

# Better communication: Disclosure Initiative Primary financial statements

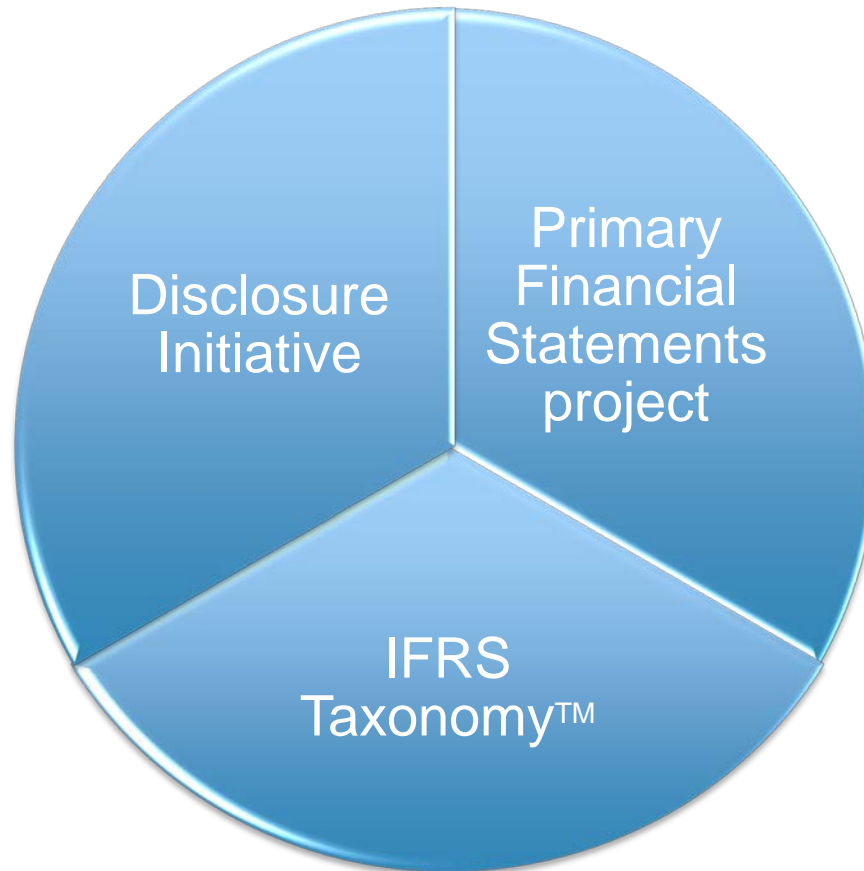
Peter Clark, Technical Director  
November 2016

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

Copyright © IFRS Foundation. All rights reserved

# Better communication

- A central theme for the IASB in 2017-2021, and will include work on:



# Disclosure Initiative Overview and update

- Not enough relevant information
- Too much irrelevant information
  - Overloads financial statements
  - Obscures relevant information
- Ineffective communication

## Disclosure Initiative

### Completed projects

Amendments to IAS 1 to remove barriers to the exercise of judgement

Amendments to IAS 7 to improve disclosure of liabilities from financing activities

### Implementation projects

Guidance on application of materiality

### Research projects

Principles of Disclosure

Standards - level Review of Disclosures

### Related projects

Conceptual Framework

Primary Financial Statements project

# Principles of Disclosure

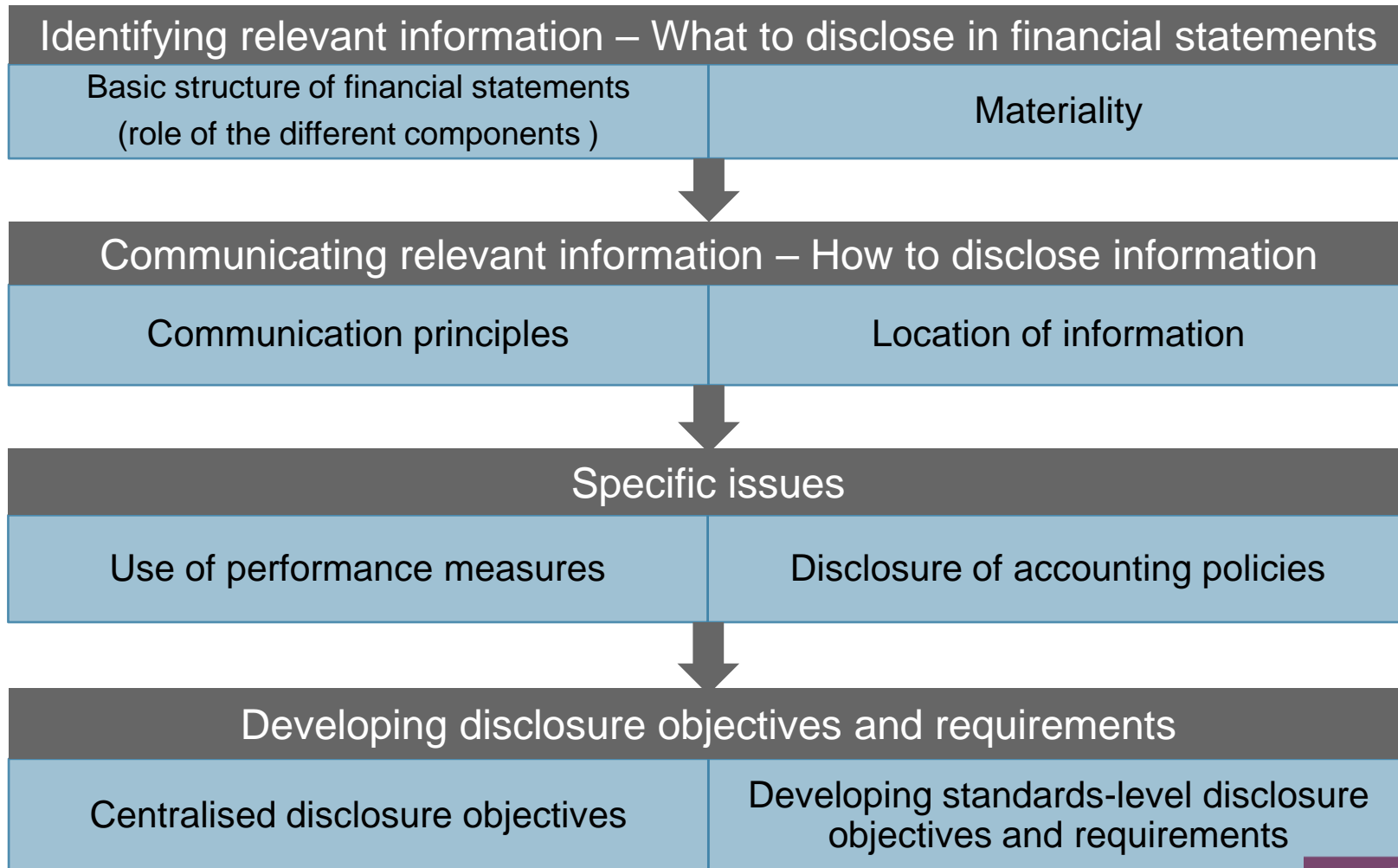
# Principles of Disclosure—Discussion Paper

## Why

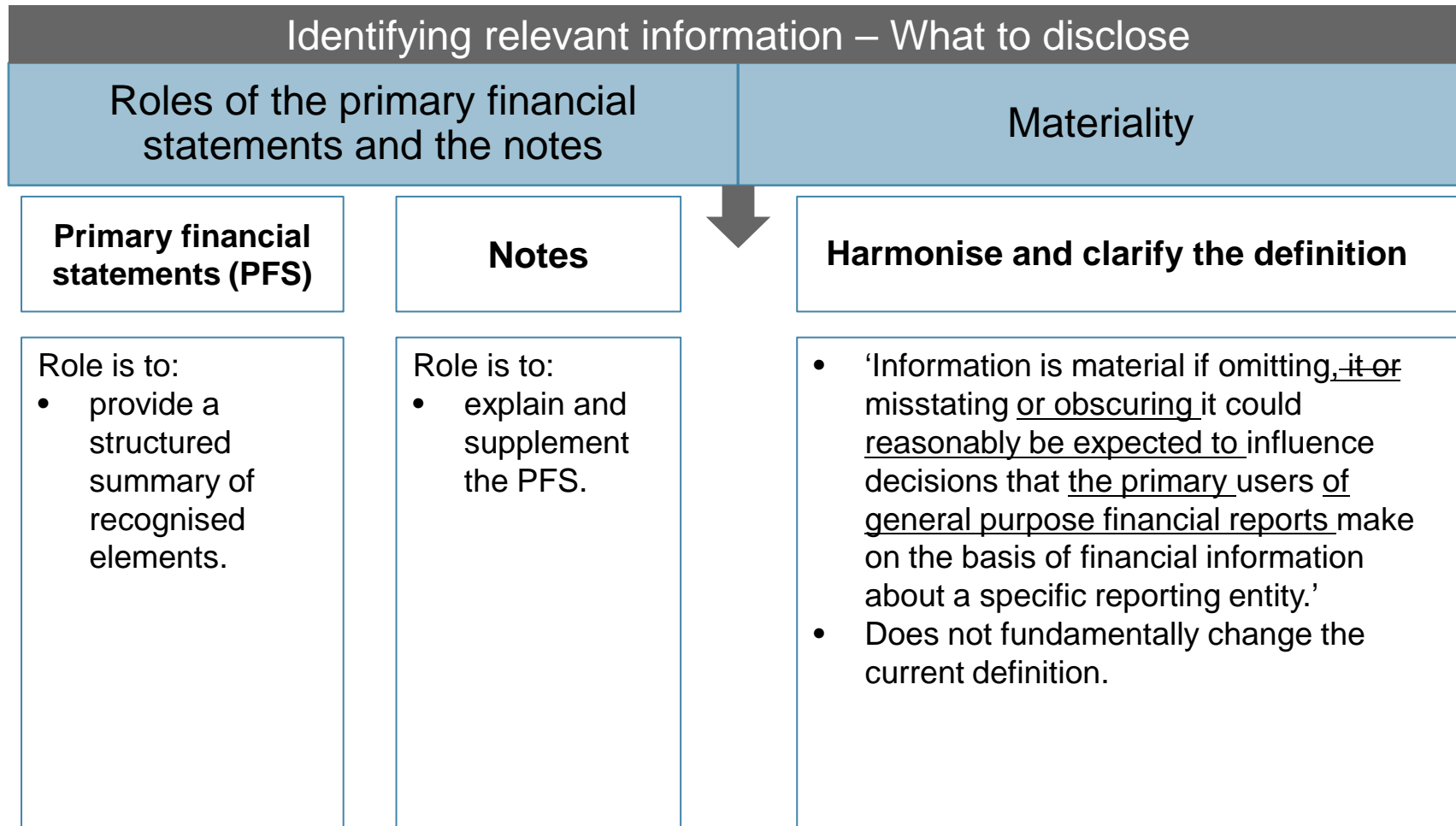
- Requests for Board to develop disclosure principles that apply across IFRS Standards
- Purpose of :
  - helping preparers to communicate information more effectively
  - improving disclosures for users of the financial statements
  - helping Board to develop disclosure requirements

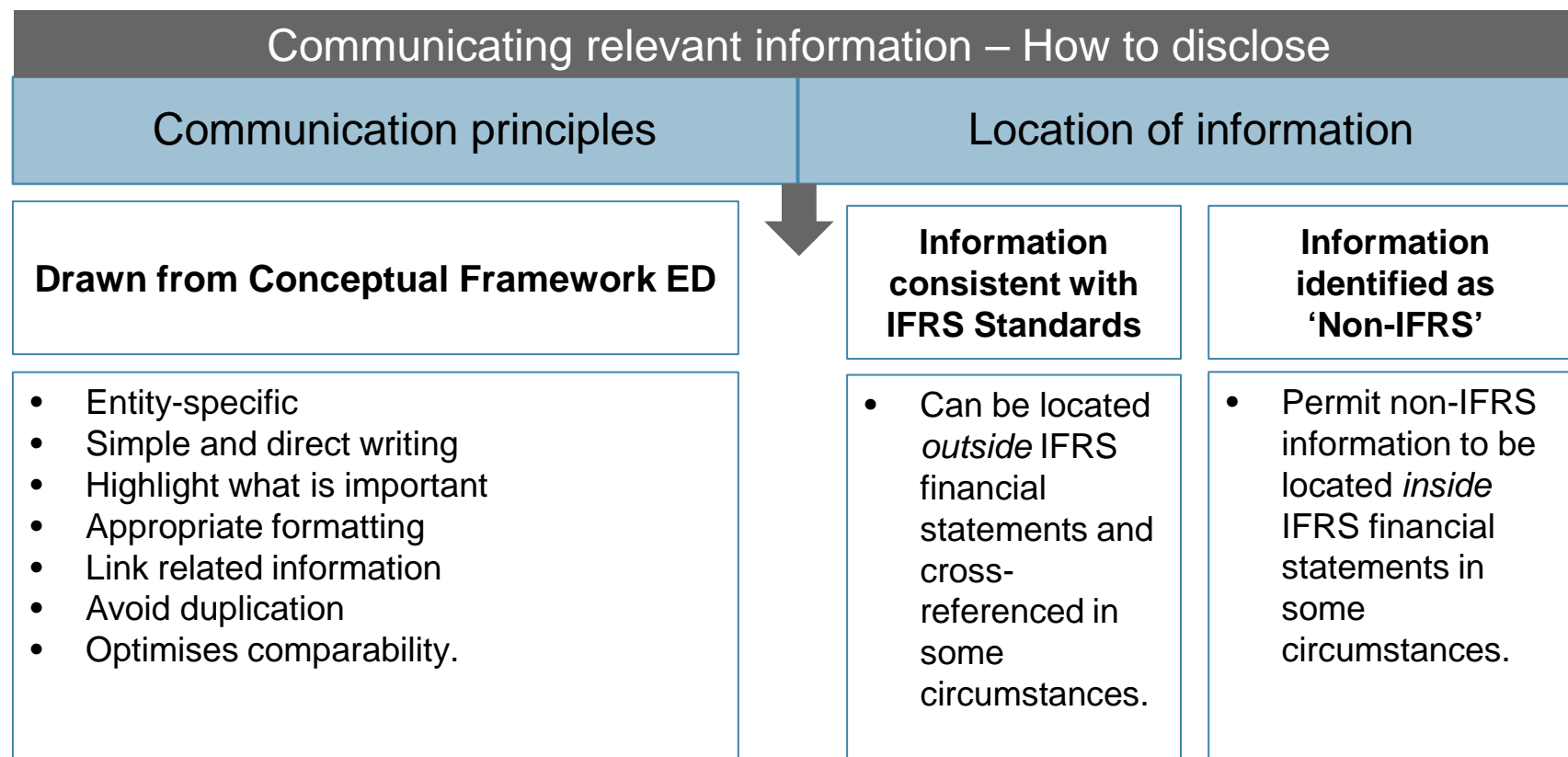
## Output

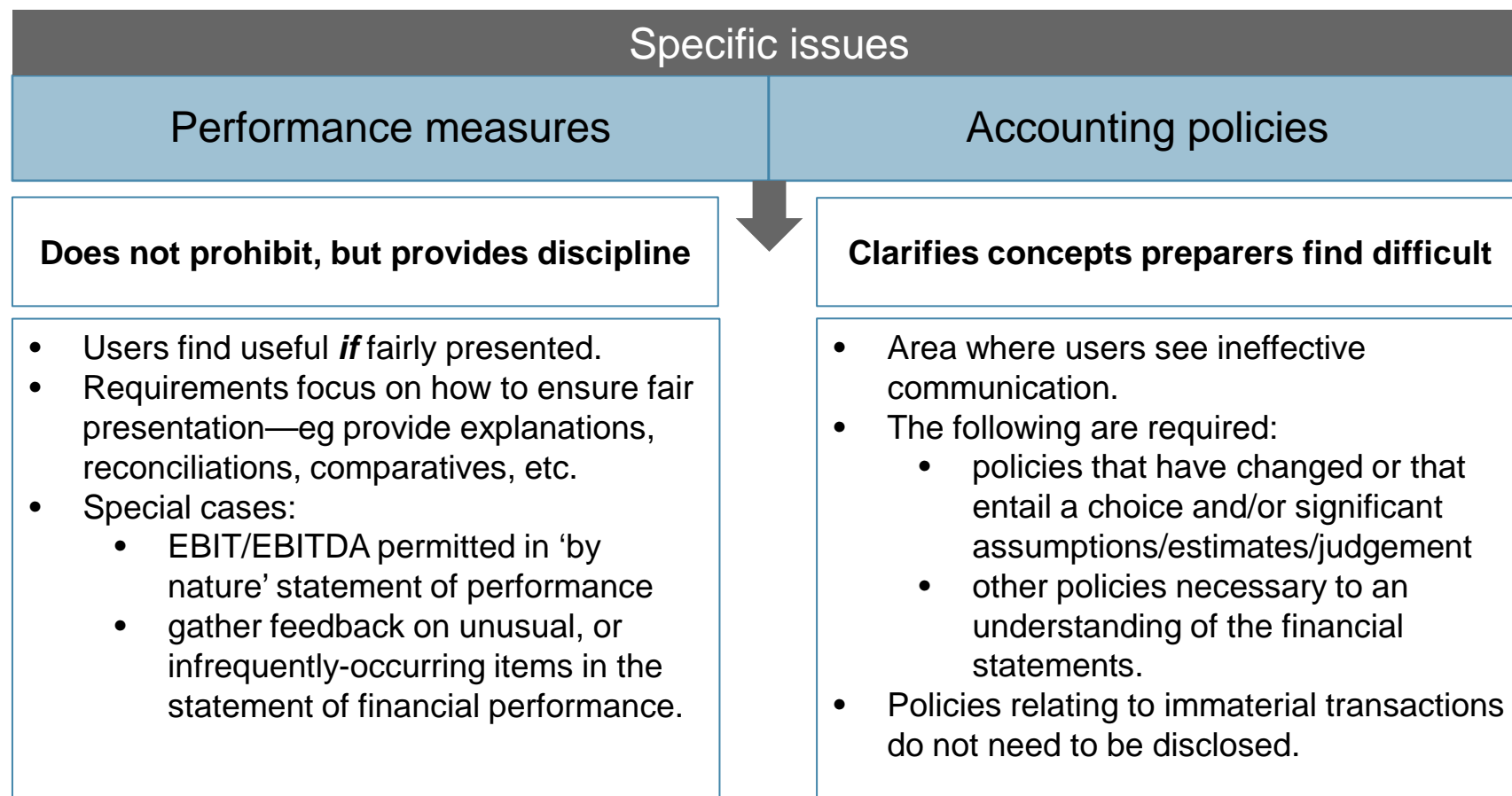
- Discussion Paper (details in subsequent slides)
  - considers the development of new, and clarification of existing, principles of disclosure, and supporting guidance
  - builds on concepts developed in Conceptual Framework project
  - informs other research projects
- Ultimate goal is to produce:
  - new or revised general disclosure standard (amend or replace parts of IAS 1)
  - possibly with some supporting guidance/educational material

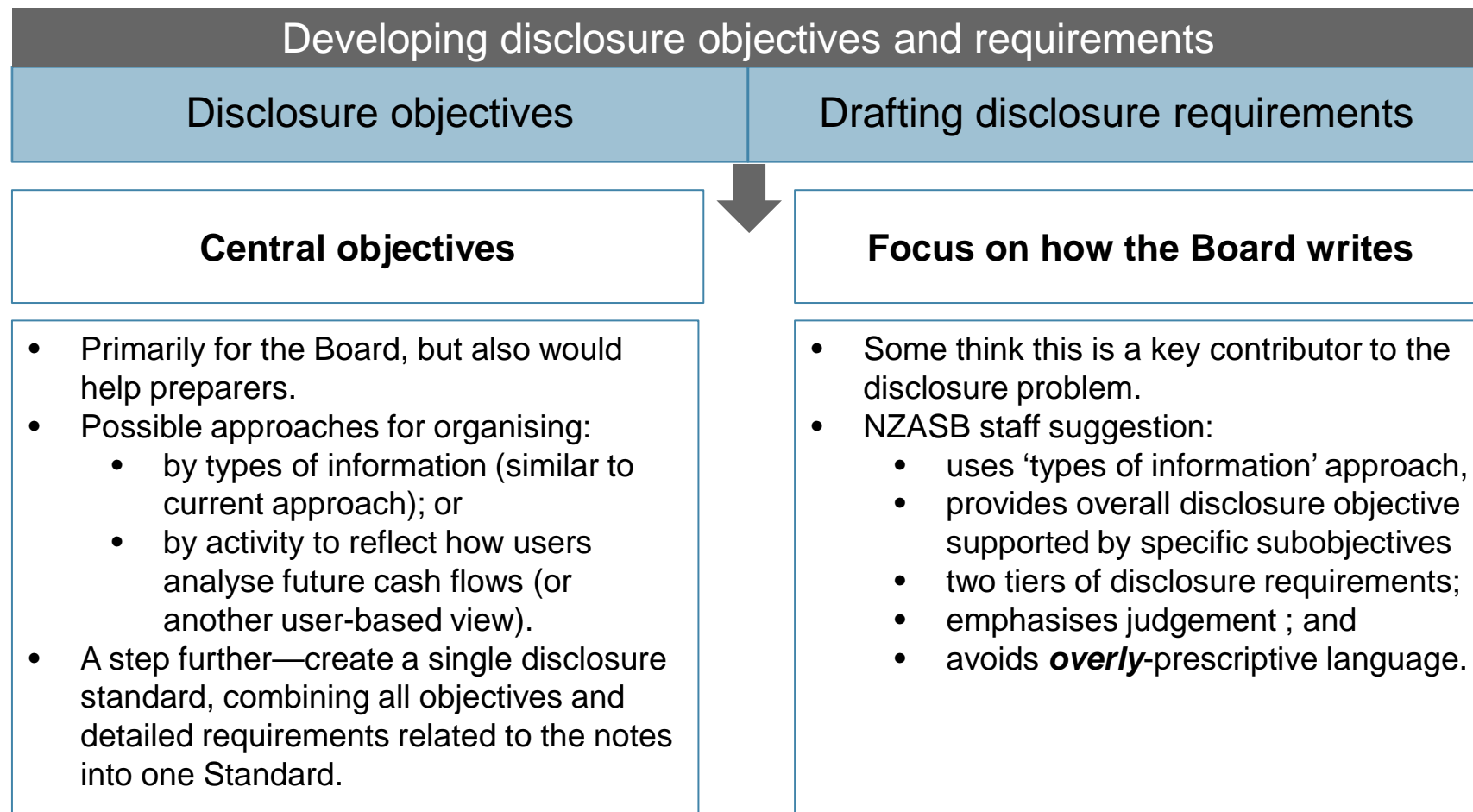


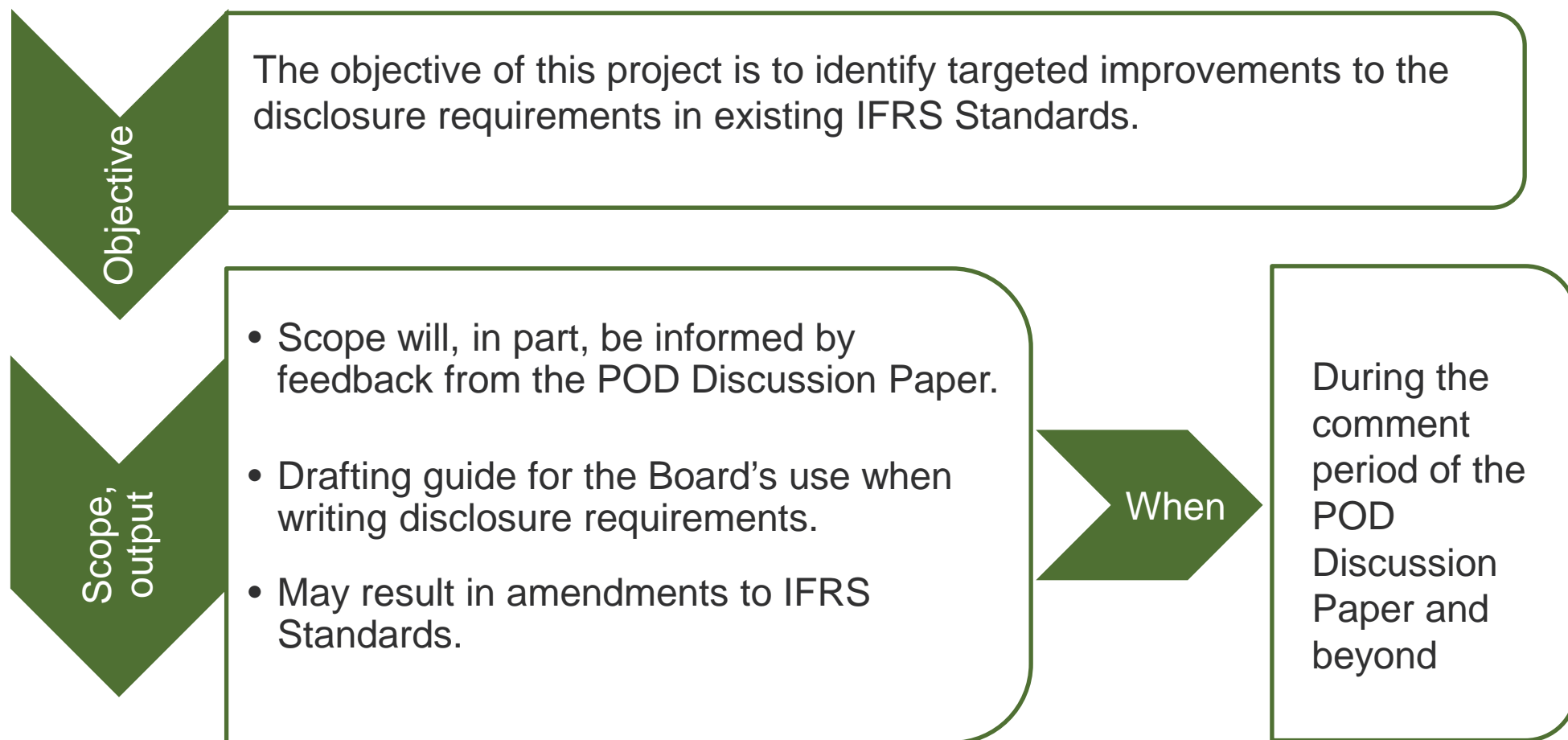




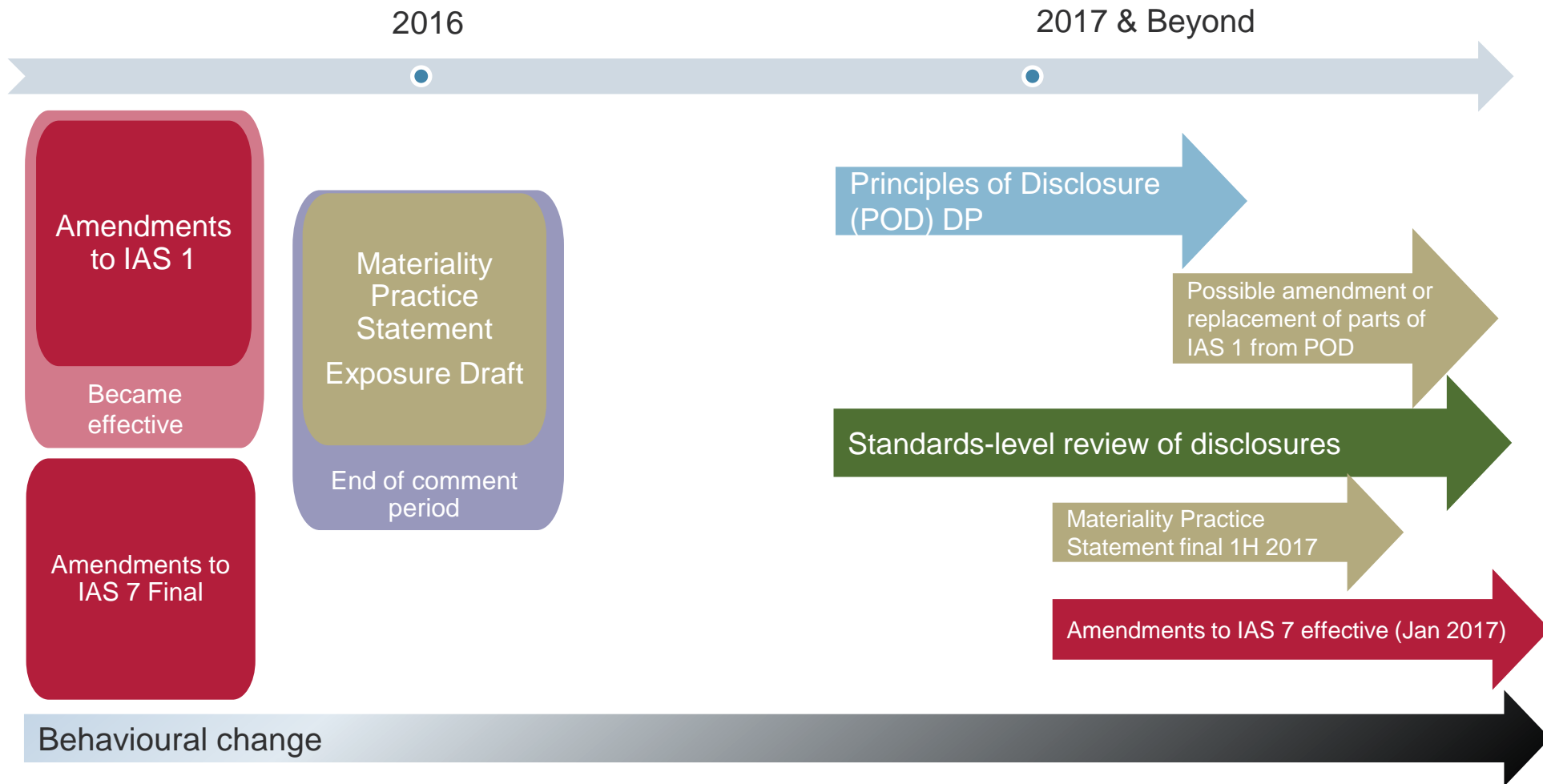








# Disclosure Initiative—Time line and next steps



# Primary Financial Statements project

## Primary Financial Statements

Statement of financial performance



✓ Consider structure and content including line items, subtotals and alternative performance measures

Statement of cash flows



✓ Explore whether there is a strong need for improvements to structure and content

Statement of financial position

Statement of changes in equity



✗ Consider as part of Financial Instruments with Characteristics of Equity project



*Comparability*

VS

*Flexibility*

Lack of comparability negatively affects usefulness of IFRS financial information

Because of the lack of comparability, users prefer financial statements 'standardised' by data aggregators

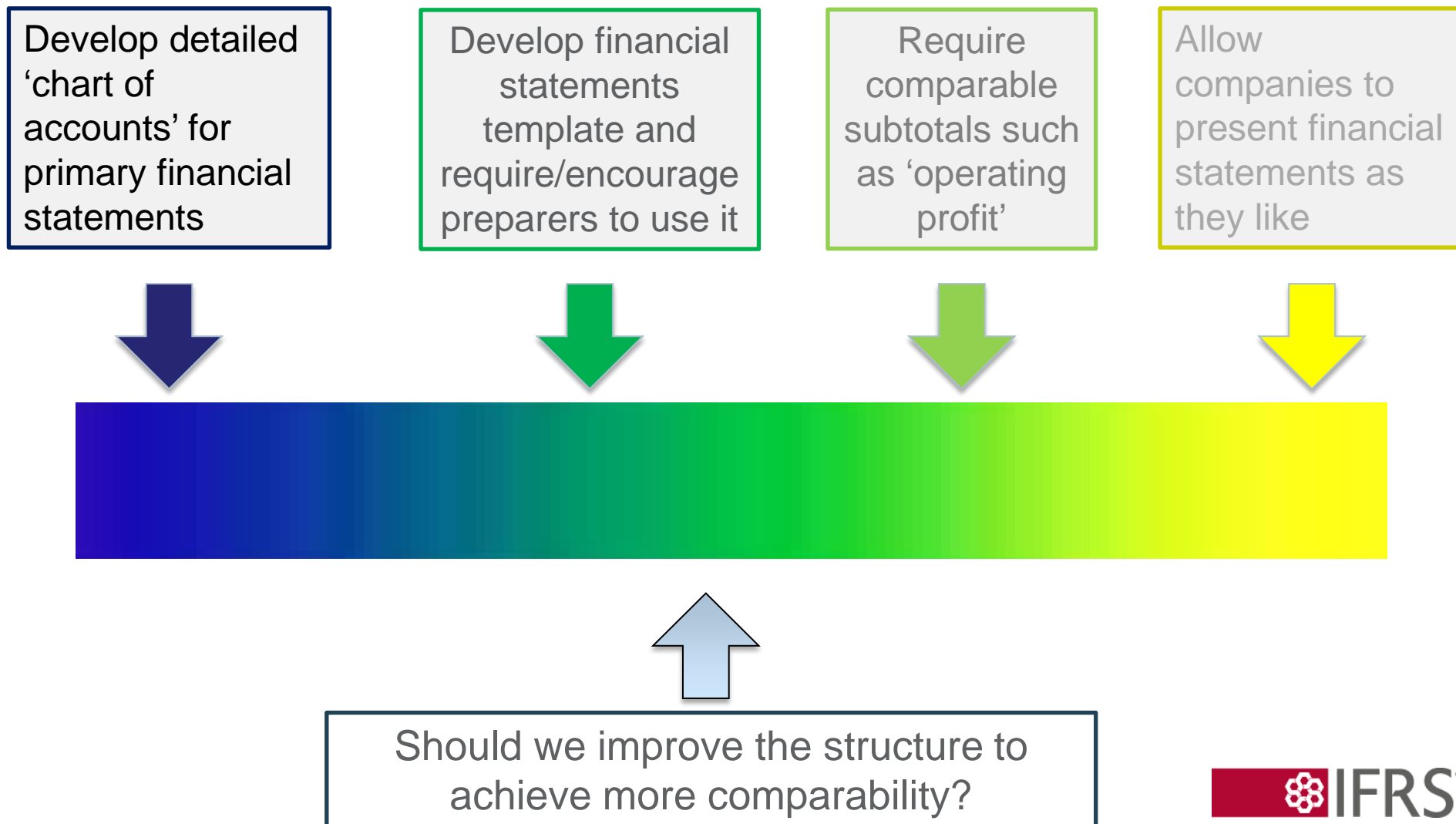
Recognition and measurement should be principle based but presentation should be more structured

Flexibility allows preparers to tell their own story

As long as necessary information is available in the notes, primary financial statements can be concise

IFRS Standards should keep their principle-based nature

# Structure – possible approaches



Increasing use of APMs indicates that financial statements are losing their relevance

Alternative performance measures (APMS) are misleading investors

By presenting more performance measures in financial statements, transparency, comparability and discipline will be enhanced and measures will be audited

The IASB should develop mechanism to allow preparers to present more performance measures in financial statements

# IFRS Taxonomy®

## Content

- Continue to reflect IFRS Standards and IFRS reporting practice in an accurate and timely manner

## Implementation

- Support accurate and consistent use of the IFRS Taxonomy, in particular additional educational materials focused on preparers

## Governance

- Implementation of the revised due process. The Board is now involved in the approval of the IFRS Taxonomy content

## Technology





- Research into the wider impact technology may have on the relevance of the Standards and the IFRS Taxonomy

# Wider corporate reporting


- The Board:
  - will play an active role in areas outside the traditional boundaries of financial reporting, but not be at the forefront in leading developments.
  - will continue to co-operate with other bodies active in this arena – such as the International Integrated Reporting Council and the Corporate Reporting Dialogue.
  - has dedicated modest staff resource to monitor developments in this area and study what the future role of the Board should be.
- Large majority of respondents to the agreed with this strategy. IFRS Foundation Trustees' review of structure and effectiveness (2015-16).

# Contact us


## Keep up to date

-  @IFRSFoundation
-  IFRS-Foundation, IASB
-  [go.ifrs.org/email-alerts](https://go.ifrs.org/email-alerts)
-  IFRS Foundation

## Comment on our work

-  [go.ifrs.org/comment](https://go.ifrs.org/comment)

## Join the organisation, and help shape the future of financial reporting

-  [go.ifrs.org/careers](https://go.ifrs.org/careers)