

JOINT OUTREACH EVENT

IASB DISCUSSION PAPER DISCLOSURE INITIATIVE – PRINCIPLES OF DISCLOSURE

SUMMARY REPORT

LONDON

4 JULY 2017

Introduction

EFRAG together with the UK Financial Reporting Council ('UK FRC') organised an outreach event in London on 4 July 2017 covering the IASB's Discussion Paper DP/2017/1 *Disclosure Initiative—Principles of Disclosure* (the 'IASB DP'). The International Accounting Standards Board® ('IASB') participated in the event. This report has been prepared for the convenience of European constituents.

The joint outreach event was one of a series organised across Europe following the publication of the IASB DP. The purpose of the outreach event was to:

- stimulate debate in Europe;
- obtain input from constituents, in particular from those that did not intend to submit a comment letter to EFRAG or the IASB, and to understand their main concerns;
- receive input for the UK FRC's comment letter to EFRAG and the IASB; and
- learn whether the tentative views as set out in EFRAG's draft comment letter were shared by European constituents.

Paul Druckman (Chair of the UK FRC's Corporate Reporting Council) opened the outreach event and welcomed the speakers and participants.

Mary Tokar (IASB member), Mariela Isern (IASB Senior Technical Manager) and Arjuna Dangalla (IASB Assistant Technical Manager) presented the IASB DP and the IASB Materiality Practice Statement. Andrew Watchman (Chairman of EFRAG TEG) summarised EFRAG's tentative views on the IASB DP.

Thereafter Anthony Appleton (Director of Accounting and Reporting Policy at the UK FRC) facilitated an open debate among the participants.

The EFRAG presentation slides can be found on EFRAG's website ([here](#)).

Summary of observations

Participants at the event made the following observations:

- The IASB should consider the implications of developments in technology on the presentation of financial statements and disclosures in greater depth, looking at the future of reporting.
- The boundaries of the financial statements were not always clear. Some doubted that the financial statements should be a stand-alone document and favoured cross-referencing of some information.
- The focus should be on the quality of the disclosures in the financial statements and not the length of the financial statements.

- Entities should describe how they have applied the requirements in IFRS Standards to their own circumstances, rather than simply providing a generic description.
- The IASB should develop disclosure objectives in a holistic way, in the context of the role and the boundaries of the notes and test some real-life disclosures to understand why users find certain information useful.
- The IASB should try to make the financial statements more relevant and more enticing to read.
- There was merit to explore the 'core and more' proposals in *The Future of Corporate Reporting* paper published by FEE (now Accountancy Europe) in 2015.

Discussion on the IASB DP

Opening and Welcome

Paul Druckman opened the event by welcoming the speakers and participants and introducing the topic. He referred to initiatives from the UK FRC, as well as to the EFRAG/ANC/FRC Discussion Paper issued in 2012.

Mary Tokar started by presenting the central theme of 'Better communication' of the IASB, the definition of the disclosure problem by the IASB and the portfolio of projects comprising the Disclosure Initiative. Mariela Isern presented the objective and the outline of the IASB DP and the project timeline. Arjuna Dangalla presented the key topics included in the IASB DP. Mary Tokar closed the IASB presentation by presenting the content of the IASB Materiality Practice Statement.

Andrew Watchman presented the main messages in EFRAG's draft comment letter in response to the IASB DP.

Anthony Appleton opened the debate welcoming comments and questions from participants.

Main comments received

The IASB should consider the implications of technology in greater depth, looking at the future of reporting.

Technology and the boundaries of the financial statements

Participants referred to the following:

- The IASB should consider the implications of developments in technology on the presentation of financial statements and disclosures in greater depth. Consideration should include the delivery and access of the content of the financial statements.

The boundaries of the financial statements are not always clear.

- The IASB should look ahead to future developments in financial and corporate reporting including the implications of technology.
- The boundaries of the financial statements i.e. information that should be provided in financial statements and information that belongs outside financial statements were not always clear. Some doubted that the financial statements should be a stand-alone document and favoured cross-referencing of some information.
- Further work is needed, together with audit authorities, to assess the audit implications of the proposed guidance on cross-referencing.
- Entities report on a broader range of factors beyond purely financial results and materiality assessments on non-financial disclosures were important.

Main comments received

Improving the quality of disclosures is the key issue.

Disclosure Overload

Participants made the following observations:

- The focus should be on the quality of the disclosures in the financial statements and not the length of the financial statements.
- Participants questioned whether there was evidence that disclosure overload was the key problem. It was acknowledged however, that there were different views regarding disclosure overload between preparers and users.

Main comments received

Users need entity-specific accounting policy disclosures.

Accounting policies

Participants observed the following:

- Some users of financial statements benefit from disclosure of all the accounting policies used in preparing the financial statements.
- In any case, entities should describe how they have applied the requirements in IFRS Standards to their own circumstances, rather than simply providing a generic description.
- Accounting policies in category 2, as described in the IASB DP, could be disclosed on the entity's website.

Main comments received

Clear disclosure objectives are necessary. The role of the notes should be considered. Test some real life disclosures.

Disclosure objectives and the role of the notes

Participants made the following comments:

- Participants encouraged the IASB to develop disclosure objectives in a holistic way, in the context of the role and the boundaries of the notes.
- The IASB should test some cases of disclosures to understand why users find certain information useful. Some examples given were:
 - the disclosure of quality of earnings; and
 - a sensitivity analysis including ranges of the carrying amounts of an entity's most significant judgments and sources of estimation uncertainty.

Main comments received

The IASB should try to make the financial statements more enticing to read.

Other topics

Participants made the following comments related to other topics of the IASB DP:

- Financial statements have become less relevant and less attractive to read. Studies in the UK showed that some investors focus on preliminary announcements of companies instead of the financial statements. One reason was that the latter were often long and complex.
- An entity should take into account the different types of users of its financial statements.
- There was merit in exploring the 'core and more' proposals in *The Future of Corporate Reporting* published by FEE (now Accountancy Europe) in 2015.

The 'core and more' proposals of Accountancy Europe may be worth exploring.

Closing remarks

Anthony Appleton summarised the main points of discussion, thanked the speakers and participants and closed the event. He encouraged participants to respond to the IASB DP and to EFRAG's draft comment letter.