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New Lab Project: Accounting Policy Disclosures and Integration of Related Financial Information

The FRC's Financial Reporting Lab (the Lab) is calling for listed companies and investors/analysts to participate in a project on approaches to disclosing accounting policy information that are considered to be most effective. This project will also explore the ordering of footnotes to the financial statements, as this is a topic that arises when companies integrate accounting policy disclosure with detailed footnote disclosure. We also plan to consider linking or integrating related information on policies and their application, the resulting financial statement information, and the financial review.

The aim of the Lab's project is to provide insight from the corporate and investment communities on effective approaches to reporting, including both the content and style of presenting information. The project will provide companies with an opportunity to better understand what it is that the investment community believes is most helpful, both within and beyond current requirements.

Proposed scope of the project

It is anticipated that the following aspects can be considered:

Accounting policy disclosure

- Opportunities to omit disclosure of policy information that is not significant for the company (i.e. making materiality judgements not to disclose certain information).
- Boilerplate text, including whether disclosure that repeats the text of the related IFRS requirement should be cut as clutter or enhanced to provide context that relates the policy to the company's business, its transactions, and the resulting amounts in the financial statements.
- Disclosure of accounting policies:
 - policies that are required by IFRS -- those for which there is no policy choice;
 - policy choices, and changes in policy or the significance of items subject to the policy;
 - key judgements, assumptions and estimates made in applying policies;
 - new IFRS requirements adopted, and new requirements not yet adopted.
- Presentation of accounting policy disclosure:
 - within a single note, or integrated within the respective topical footnotes;
 - identifying more (or less) significant policies;
 - the desirability of policy information being reported outside of the financial statements on the company's website, or within a separate section of the financial statements. Issues related to the audit of information shown outside of the financial statements is also expected to be considered.

Footnote order

- Integrating separate notes on the same topic (combining notes on tax expense and tax assets/liabilities, for example) and different approaches to ordering the notes and their content.

Financial review

- Placement of information, including integration of financial statement information and the financial review.

We are seeking a number of listed companies to provide example reporting and to discuss the rationale behind the content and format used. The examples provided will be tested with the investment community through a series of meetings facilitated by the Lab. If preferred by participating companies, unpublished examples could potentially be developed and presented to the investment community on an anonymous basis.

What is the timing of the project and the level of involvement required?

Companies participating in this project will need to provide existing and if possible, potential changes in their planned reporting. Companies are requested to indicate interest in participating in this project over the course of the next month. This will allow the Lab to obtain input from the investment community, with the aim of publishing the Lab's report on this topic before the end of the year.

Beyond providing the examples for testing with the investment community, we do not expect that company participants will need to commit significant time to this project. For example, the Lab team can facilitate meetings with the investment community and share the insights gained with participating companies.

All parties involved in the project will be required to respect the confidentiality of information provided by other participants, and respect the confidentiality of the names of companies and investors/analysts participating in the project until such information is made public in the Lab's report.

What is the Financial Reporting Lab?

The Financial Reporting Council (FRC) launched its Financial Reporting Lab (Lab) with the aim of improving the effectiveness of corporate reporting in the UK. The Lab provides a collaborative environment for companies, investors and analysts to discuss innovative reporting solutions that better meet the needs of both communities. Further information on the Lab and its activities can be found at:

<http://frc.org.uk/Our-Work/Codes-Standards/Financial-Reporting-Lab.aspx>.

How should companies and investors express interest in participating?

Companies and investors/analysts interested in discussing participation in this project should contact the Lab team by email at: FinancialReportingLab@frc.org.uk, or contact Sue Harding by telephone on 020 7492 2442.