SECTION 1—OVERVIEW OF THE 'DISCLOSURE PROBLEM' AND THE OBJECTIVE OF THIS PROJECT

Question 1

Paragraphs 1.5–1.8 describe the disclosure problem and provide an explanation of its causes.

a) Do you agree with this description of the disclosure problem and its causes? Why or why not? Do you think there are other factors contributing to the disclosure problem?

b) Do you agree that the development of disclosure principles in a general disclosure standard (ie either in amendments to IAS 1 or in a new general disclosure standard) would address the disclosure problem? Why or why not?

[t.b.d.]

Question 2

Sections 2–7 discuss specific disclosure issues that have been identified by the Board and provide the Board's preliminary views on how to address these issues.

Are there any other disclosure issues that the Board has not identified in this Discussion Paper that you think should be addressed as part of this Principles of Disclosure project? What are they and why do you think they should be addressed?

[t.b.d]

EFRAG questions on Section 1

Do you agree with EFRAG's concern that the description of the disclosure problem in the IASB DP does not give sufficient emphasis to the problem of disclosure overload?

Do you have any other concerns related to the description of the disclosure problem beyond those identified by EFRAG?

Do you consider that the proposals in the IASB DP (including EFRAG's suggestions, where applicable) will help in addressing the disclosure problem? Why or why not? Please explain.

[t.b.d.]

SECTION 2—PRINCIPLES OF EFFECTIVE COMMUNICATION

Question 3

The Board's preliminary view is that a set of principles of effective communication that entities should apply when preparing the financial statements as described in paragraph 2.6 should be developed. The Board has not reached a view on whether the principles of effective communication should be prescribed in a general disclosure standard or described in non-mandatory guidance.

The Board is also of the preliminary view that it should develop non-mandatory guidance on the use of formatting in the financial statements that builds on the guidance outlined in paragraphs 2.20–2.22.

a) Do you agree that the Board should develop principles of effective communication that entities should apply when preparing the financial statements? Why or why not?
b) Do you agree with the principles listed in paragraph 2.6? Why or why not? If not, what alternative(s) do you suggest, and why?
c) Do you think that principles of effective communication that entities should apply when preparing the financial statements should be prescribed in a general disclosure standard or issued as non-mandatory guidance?
d) Do you think that non-mandatory guidance on the use of formatting in the financial statements should be developed? Why or why not?

If you support the issuance of non-mandatory guidance in Question 3(c) and/or (d), please specify the form of non-mandatory guidance you suggest (see paragraph 2.13(a)–(c)) and give your reasoning.

Response to 2(a)

Generally, we agree with the IASB proposals regarding the set of principles of effective communication. IAS 1 already provides some guidance for effective communication; however, in our view the proposed principles as drafted in the DP could make this guidance for preparers more clearly and a more prominent reminder regarding the way information should be disclosed in financial statements. Nonetheless, we think including those principles will not address the main disclosure issues raised among our constituents. These issues need to be addressed through a comprehensive review of the specific requirements and developing useful disclosure objectives in individual standards.

Response to 2 (b)

We have concerns about the way the comparability principle is drafted in the DP. In paragraph 2.6 (b) of the DP it is described that preparers provide information “in a way that optimises comparability among entities and across reporting periods without compromising the usefulness of the information”. We think ensuring the level of comparability of information in financial statements among entities is the task of the standard setter, and preparers should not be burdened with additional efforts to ensure comparability of financial statements among entities. If comparability among entities had to be ensured by preparers, the standard setter would need to answer the additional question on how such a goal should be achieved. For example it is unclear how the preparer should select the peer group as a reference for making information comparable. Furthermore, too much focus on comparability of information among entities could take away preparer incentives to provide most useful information, i.e. reducing disclosure to the level of information provided by other entities.

Response to 2 (c)

We agree with the IASB’s view that the principles of effective communication should be prescribed in a general disclosure standard and not issued as non-mandatory guidance.

Response to 2 (d)

We concur with the view that guidance about formatting the information should not be part of mandatory guidance for preparers. We would like to highlight that IFRSs already use formatting guidance for specific disclosure requirements in some individual standards, e.g. the use of tabular format. Thus, the IASB should consider incorporating formatting guidance into the Conceptual Framework and to use this guidance when developing disclosure requirements, including the way the information should be typically formatted by preparers.

EFRAG questions on Section 2

Do you agree with EFRAG’s initial assessment that that additional non-mandatory guidance on effective communication will not bring substantial further insights or benefits Why or why not?

Do you agree with EFRAG’s initial assessment that further work is needed from the IASB to determine whether some of these principles could be developed into requirements to be included in a general disclosure standard or carried forward in illustrative examples or implementation guidance accompanying but not forming part of a standard?

[t.b.d.]

SECTION 3—ROLES OF THE PRIMARY FINANCIAL STATEMENTS AND THE NOTES

Question 4

The Board's preliminary views are that a general disclosure standard should:

- specify that the 'primary financial statements' are the statements of financial position, financial performance, changes in equity and cash flows;
- describe the role of primary financial statements and the implications of that role as set out in paragraphs 3.22 and 3.24;
- describe the role of the notes as set out in paragraph 3.28, as well as provide examples of further explanatory and supplementary information, as referred to in paragraphs 3.26–3.27; and
- include the guidance on the content of the notes proposed in paragraphs 7.3–7.7 of the Conceptual Framework Exposure Draft, as described in paragraph 3.7.

In addition, the Board's preliminary views are that:

- it should not prescribe the meaning of 'present' as presented in the primary financial statements and the meaning of 'disclose' as disclosed in the notes; and
- if it uses the terms 'present' and 'disclose' when describing where to provide information in the financial statements when subsequently drafting IFRS Standards, it should also specify the intended location as either 'in the primary financial statements' or 'in the notes'.

Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what do you suggest instead, and why?

Generally, we agree with the proposals. In our view the proposals reflect the common understanding and terminology already used in practice. However, it remains unclear to what extent the proposed definition of the role of the primary financial statements will impact the standard setting for the primary financial statements. In particular, it remains unclear to us, whether the focus on comparability in the definition of the role of the primary financial statements will result in a more rigid structure of minimum line items for the primary financial statements.

Additionally, we think the IASB should clarify that comparability of information among entities disclosed in the notes has a lower priority compared to the summary information disclosed in the primary financial statements. This would be in line with the recent amendment to IAS 1 published in 2015 clarifying that prepares have a certain degree of flexibility to structure notes disclosures in light of making information more understandable, i.e. being able to tell the entity's story.

Despite our support on the IASB's preliminary views regarding Question 4, we are concerned that the distinction between primary financial statements vs. notes could result in a general misassumption of different quality levels for information disclosed in primary financial statements vs. notes. Therefore, we recommend to make clear that the quality of information in the notes, especially the quality level of assurance, is not considered to be different compared to the quality of information disclosed as part of the primary financial statements.

Furthermore, for the reasons as described in the DP, we agree with the IASB's view not to prescribe the meaning of 'present' as presented in the primary financial statements and the meaning of 'disclose' as disclosed in the notes'. The IASB should specify the intended location as either 'in the primary financial statements' or 'in the notes'.

SECTION 4—LOCATION OF INFORMATION

Question 5

The Board's preliminary view is that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS Standards outside financial statements if the information meets the requirements in paragraphs 4.9(a)–(c).

a) Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

b) Can you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3–4.4), for which you think an entity should or should not be able to provide information necessary to comply with IFRS Standards outside the financial statements? Why? Would those scenarios meet the criteria in paragraphs 4.9(a)–(c)?

Response to 5 (a)

In our view, the developed cross-referencing principle can be useful and helps to clarify whether the exception rules in existing standards that already permit to place information 'outside' financial statements for specific disclosure requirements, e.g. risk disclosure as required in IFRS 7, can be applied to other disclosure requirements, too.

Considering the requirements in paragraphs 4.9(a)-(c), we think the use cases for criterion 4.9 (b) "making annual report as a whole more understandable" should be clearer expressed. In other words, we think the link between the criterion of making annual report more understandable and the description of the two use cases in paragraph 4.13 (a)-(b) of the DP when cross-referencing would be appropriate to provide information necessary to comply with IFRS Standards outside the financial statements should be more prominently described as part of the principle.

[t.b.d. criterion of paragraph 4.9 (a) in the DP to place information only within the annual report]

Response to 5 (b)

[t.b.d.]

Question 6

The Board's preliminary view is that a general disclosure standard:

- should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information', or by a similar labelling, to distinguish it from information necessary to comply with IFRS Standards; but
- should include requirements about how an entity provides such information as described in paragraphs 4.38(a)–(c).

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

[t.b.d.]

Question 7

The Board did not discuss whether any specific information—for example, information that is inconsistent with IFRS Standards—should be required to be identified as described in paragraphs 4.38(a)–(c) or should be prohibited from being included in the financial statements.

Do you think the Board should prohibit the inclusion of any specific types of additional information in the financial statements? If so, which additional information, and why?

[t.b.d.]

EFRAG questions on Section 4

Do you agree with EFRAG assessment that more work is needed to assess the issues associated with the use of cross-references? In what circumstances do you think cross-references should be used?

Is the use of cross-referencing, i.e. including IFRS information in the financial statements by cross-reference, common in your jurisdiction? If yes, for what types of information? Please explain.

Do you consider that cross-referencing should be allowed in a broader set of circumstances than in current IFRS Standards? Please explain what would in your view be the appropriate conditions.

[t.b.d.]

SECTION 5—USE OF PERFORMANCE MEASURES IN THE FINANCIAL STATEMENTS

Question 8

The Board's preliminary views are that it should:

- clarify that the following subtotals in the statement(s) of financial performance comply with IFRS Standards if such subtotals are presented in accordance with paragraphs 85–85B of IAS 1:
  - the presentation of an EBITDA subtotal if an entity uses the nature of expense method; and
  - the presentation of an EBIT subtotal under both a nature of expense method and a function of expense method.
- develop definitions of, and requirements for, the presentation of unusual or infrequently occurring items in the statement(s) of financial performance, as described in paragraphs 5.26–5.28.

a) Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what alternative action do you suggest, and why?

b) Should the Board prohibit the use of other terms to describe unusual and infrequently occurring items, for example, those discussed in paragraph 5.27?

c) Are there any other issues or requirements that the Board should consider in addition to those stated in paragraph 5.28 when developing requirements for the presentation of unusual or infrequently occurring items in the statement(s) of financial performance?

The feedback on Question 8 will be considered as part of the Board's Primary Financial Statements project.

[t.b.d.]

Question 9

The Board's preliminary view is that a general disclosure standard should describe how performance measures can be fairly presented in financial statements, as described in paragraph 5.34.

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative action do you suggest, and why?

[t.b.d.]

EFRAG questions on Section 5

Do you agree with EFRAG's tentative view that providing guidance on unusual or infrequently occurring items may be helpful, but the IASB should consider more broadly what adjustments are made to performance reporting? If yes, what other issues or requirements the IASB should consider? Please explain.

[t.b.d.]

SECTION 6—DISCLOSURE OF ACCOUNTING POLICIES

Question 10

The Board's preliminary views are that:

- a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16; and
- the following guidance on the location of accounting policy disclosures should be included either in a general disclosure standard or in non-mandatory guidance (or in a combination of both):
  - the alternatives for locating accounting policy disclosures, as described in paragraphs 6.22–6.24; and
  - the presumption that entities disclose information about significant judgements and assumptions adjacent to disclosures about related accounting policies, unless another organisation is more appropriate.

a) Do you agree with the Board's preliminary view that a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16? Why or why not? If you do not agree, what alternative proposal(s) do you suggest, and why?

b) (b) Do you agree with the Board's preliminary view on developing guidance on the location of accounting policy disclosures? Why or why not? Do you think this guidance

EFRAG questions on Section 6

Do you have any particular views on the extent to which entities should be required to disclose accounting policies referred to as Category 2 in paragraph 96(b) above? Please explain your views.

SECTION 7—CENTRALISED DISCLOSURE OBJECTIVES

Question 11

The Board's preliminary view is that it should develop a central set of disclosure objectives (centralised disclosure objectives) that consider the objective of financial statements and the role of the notes.

Centralised disclosure objectives could be used by the Board as a basis for developing disclosure objectives and requirements in Standards that are more unified and better linked to the overall objective of financial statements.

Do you agree that the Board should develop centralised disclosure objectives? Why or why not? If you do not agree, what alternative do you suggest, and why?

[t.b.d.]

Question 12

The Board has identified, but not formed any preliminary views about, the following two methods that could be used for developing centralised disclosure objectives and therefore used as the basis for developing and organising disclosure objectives and requirements in Standards:

- focusing on the different types of information disclosed about an entity's assets, liabilities, equity, income and expenses (Method A); or
- focusing on information about an entity's activities to better reflect how users commonly assess the prospects for future net cash inflows to an entity and management's stewardship of that entity's resources (Method B).

a) Which of these methods do you support, and why?

b) Can you think of any other methods that could be used? If you support a different method, please describe your method and explain why you think it might be preferable to the methods described in this section.

Methods A and B are in the early stages of development and have not been discussed in detail by the Board. We will consider the feedback received on this Discussion Paper about how centralised disclosure objectives might best be developed before developing them further.

[t.b.d.]

Question 13

Do you think that the Board should consider locating all disclosure objectives and requirements in IFRS Standards within a single Standard, or set of Standards, for disclosures? Why or why not?

[t.b.d.]

SECTION 8—NEW ZEALAND ACCOUNTING STANDARDS BOARD STAFF'S APPROACH TO DRAFTING DISCLOSURE REQUIREMENTS IN IFRS STANDARDS

Question 14

This section describes an approach that has been suggested by the NZASB staff for drafting disclosure objectives and requirements in IFRS Standards.

a) Do you have any comments on the NZASB staff's approach to drafting disclosure objectives and requirements in IFRS Standards described in this section (the main features of the approach are summarised in paragraph 8.2 of this section)?

b) Do you think that the development of such an approach would encourage more effective disclosures?

c) Do you think the Board should consider the NZASB staff's approach (or aspects of the approach) in its Standards-level Review of Disclosures project? Why or why not?

Note that the Board is seeking feedback on the NZASB staff's overall approach, rather than feedback on the detailed drafting of the paragraphs on the use of judgement in the NZASB staff's example 1 or the detailed drafting of the specific disclosure requirements and objectives included in the NZASB staff's examples 2 and 3. In addition, the Board is not seeking feedback on where specific disclosure objectives and requirements should be located in IFRS Standards (except as specifically requested in Question 13).

[t.b.d.]

Question 15

Some stakeholders say that the way that disclosures are drafted in IFRS Standards might contribute to the 'disclosure problem', as described in Section 1. Some cite in particular the absence of clear disclosure objectives and the presence of long lists of prescriptively written disclosure requirements in Standards (see paragraph 8.4).

Nevertheless, other stakeholders observe that specific disclosure requirements might be simpler to use than applying judgement when determining how to meet disclosure objectives.

Do you think the way the Board currently drafts IFRS Standards contributes to the disclosure problem? Please give your reasoning. If you think the current drafting contributes to the disclosure problem, please provide examples of where drafting in Standards could be improved and why.

[t.b.d.]