

AASB staff note on IASB Disclosure Initiative

Overview of the IASB's planned scope and timing of the project

- 1 This AASB staff note identifies the components of the IASB's Disclosure Initiative, as set out in the IASB Work Plan as at 30 April 2014, classifying those components as 'research' or 'standards-level' and showing the IASB's planned timing of each step. These components and their classification are subject to change as the IASB's Disclosure Initiative evolves.
- 2 This note also identifies some issues the IASB has tentatively decided to explore within its Disclosure Initiative.
- 3 The topic in the first row is not elaborated on below because it is the subject of a current ED. In addition, there are no details to provide at this stage on the topic in the last row.

| Topic | Research (planned timing) | Standards-level (planned timing) |
|---|-------------------------------------|--|
| Amendments to IAS 1 | | Redeliberations of IASB ED/2014/1 <i>Disclosure Initiative: Proposed amendments to IAS 1</i> ¹ (Q3, 2014) |
| Reconciliation of liabilities from financing activities | | Target ED (Q4, 2014) |
| Materiality | IASB Board discussion (Q3, 2014) | |
| Principles of disclosure | IASB Board discussion (Q2, 2014) | |
| General disclosure review | Next IASB step yet to be determined | |

Reconciliation of liabilities from financing activities

- 4 The IASB tentatively decided, at its March 2014 meeting, to explore short-term amendments to IAS 7 *Statement of Cash Flows* to require a reconciliation of the opening and closing liabilities that form part of an entity's financing activities. The IASB also tentatively decided to consider short-term amendments to IAS 7 with the aim of improving disclosures about restrictions on cash.
- 5 The IASB also noted that the long-term Disclosure Initiative may include a more fundamental review of IAS 7 (presumably, within the Principles of Disclosure project).

1 AASB ED 249, on which the AASB seeks comment by 30 June 2014

Materiality

- 6 Paragraph BC8 of the IASB's *Basis for Conclusions on the [Draft] Proposed amendments to IAS 1 arising from the Disclosure Initiative* accompanying IASB ED/2014/1 *Disclosure Initiative: Proposed amendments to IAS 1* says:

“In addition to the amendments to the materiality requirements in IAS 1, the IASB will be undertaking a short-term project in its Disclosure Initiative to assess the existing guidance on materiality. That assessment could result in additional guidance or education material being produced on materiality.”

- 7 In relation to that additional project on materiality, the IASB tentatively decided at its March 2014 meeting that²:
- (a) the project's objective should be to help preparers, auditors and regulators use judgement when applying the concept of materiality in order to make financial reports more meaningful;
 - (b) the project's scope should be the application of materiality across the whole of the financial statements. However, the focus would be on applying the concept of materiality to the notes;
 - (c) the project should consider the following areas:
 - (i) the lack of understanding of what is meant by the concept of 'materiality';
 - (ii) the lack of clarity in applying the concept of materiality, in particular to disclosures in the notes to the financial statements; and
 - (iii) how disclosure requirements are written; that is, the use of unclear language used to describe disclosure objectives and other disclosure guidance in IFRS; and
 - (d) work should be undertaken to consider whether additional guidance could be developed that assists entities to determine what a significant accounting policy is.

Principles of disclosure

- 8 As part of its Disclosure Initiative, the IASB has decided to undertake a research project entitled 'Principles of Disclosure'. The project's objective is:

“To identify and develop principles for disclosure in IFRS that could form the basis of a Standards-level project. The research will focus on reviewing the general requirements in IAS 1 *Presentation of Financial Statements*, IAS 7 *Statement of Cash Flows* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.”³

- 9 The IASB has indicated that the results of the research will form the basis of a DP expected to be published before the end of 2015.

2 *IASB Update*, March 2014, 'Disclosure Initiative'

3 *IASB Update*, April 2014, 'Disclosure Initiative (Agenda Paper 11)'

Topics to be researched

- 10 The IASB tentatively decided, at its April 2014 meeting, to research the following topics in its Principles of Disclosure project:
 - (a) principles of disclosure for the notes, including: (i) objective and boundaries; and (ii) principles regarding the organisation, placement, format and linkage of information;
 - (b) information in a complete set of IFRS financial statements, including:
 - (i) presentation and disclosure of non-IFRS financial information; and
 - (ii) comparative information;
 - (c) differential disclosures and proportionality;
 - (d) cash flow reporting; and
 - (e) disclosure of interim financial information.
- 11 The IASB noted that research should focus first on topics (a) and (b) in paragraph 10 above. The IASB also acknowledged that the research phase might identify some improvements to disclosure requirements that the IASB might immediately elevate to a Standards-level project.
12. AASB staff are mindful of the need to closely monitor this project, and note, for example, the possible issues that might arise in respect of paragraph 10(c) above in relation to differential disclosure regimes.