



**EFRAG and the Accounting Standards Committee of
Germany (ASCG) Outreach Event:**

**EFRAG/ANC/FRC Discussion Paper –
Towards a Disclosure Framework for the Notes**

Frankfurt, 13.11.2012

Disclaimer

Die in dieser Präsentation vertretenen Ansichten geben die persönliche Meinung des Präsentators wieder und nicht notwendigerweise die Sicht des DRSC e.V.

The views expressed in this presentation are those of the presenter, not necessarily those of the ASCG

Content

- FASB Invitation to Comment *Disclosure Framework*
- Preliminary Views of the ASCG



FASB - Disclosure Framework Project

- Invitation to Comment (ITC) issued July 12, 2012.
- FASB is seeking comments on a project to establish an overarching framework to improve the effectiveness of disclosures in notes to financial statements of public and private business organisations, and not-for-profit organisations.
- ITC does not include preliminary views or proposals of the FASB.
- Disclosure Framework for the Notes; MD&A currently not addressed in the scope of the project.
- Comment deadline is November 16, 2012.



Main aspects in the ITC

- The **FASB's decision process** for establishing disclosure requirements
- Considerations in context of **flexibility of disclosure requirements**
- Preparer **assessment of relevance** of specific disclosures
- **Organisation, formatting and style** of disclosures in notes
- Interim vs. annual reporting
- Costs and consequences of disclosure



ITC - FASB's decision process

- Developing a catalog of questions to identify disclosures with broad relevance
- Example:

Decision Question

Is the method for determining the amount of the line item uncommon, not apparent from the description, or otherwise hard to discern?

Yes answer indicates need to consider requiring

Description of the measurement, valuation, amortization, or other method used to determine that amount of the line item (What does the number represent?)



ITC - Flexibility of disclosure requirements

Proposals of different methods to permit or require selectivity in applying disclosure requirements

- Different disclosure requirements for different entities
- More principle based wording of disclosure requirements
- Subject all disclosure requirements to assessment of relevance
- Set minimum/maximum levels of disclosure requirements
- Set tiered levels of disclosure requirements based on the activity of the entity



ITC - Assessment of relevance

- Introduction of relevance criteria for disclosures
- Decision of relevance of disclosure based on how users' assessment of future cash flow could be affected by a piece of information
- Consider magnitude, probability, & timing of effect on future returns



ITC – Organisation and formatting

- Discussion about:
 - How reporting entities can improve organisation & formats of notes
 - Order of the notes & order of information within the notes
 - Alternatives to structure the notes
 - When to use tables and common points of reference



Preliminary Views of the ASCG

- ASCG supports the idea of a disclosure framework and a corresponding project to reform IFRS disclosures.
- Disclosure framework should address a broad range of disclosure issues (the scope should be beyond a framework for the notes).
- Corresponding project should not only define IFRS disclosures on a framework level, the project should result in consolidation and improvement of disclosure requirements in IFRSs (standard level).
- ASCG shares most of the FRC recommendations in the discussion paper *Thinking about disclosures in a broader context* issued in October 2012.
- ASCG considers to publish a comprehensive comment letter until the end of the year.



FRC Recommendations (1/2)

Framework level

- Define the boundaries of financial reporting for their purposes.
- Develop placement criteria for establishing where information should be disclosed (for example information in the notes vs. management report).
- Develop a clear objective for disclosure, as well as a distinct objective for presentation.
- Engage with users at an early stage in the development of a disclosure framework.



FRC Recommendations (2/2)

Standard level

- Provide guidance on what materiality means from a disclosure perspective.
- Reduce and define the terms used within IFRSs, e.g. significant, key, critical, and then use the defined terms consistently.
- Update IAS 1 so that presentational and disclosure aspects are clearly separated. Provide overarching principles for disclosures and present these within one standard.
- Make it clear that measures not defined within IFRSs (e.g. net debt) and adjusted measures (e.g. EBITDA) can be disclosed within the notes to the financial statements (as a type of disaggregation) as long as these measures are:
 - Defined
 - Reconciled back to IFRS figures
 - Include a comparable figure for the prior year
 - Consistently calculated and presented



Questions and Discussion



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