applies to the whole of the financial statements, including the notes
- Clarify that the concept of materiality applies within each Standard
- Clarify that specified line items can be disaggregated
- Include guidance about subtotals
- Amend language that has been interpreted as prescribing the order of the notes
- Remove contradictory examples from the significant accounting policy disclosure requirements



# Implementation projects



## Objective

- Help preparers apply the concept of materiality.

## Contents

- General characteristics of materiality.
- Materiality within the context of disclosing information.
- Materiality within the context of recognition and measurement.
- Will NOT consider changes to the definition of materiality.

## General characteristics of materiality

Judgement

Decisions by primary users

Quantitative/qualitative

Individual/collective

## Presentation and disclosure in financial statements

Context – primaries/notes/financial statements as a whole

Aggregation/disaggregation

Immaterial information

Interim reporting

## Other topics

Recognition/measurement - practical expedients

Omissions and misstatements

# Distinction between a change in accounting policy and an estimate

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## Why

- Difficult to distinguish between changes in accounting policies and accounting estimates on the basis of the existing definitions.

## Research

- The Italian standard-setter (OIC) conducted surveys with preparers and investors in order to understand:
  - practical challenges in applying IAS 8; and
  - what information investors need when an entity makes an accounting change.

## Output

- Improve the existing distinction and disclosure requirements for when an entity changes an accounting estimate.
- Exposure Draft (*tentatively*) of a proposed amendment in 2H 2016.

# Research projects

## Components of financial statements

Primary financial statements

Notes to the financial statements

## Improvements to principles of disclosure

Materiality and aggregation of information

Communication principles including format and connected information

## Application of the principles to specific issues

Cross-referencing of information

Accounting policies

Non-IFRS information/  
performance measures

How to draft disclosure requirements (for the Board's use)

## Why

- The way some IFRS disclosure requirements are written has been identified by some as contributing to the disclosure problem.

## Output

- Drafting guide for the disclosure requirements of Standards.
- Informed by POD Discussion Paper feedback.
- Potential amendments to Standards.