

# Disclosure Initiative: Review and update

With an overview of the  
*Principles of Disclosure Discussion Paper*

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- Board's theme for 2017-2021—*Better Communication*
  - Includes Disclosure Initiative and other projects
- Disclosure Initiative—Overview and update
- Disclosure Initiative Project updates:
  - Completed Projects
    - Amendments to IAS 1 *Presentation of Financial Statements*
    - Amendments to IAS 7 *Statement of Cash Flows*
  - Implementation Projects
    - Draft Practice Statement *Application of Materiality to Financial Statements*
    - Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* Exposure Draft
  - Research Projects
    - *Principles of Disclosure* Discussion Paper
    - Standards-level review of disclosures
- Disclosure Initiative time line

- A central theme for 2017-2021.
- Our theme of *Better Communication* will include our work on:
  - primary financial statements
  - the Disclosure Initiative, including projects on principles of disclosure and materiality
  - the IFRS Taxonomy.™
- The scope of some of these projects, such as primary financial statements, is still being developed. Other topics, such as materiality, are more advanced.

## Disclosure Initiative

Completed projects

Implementation projects

Research projects

Amendments to IAS 1: removing impediments to exercising judgement

Amendments to IAS 7: changes in liabilities from financing activities

Amendments to IAS 8: accounting policy vs accounting estimate

Materiality Practice Statement

Principles of Disclosure

Standards-level review of disclosures

Ongoing activities: Digital reporting/IFRS Taxonomy

# Disclosure Initiative—Fitting the projects together

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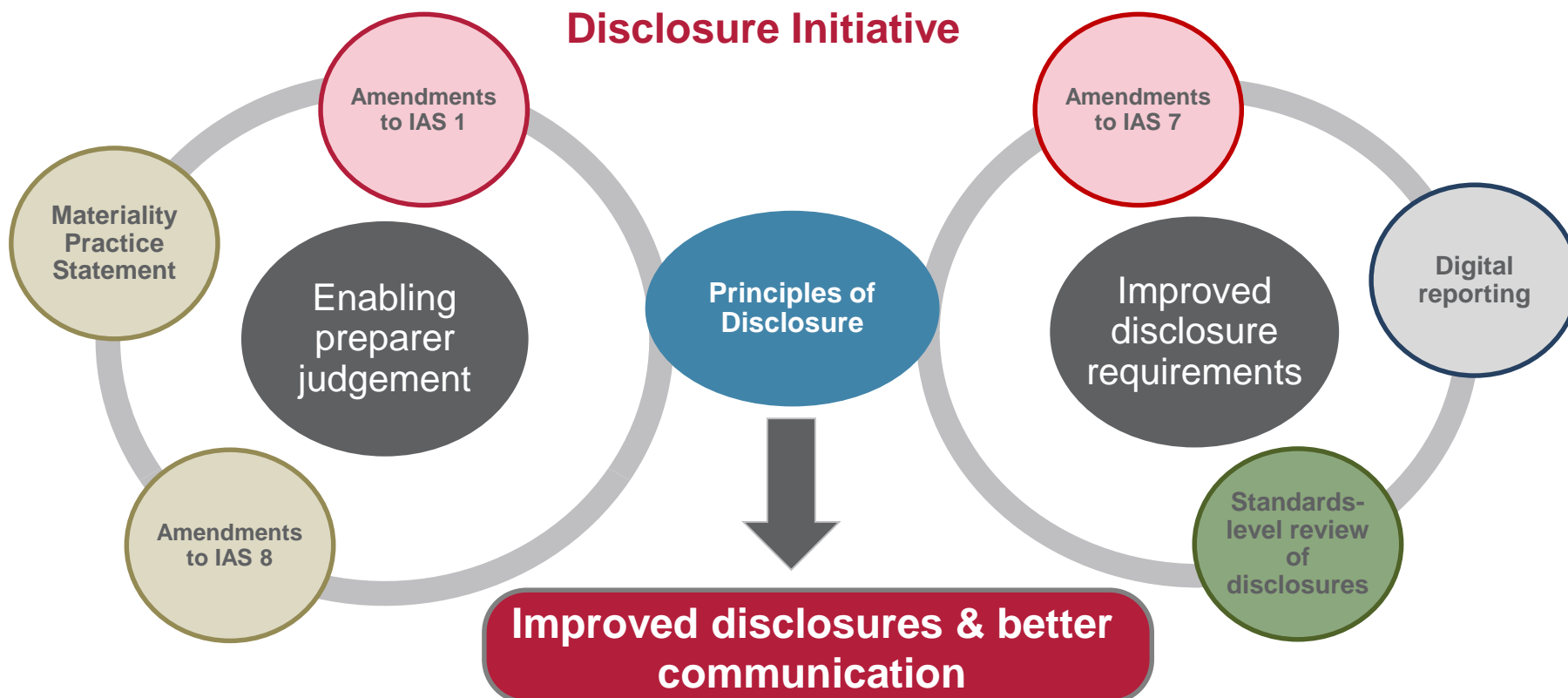
## Disclosure problem?

Too much irrelevant  
information (overload)

Not enough relevant  
information

Poor communication

## Disclosure Initiative

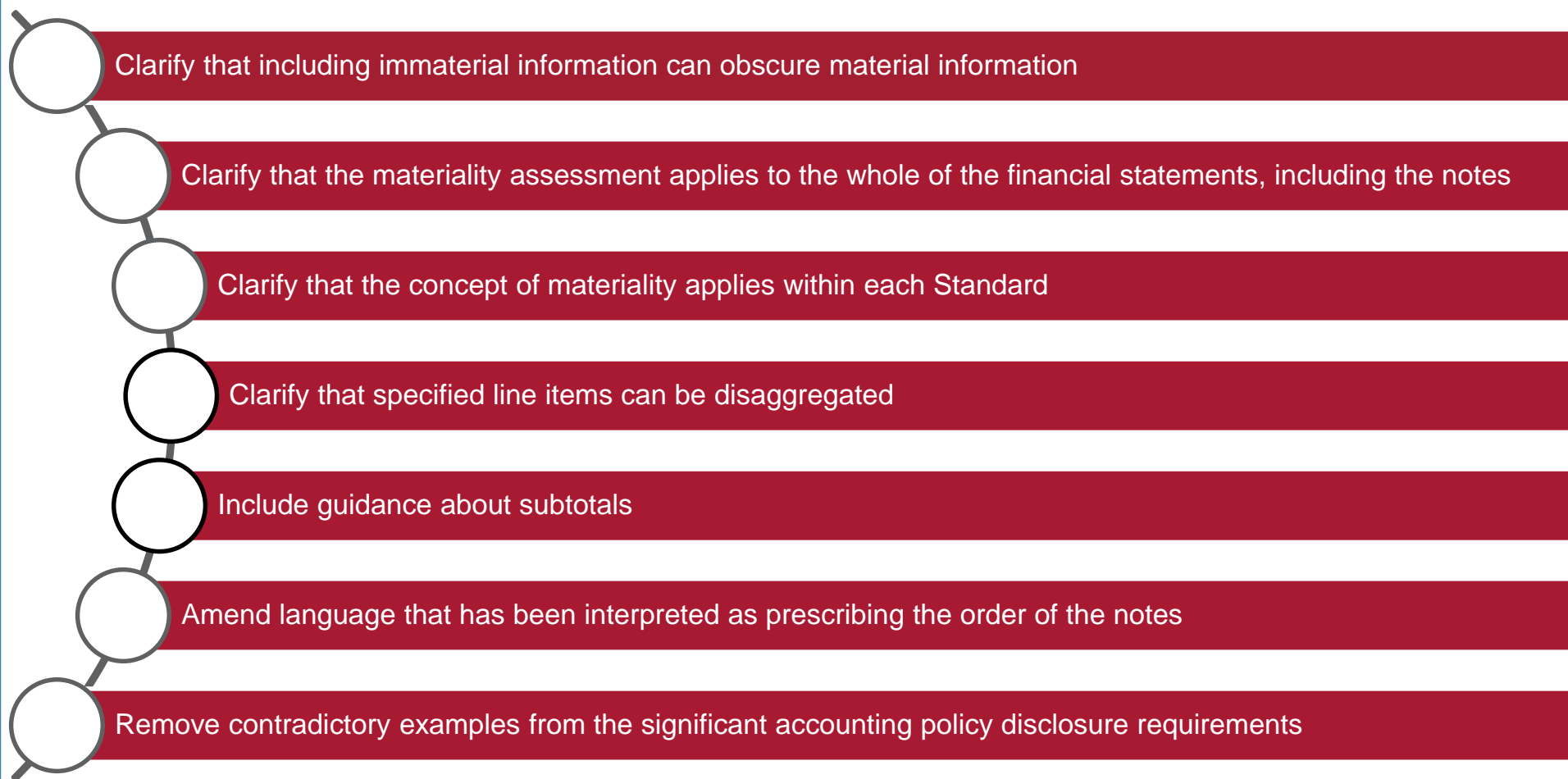


# Completed Projects

- Amendments to IAS 1, *Presentation of Financial Statements*
- Amendments to IAS 7, *Statement of Cash Flows*

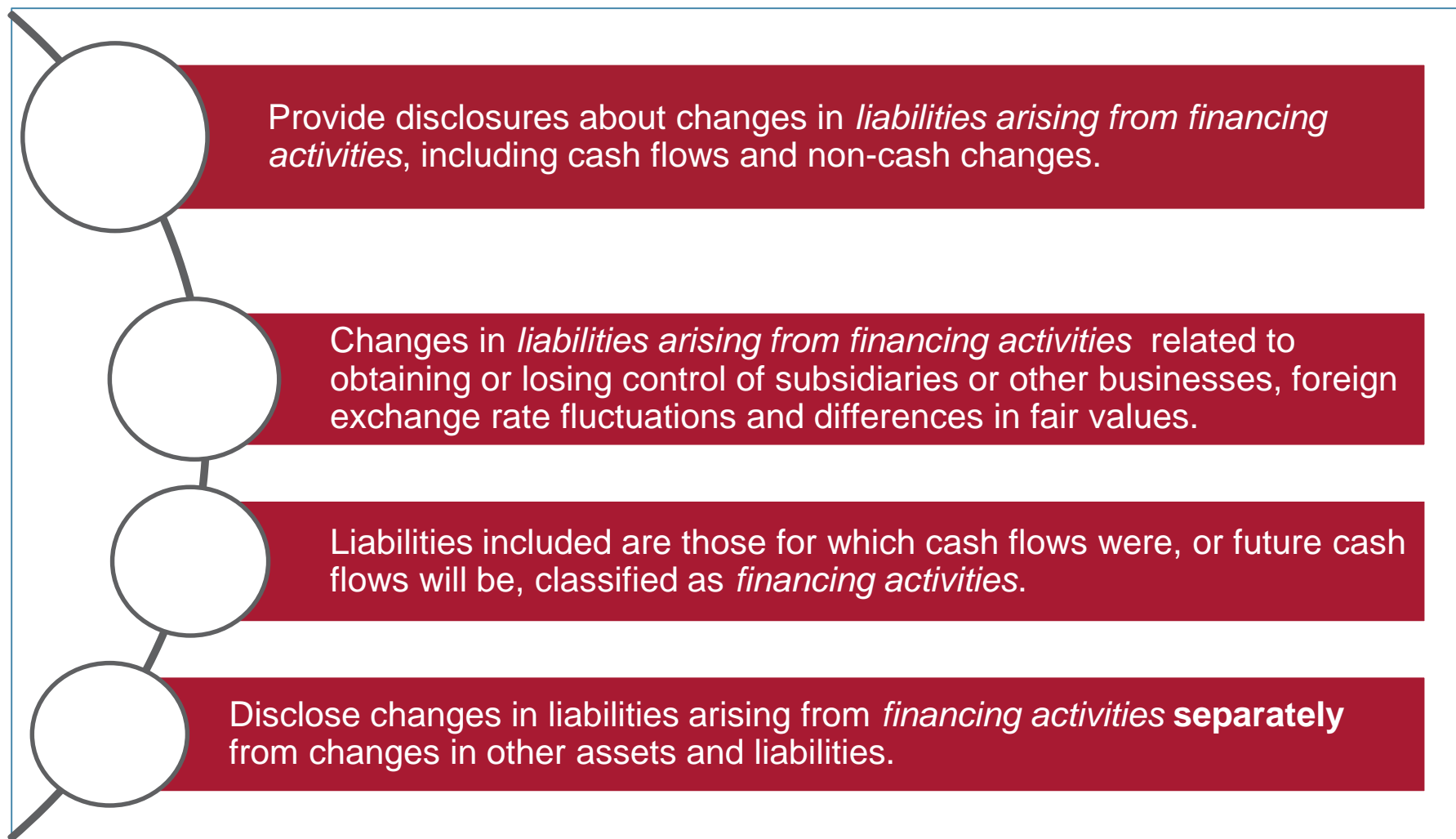
# Amendments to IAS 1, effective January 2016

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# Amendments to IAS 7, effective January 2017

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# Implementation Projects

- Materiality Practice Statement Exposure Draft
- Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* Exposure Draft

## Objective

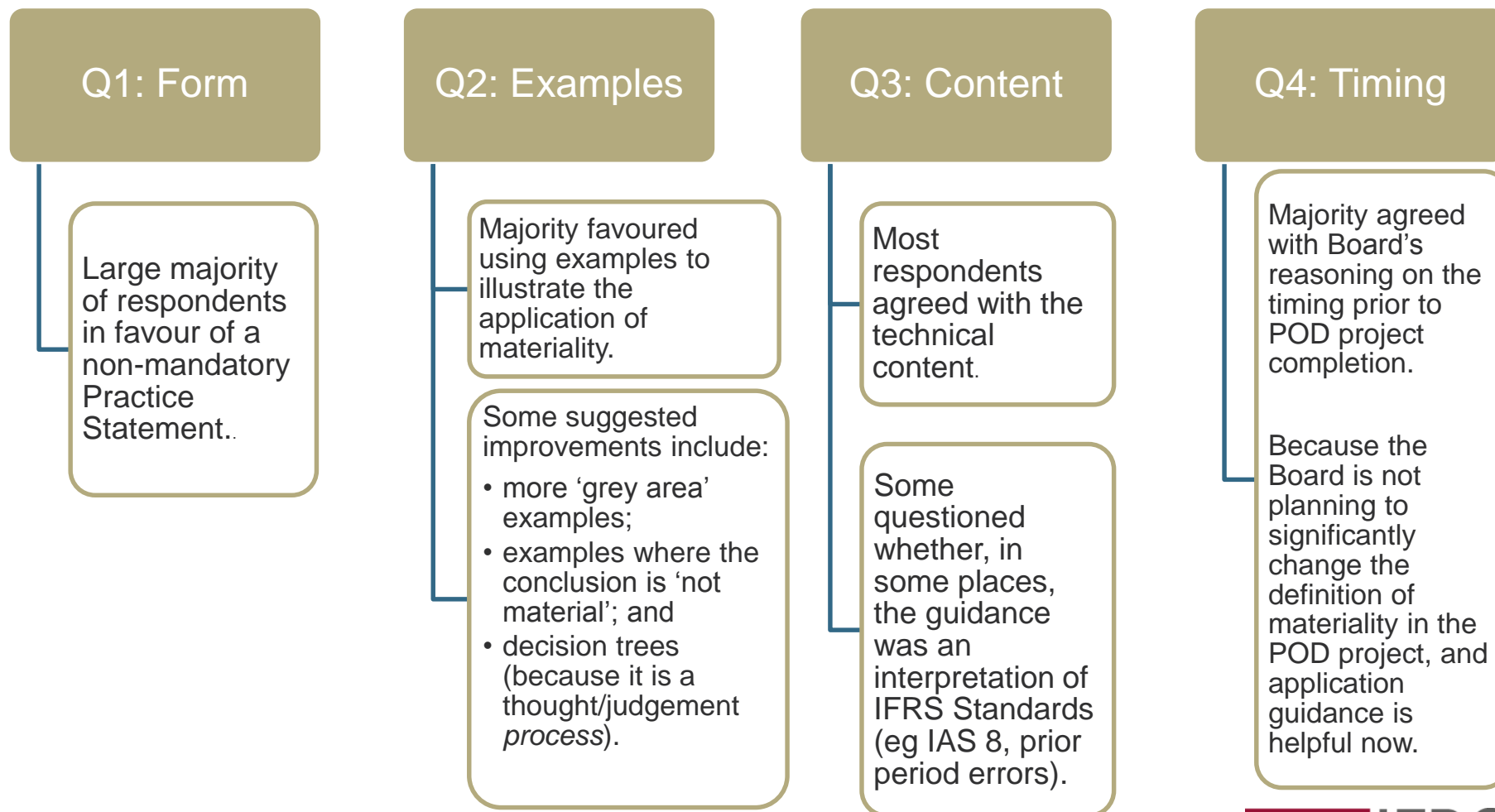
- Help preparers apply the concept of materiality.

## Contents

- General characteristics of materiality.
- Materiality within the context of disclosing information.
- Materiality within the context of recognition and measurement.
- Does *not* consider possible changes to the definition of materiality (covered in Principles of Disclosure (POD) Discussion Paper).

# Materiality—Draft Practice Statement Feedback

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## Why

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

## Output

- Proposed amendments to IAS 8 were discussed with the Board in April 2016:
  - clarify how accounting policies and estimates relate to each other;
  - clarify the definitions of accounting policies and of changes in accounting estimates;
  - add guidance about whether changes in valuation and estimation techniques are changes in accounting estimates; and
  - update examples of estimates provided in IAS 8.
- Exposure Draft of proposed amendments in Q4 2016.

# Research Projects

- *Principles of Disclosure*
- Standards-level review of disclosures

# Principles of Disclosure—Discussion Paper

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## Why

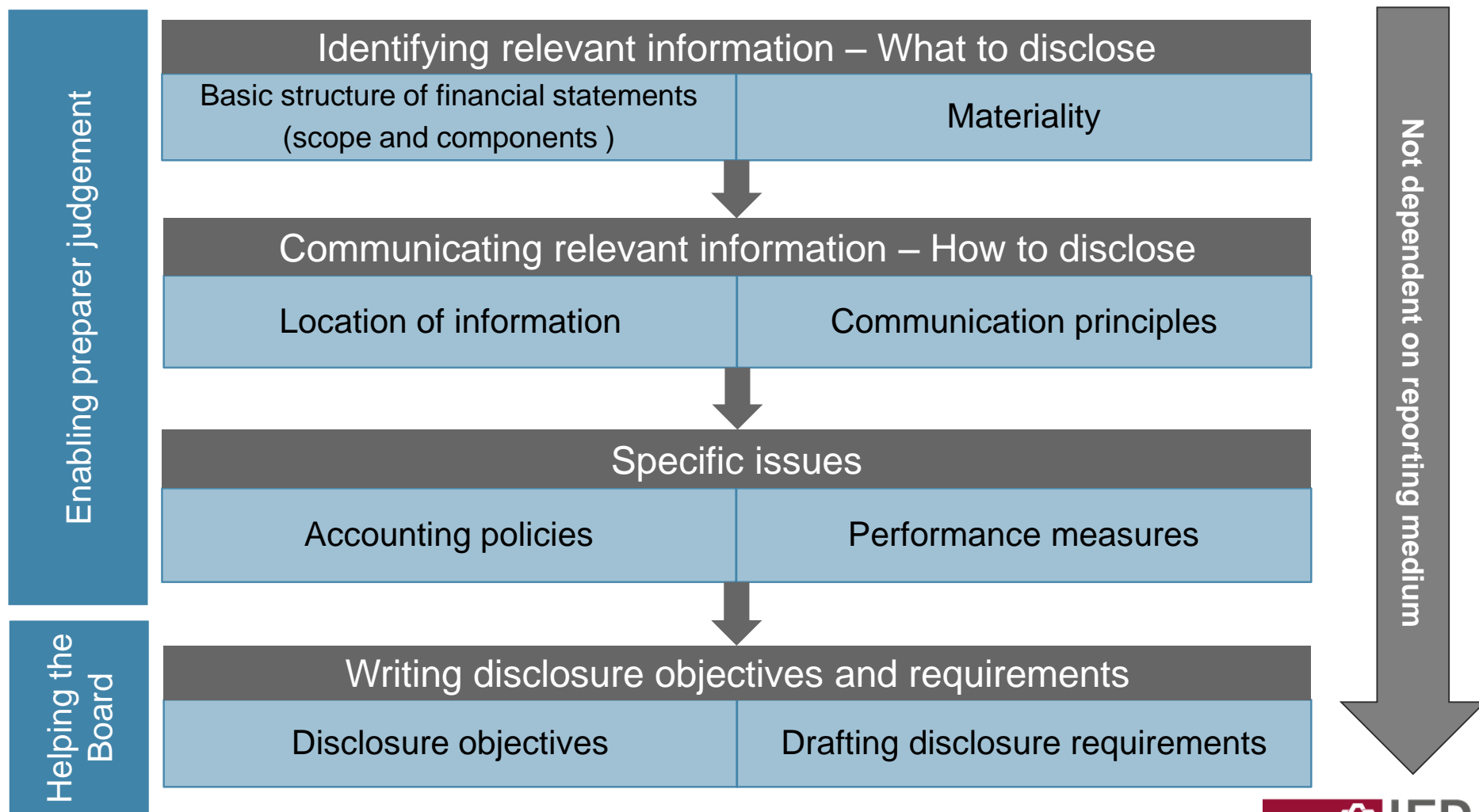
- Requests for the Board to develop presentation and disclosure principles that apply across IFRS Standards.
- Purpose is to:
  - enable preparers to make better judgements about disclosures; and Board set better disclosure requirements.

## Output

- Discussion Paper (details in subsequent slides)
  - covers overall principles and specific issues.
- ultimate goal is to produce:
  - the basis for a new or revised general disclosure Standard for preparers (IAS 1, currently); and
  - drafting guidance for the Board for its internal use in setting disclosure requirements.

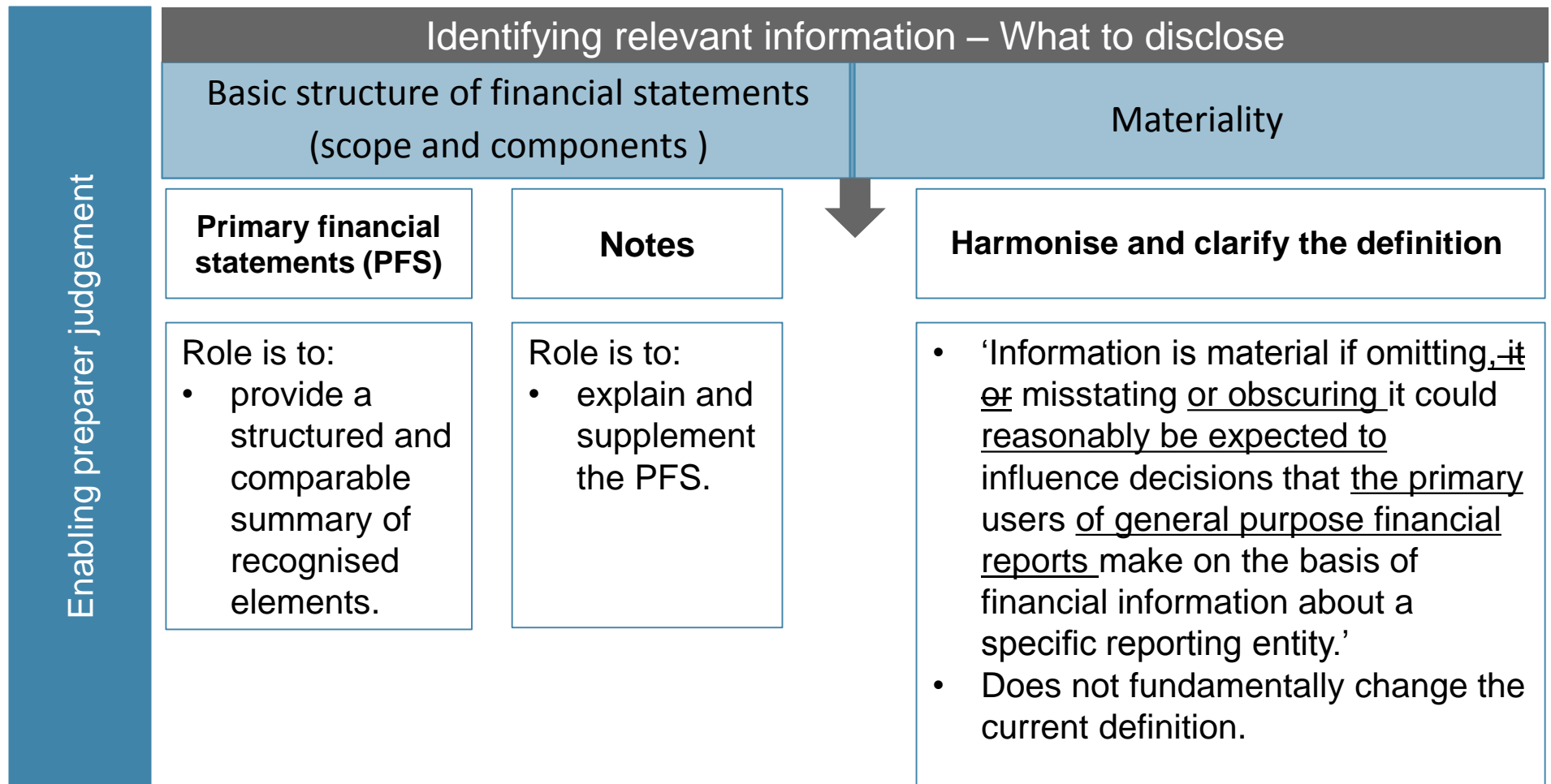
# POD—Discussion Paper road map

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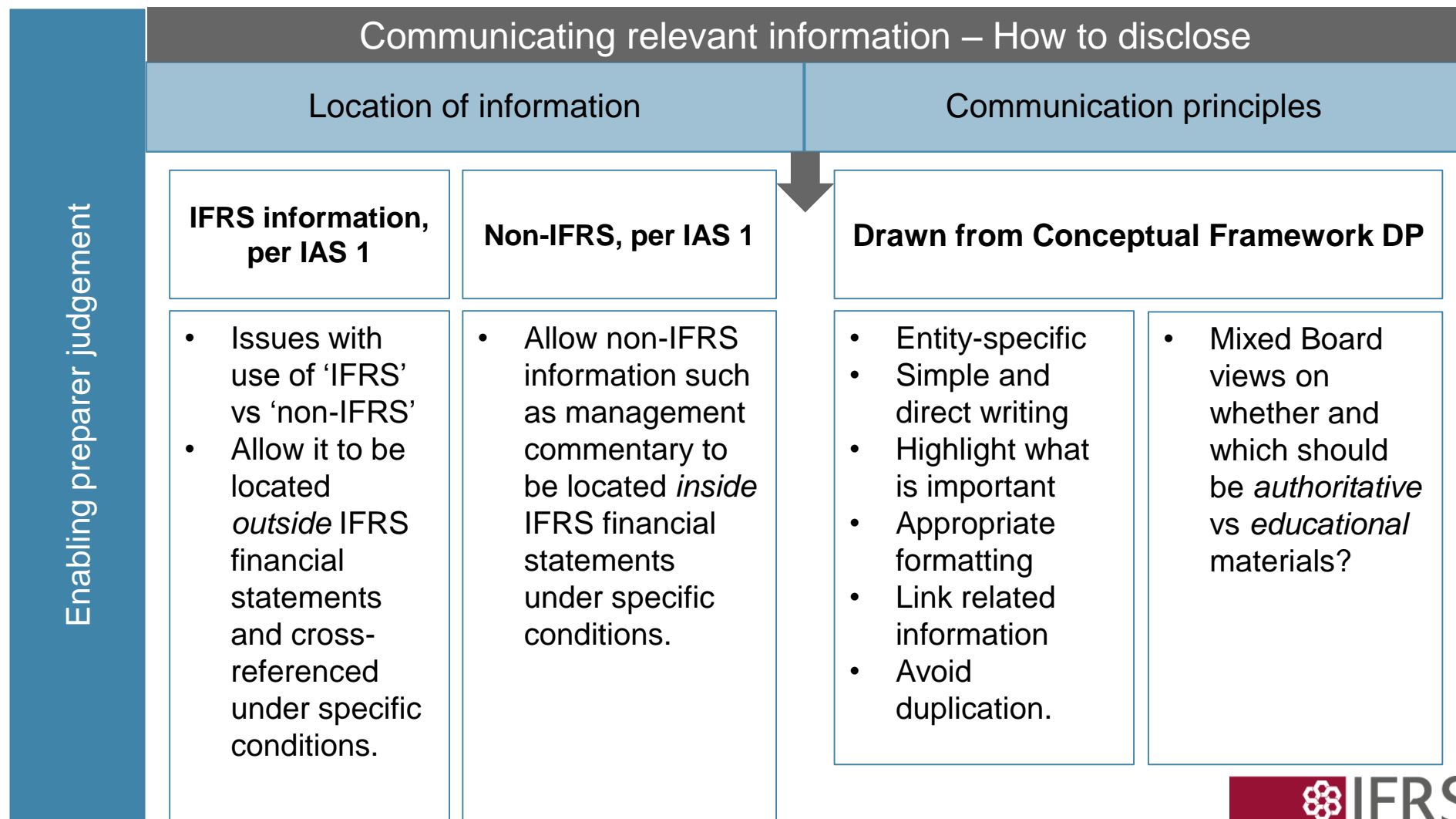


# POD—Discussion Paper road map, continued

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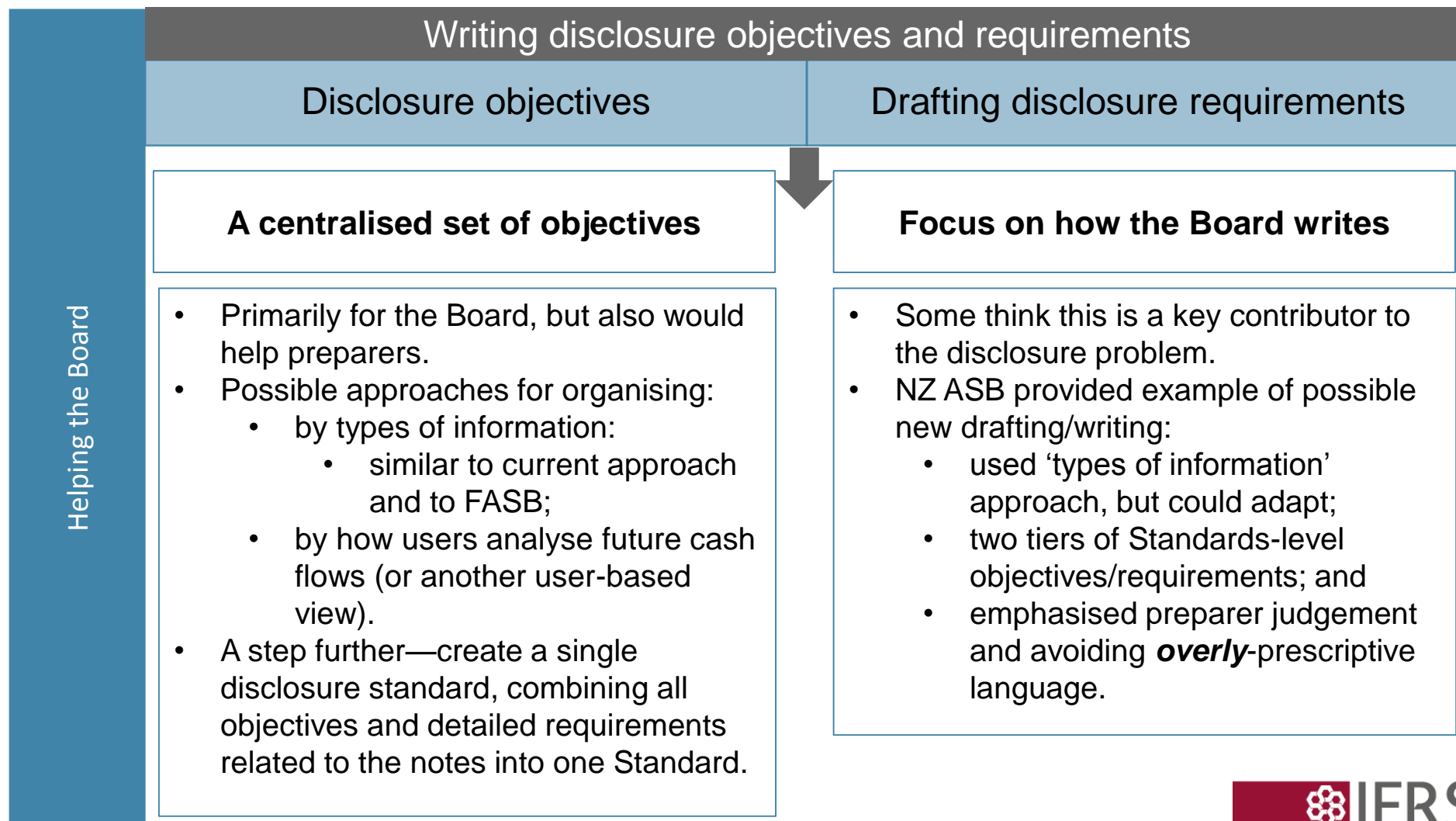




# POD—Discussion Paper road map, continued

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Enabling preparer judgement	Specific issues	
	Accounting policies	Performance measures
	<b>Clarifies concepts preparers find difficult</b> <ul style="list-style-type: none"><li>• Area where users see disclosure ‘overload’, too much boilerplate.</li><li>• Concepts preparers find difficult to implement:<ul style="list-style-type: none"><li>• the objectives of accounting policy disclosures;</li><li>• interpretation of ‘significant’, ‘relevant’, ‘material’ policies.</li></ul></li><li>• Immaterial/insignificant policies do not need to be presented in the notes, but are not prohibited.</li></ul>	<b>Does not prohibit, but provides guidelines</b> <ul style="list-style-type: none"><li>• Users find useful <i>if</i> fairly presented.</li><li>• Requirements focus on how to ensure fair presentation—eg provide definitions, explanations, reconciliations, comparatives, etc.</li><li>• Special cases:<ul style="list-style-type: none"><li>• EBIT/EBITDA</li><li>• Non-recurring, unusual, or infrequently-occurring items on the statement(s) of profit or loss and OCI.</li></ul></li></ul>



# Standards-level review of disclosures

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## Why

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

## Output

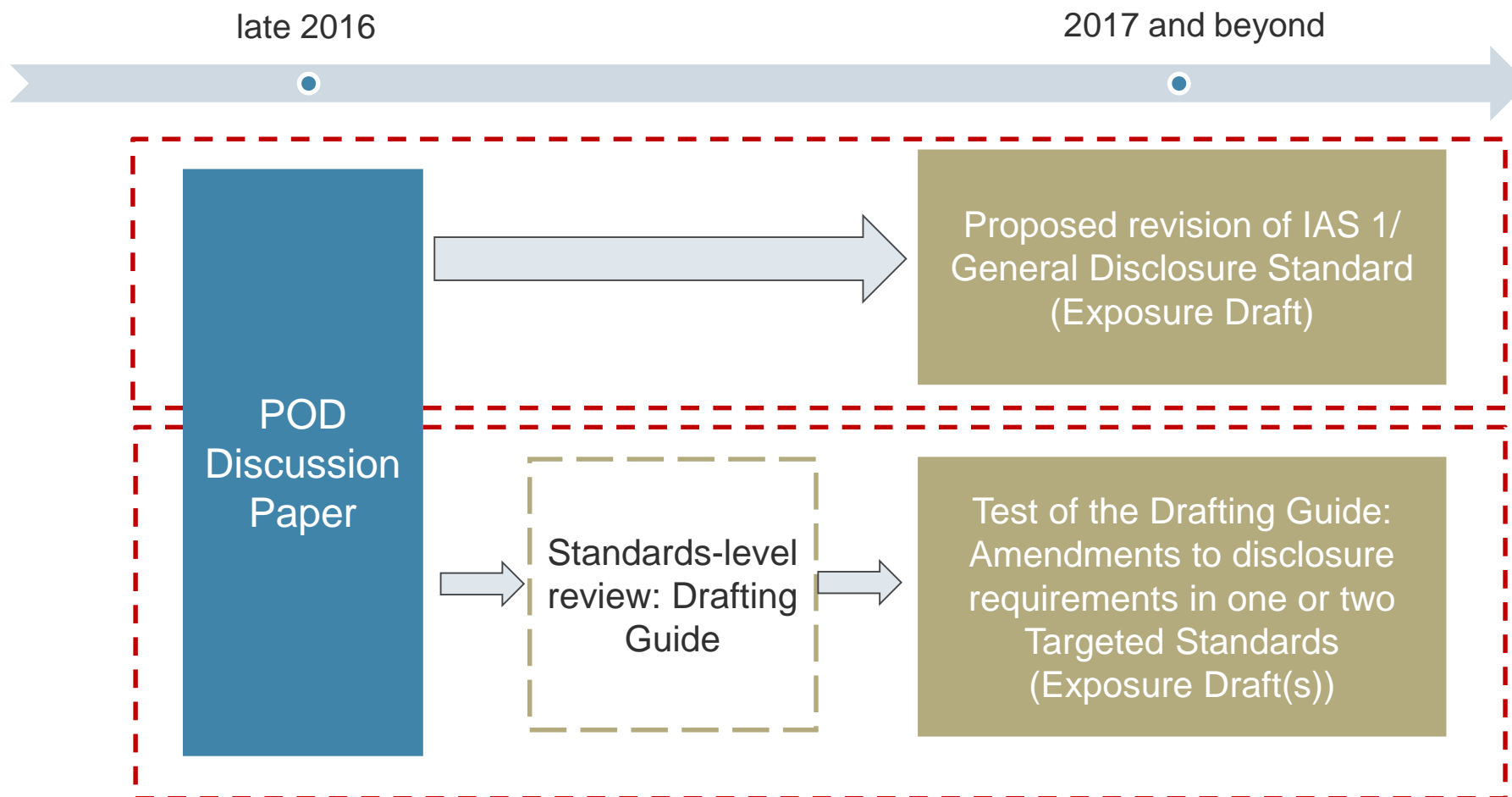
- Drafting guide for the Board's use when writing the notes disclosure requirements of Standards:
  - will be informed by POD Discussion Paper feedback; and
  - may reflect NZ ASB proposals.
- Test drafting guide against targeted Standards.
- May result in amendments to those Standards.

# Next steps and Time line

- *Principles of Disclosure* Discussion Paper
  - Disclosure Initiative Overall

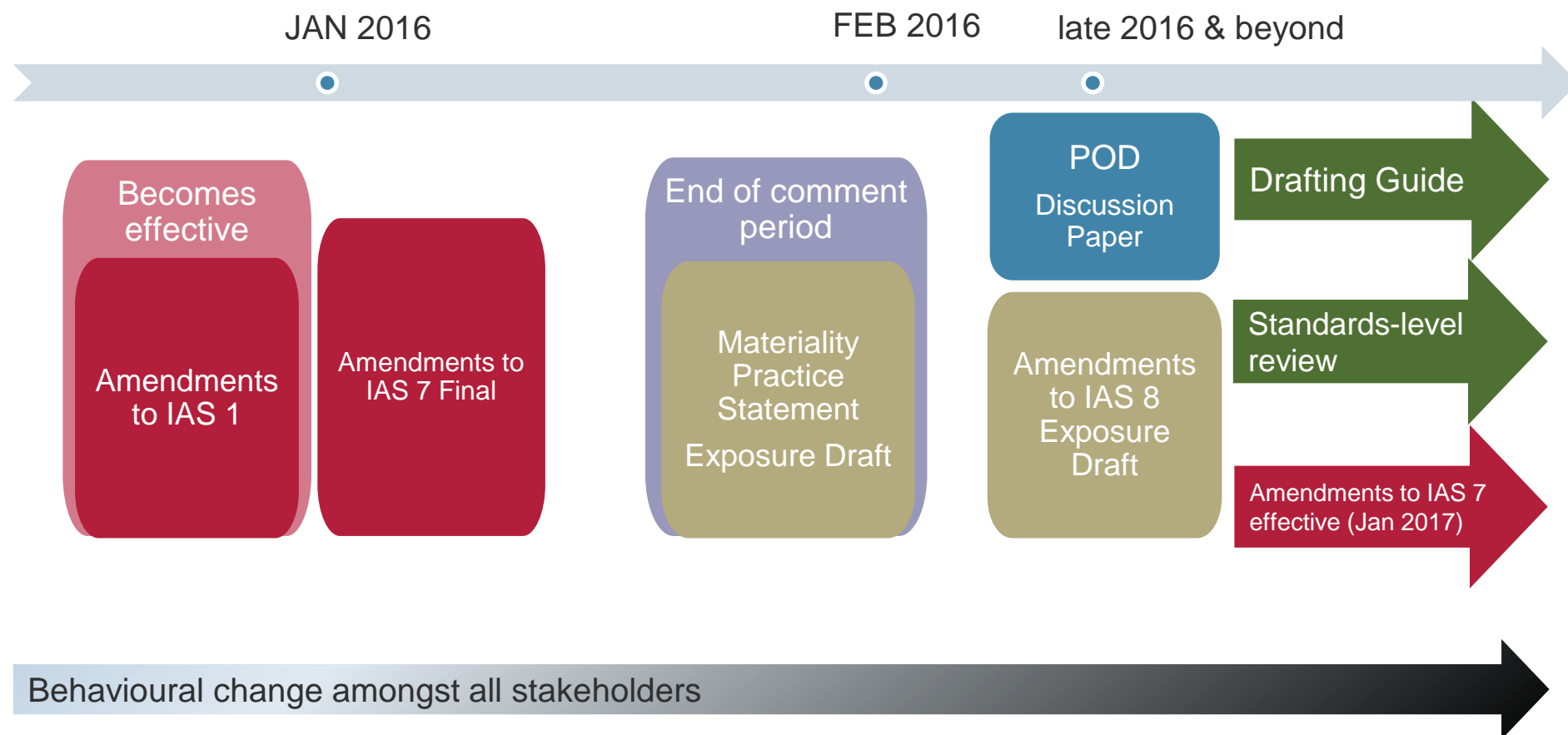
# Principles of Disclosure—Next steps and time line

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# Disclosure Initiative—Overall time line

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