Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Disclosure Requirements in Australian Standards—A Pilot Approach**	**Meeting**	AASB September 2021 (M183)
Topic:	**Analysis of preliminary stakeholder feedback on ED 309 and decision on principles**	**Agenda Item:**	15.1
		Date:	23 August 2021
Contact(s):	Ao Li ali@aasb.gov.au Helena Simkova hsimkova@aasb.gov.au	**Project Priority:**	Medium
		Decision-Making:	High
		Project Status:	Consider preliminary feedback on ED

OBJECTIVE OF THIS PAPER

1 The objective of this agenda item is:

(a) to **inform** the Board of the preliminary feedback received on [AASB *ED309 Disclosure Requirements in Australian Accounting Standards—A Pilot Approach*] (ED 309) and other outreach activities;

(b) to **provide** staff analysis on issues raised by stakeholders; and

(c) for the Board to **consider** the main principles in the ED and decide whether to support the IASB approach.

ATTACHMENTS

Agenda Paper 15.2	Comment letter received on ED 309
Agenda Paper 15.3	AASB *ED309 Disclosure Requirements in Australian Accounting Standards—A Pilot Approach* [supporting documents folder]
Agenda Paper 15.4	*Snapshot: Disclosure Requirements in IFRS Standards—A Pilot Approach* [supporting documents folder]
Agenda Paper 15.5	*IASB ED/2021/3 Basis for Conclusions Disclosure Requirements in IFRS Standards — A Pilot Approach* [supporting documents folder]
Agenda Paper 15.6	Minutes of AASB UAC Meeting (June 2021) [Board only, supporting documents folder]

STRUCTURE

2 This paper is structured as follows:

(a) Background

(b) Staff Analysis and Question to the Board

(c) Project plan and next steps

(d) Appendix A: Summary of Preliminary Feedback

Background

Objectives of ED 309

3 ED 309 proposes guidance that could be used by the IASB when developing and drafting disclosure requirements in future IFRS Standards (proposed Guidance). It intends to address the three main concerns stakeholders have about the information disclosed in financial statements. These concerns are that financial statements contain:

(a) not enough relevant information;

(b) too much irrelevant information, also known as boilerplate; and

(c) ineffective communication of information provided.

These concerns are collectively referred to as the 'disclosure problem'.

4 Stakeholder feedback to the Discussion Paper *Disclosure Initiative—Principles of Disclosure* (March 2017) has identified three key factors contributing to the disclosure problem. They said that IFRS Standards:

(a) lack specific disclosure objectives. Entities may not always understand why information is useful, and therefore they find it difficult to make an effective judgement;

(b) use prescriptive language, such as "shall disclose" or "as a minimum", which may result in some stakeholders using the disclosure requirements like a checklist; and

(c) contain voluminous prescriptive requirements and complying with them does not leave time to apply materiality judgement.

5 Based on the feedback summarised in paragraph 4 above, the IASB developed three main proposals in the ED, targeting each stakeholder's concerns, respectively, as shown in the table[1] below.

What stakeholders say	IASB's main proposals
Entities may not always understand why information is useful, so it is difficult to make effective judgements	**Engage investors even earlier** in the standard-setting process and **then develop specific disclosure objectives**, along with an explanation of what investors may do with the information provided. Link the objectives with items of information that could help satisfy them.
The easiest way to achieve compliance is to apply disclosure requirements like a checklist	Require entities to comply with disclosure objectives. Entities can only meet the objective-based requirements **by applying judgement**.
Complying with high volumes of prescriptive requirements does not leave time to apply materiality judgements	**Minimise requirements to disclose particular items** of information, thus removing a perceived compliance burden and making it clearer that only material information should be disclosed.

Overview of the proposal in ED 309

6 IASB has focused on developing an approach that requires stakeholders to move away from applying disclosure requirements as a checklist. The IASB expects the proposals in the ED

1 Table adopted from the IASB material.

would provide entities, auditors and other stakeholders with a basis for making effective materiality judgements, and to ensure that effective communication with investors is the only way to achieve compliance with disclosure requirements in the Standards.

7 Disclosure requirements developed using the proposed Guidance would contain overall disclosure objectives, specific disclosure objectives and items of information, as summarised in the table below.

Overall Disclosure Objectives (mandatory requirements)	o describe the overall information needs of investors within an individual IFRS Standard. o **require** entities to assess whether the information provided in the notes meets those overall investor information needs. If that information is insufficient, entities will need to disclose additional information to meet investor needs.
Specific Disclosure Objectives (mandatory requirements)	o describe the detailed information needs of investors within an individual IFRS Standard. o **require** entities to disclose all material information to enable those specific investor information needs to be met. o include an explanation of what investors may do with the information provided (for example, what analysis will investors perform?)
Items of Information (non-mandatory in most cases)	o provide items of information an entity **may, or in some cases is required to**, disclose to satisfy each specific disclosure objective. o help entities apply judgement and determine how to satisfy specific disclosure objectives.

8 Under the new approach, entities would need to apply judgement to determine what information is needed to satisfy the disclosure objectives in their circumstances. Auditors and regulators would also need to use judgement to assess whether the information provided satisfies the disclosure objectives, considering both content and communication effectiveness. Information that is communicated ineffectively is unlikely to meet the investor needs described in disclosure objectives.

9 Disclosure requirements developed using the proposed Guidance would require entities to comply with disclosure objectives rather than with prescriptive requirements to disclose particular items of information. This would mean an entity is required to focus on making effective materiality judgements and to focus their disclosures on material information in their own specific circumstances. IASB expects that minimising requirements to disclose particular items of information would remove a perceived compliance burden and make clear that only material information should be disclosed. Disclosure of immaterial information would not help an entity to satisfy the disclosure objectives. Therefore, the IASB expects that there would be no incentive for stakeholders to include immaterial information in financial statements under the proposed approach.

10 The IASB expects that, by applying the proposed approach, the IASB would reinforce the materiality requirements in IAS 1 *Presentation of Financial Statements* by developing requirements at an individual standard level that can only be satisfied by applying materiality judgements.

11 In addition to the proposed Guidance, the ED also contains proposed amendments to IFRS 13 *Fair Value Measurement* and IAS 19 *Employee Benefits* to test the proposed objective-based disclosure approach.

12 The IASB is seeking stakeholder's input on:

(a) Whether disclosure requirements developed applying the proposed Guidance would lead to more decision-useful information for investors (Questions 1–5 in the ED); and

(b) The proposed amendments to IFRS 13 (Questions 6–11 in the ED) and IAS 19 (Questions 12–18 in the ED).

13 The IASB is interested in feedback on whether the proposals would be an effective catalyst for change, particularly in relation to the points listed in the table below.

Would the proposals enable entities to …		
Avoid applying disclosure requirements like a checklist?	Make effective materiality judgements?	Eliminate immaterial disclosures?
Identify when additional or different information needs to be disclosed?	Better understand investor needs and identify information that would meet those needs?	Determine how best to satisfy disclosure objectives in their own circumstance?
Would the proposals …		
Lead to better information for investors?	Give auditors and regulators a basis for challenging judgement instead of relying on a checklist?	Lead to benefits that exceed costs?

Respondents to ED 309

14 The comment period for ED 309 to AASB closes on 15 October 2021. To date, the AASB has received one comment letter from a preparer (S1-HoTARAC) (see Agenda Paper 15.2). This respondent does not support the approach contained in ED 309 and does not believe the proposed pilot approach will successfully achieve its objectives. Detailed comments from S1-HoTARAC are included in Appendix A.

Preliminary outreach activities on ED 309

15 Staff undertook various outreach activities on the matters raised in ED 309. These include discussions with the AASB's Disclosure Initiative Project Advisory Panel (DI PAP), User Advisory Committee (UAC) and discussions with individual stakeholders. Staff summarised the preliminary feedback from the outreach activities and the comment letter received in Appendix A.

16 The majority of the feedback received from Australian stakeholders comments on principles of proposals in the ED, focusing on whether the proposed new approach would be effective in addressing the disclosure problems and the feasibility of the proposed approach.

17 Subject to the Board's decision on Question 1 below, staff will undertake further targeted outreach activities.

Staff Analysis and Question to The Board

18 At this Board meeting, staff would like to seek the Board's view on whether to support the principles of the proposed Guidance before undertaking any further analysis of individual aspects of the ED.

19 Therefore, staff have focused on whether the proposed Guidance helps to address the disclosure problem identified by stakeholders.

20 Feedback received from some stakeholders noted that, while they support the idea, the proposal may not be feasible in practice mainly due to the high level of subjectivity involved. Staff have summarised the preliminary feedback received in Appendix A. The feedback suggested that the proposed Guidance would:

(a) lead to loss of detailed information required by users;

(b) reduce the comparability of financial statements;

(c) increase users' cost to access and use the information contained in the financial statements;

(d) increase audit and enforcement challenges;

(e) not effectively eliminate immaterial disclosures; and

(f) increase the compliance burden for preparers, particularly for the smaller entities that may have less resources.

21 Some stakeholders also observed that some entities may be confronted by the level of complex judgements and may not change current disclosure behaviour. Therefore, they would potentially use the objectives and items of information as a new form of 'checklist'.

22 Staff acknowledge the IASB's effort in undertaking several initiatives to foster the exercise of judgement in preparing general purpose financial statements (as summarised in Table 2 and Table 3 of the BC to ED 309). However, our stakeholders suggested that the effect of some of the guidance, for example, IFRS Practice Statement 2, is relatively limited and additional educational material is needed.

23 Some stakeholders also observed that AASB 1031 *Materiality*[2], which the AASB withdrew in 2013, was still frequently used by many stakeholders in Australia. Stakeholders considered that the AASB 1031 significantly supplemented the qualitative assessment of materiality while still maintaining the need for professional judgement and accountability. Stakeholders found the guidance in AASB 1031 useful in assisting discussion between preparers, auditors, users and regulators as to the basis of what should and should not be considered in a financial report.[3]

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2 AASB 1031 included guidance on the nature of an amount affecting materiality, the quantitative threshold, and the difference between materiality in absolute and relative terms. AASB 1031 also provided guidance in other areas of financial reporting, including the application of Prudential Standards, by due diligence committees, for assessment of continuous disclosures and enforceable undertakings. See Submission from EY to ED 243.
In June 2013, Exposure Draft 243 *Withdrawal of AASB 1031 Materiality* was issued for comment. At its October 2013 meeting, the Board proceeded with the withdrawal of AASB 1031 after reviewing the constituent comments. In making its decision to ultimately withdraw AASB 1031, the AASB Board noted that it would not expect the withdrawal to change practice regarding the application of materiality in financial reporting. In particular, amendments would not change the level of disclosure presently specified by other accounting standards.

3 Submissions from HoTARAC, ACAG and EY to ED 243.

24 Staff further note that the IASB's project is based on the assumption that entities can appropriately apply materiality judgement when deciding on disclosures. Therefore, this is the core principle the Board need to consider. If the Board concludes that application of materiality judgement by preparers is not feasible in practice, the project would likely not achieve its objectives.

25 Based on the feedback and staff analysis, staff have identified the following options for the Board to consider:

(a) Do not support the approach proposed by the IASB – This approach would likely create further concerns for entities attempting to apply additional layers of judgement to disclosure requirements and reduce the comparability of financial statements. The current disclosure requirements are sufficient, and the disclosure problem could be addressed by referencing the overarching materiality principle in IAS 1 and in individual standards.

(b) Support the principles in the approach proposed by the IASB – This approach would reinforce the materiality requirements in IAS 1 at an individual standard level and encourage entities to apply judgement to addressing the disclosure objectives in their own circumstances. The new disclosure requirements would result in entities providing more relevant and entity-specific information.

26 Staff recommend Option (a) in paragraph 25 above to the Board. Staff consider the proposed objective-based approach would not be operational in practice and may not achieve its intended effect (as noted in paragraph 21 above). This recommendation is supported by feedback from our panel members where:

- 75% (six out of eight) of PAP members were either unsure or thought the proposal is not operational and enforceable; and
- 62% (ten out of sixteen) of members (UAC + PAP) thought the proposed approach would not effectively address the disclosure problem.

Question 1 to the Board: Do the Board members agree with the staff recommendation in paragraph 26 above?

Project plan and next steps

27 Comments to the AASB are due by 15 October, and comments are due to the IASB by 12 January 2022. Subject to the Board's decision on Question 1, the draft project plan and next steps are as follows:

- Subject to the Board's response to Question 1 above, staff will undertake further analysis of the proposed amendments to IFRS 13 and seek additional stakeholders' feedback.
- November AASB Meeting:
    - Present a summary of feedback received and draft comment letter to the IASB
    - Form a subcommittee to finalise the comment letter out of session

Question 2 to the Board: Do the Board members have any comments or concerns in relation to the proposed project plan and next steps?

Appendix A - Summary of Preliminary Feedback

Staff have summarised the feedback received from DI PAP members, UAC members, individual stakeholders and the comment letter in the table below. The staff conducted a basic analysis to give the Board an overview of the potential effect of the proposed Guidance so the Board could form a view on whether to support the IASB approach. If the Board supports the principles in the ED, staff will perform additional analyses of individual proposals.

<table>
<tr><td>
<u>The proposed Guidance for developing disclosure requirements in IFRS Standards in future</u>

The proposed Guidance requires entities to:
a) Comply with overall disclosure objectives that describe the overall information needs of users of financial statements;
b) Comply with specific disclosure objectives that describe the detailed information needs of users of financial statements; and
c) Identify items of information to meet each specific disclosure objective and apply judgement to determine the information they would disclose to satisfy the specific disclosure objectives.
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Stakeholders' comments for Q1-Q3 in the ED are largely interrelated. Staff have therefore combined the analysis for these three questions.

Question 1—Using Overall disclosure objectives

Do you agree that the IASB should use overall disclosure objectives with IFRS Standards in future? Why or Why not? Do you agree that overall disclosure objectives would help entities, auditors and regulators determine whether the information provided in the notes meets overall information needs? Why or Why not?

Question 2—Using specific disclosure objectives and the disclosure problem

Do you agree that specific disclosure objectives and the explanation of the explanation of what the information is intended to help users do, would help entities apply judgements effectively when preparing their financial statements to (i) provide relevant information; (ii) eliminate irrelevant information; and (iii) communicate information more effectively? Why or why not? If not, what alternative approach would you suggest and why? Do you agree that specific disclosure objectives and the explanation of the explanation of what the information is intended to help users do, would provide a sufficient basis for auditors and regulators to determine whether an entity has applied judgements effectively when preparing its financial statements? Why or why not?

Question 3—Increased application of judgement

Do you agree with the proposed approach [of using language that encourages judgement]? Do you agree the proposed approach would be effective in discoursing the use of disclosure requirements in IFRS Standards like a checklist? Why or why not? Do you agree that this approach would be effective in helping to address the disclosure the disclosure problem? For example, would the approach help entities provide decision-useful information in financial statements? Why or why not? Do you agree the proposed approach would be operational and enforceable in practice? Why or why not? Do you have any comments on the cost of this approach, both in the first year of application and in subsequent years?
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Key issue	Has the IASB considered this issue? If yes, where.	Preliminary staff analysis
Generally, stakeholders agreed that IASB should use the overall and specific disclosure objectives within IFRS standards in future. However, stakeholders raised the following concerns:		
1. Subjectivity in the application of the proposed Guidance The majority of the stakeholders [PAP, UAC, Professional bodies, and the submission letter to AASB] expressed concerns over the consistent application of the proposed approach in the ED. Stakeholders appreciate the IASB's initiative to address the disclosure problems via promoting judgements in disclosure decisions. However, the proposals will only achieve their full benefits if the preparers, auditors and regulators use appropriate judgement when applying those requirements. The effects of the proposals may vary based on the diverse nature of the entities, e.g. size, industry, resources to understand user's information needs, management appetite to adapt to changes in disclosure requirement, management ability to apply judgement appropriately and entities' relative negotiation power to auditors etc. Stakeholders are concerned that the subjectivity involved when applying the guidance could possibly: *a) Auditability and enforceability would be challenging* Stakeholders acknowledged that auditors and regulators would play the role of the enforcer to ensure entities disclosed sufficient and relevant information in financial statements that meet the user's needs. However, they are concerned that the audibility and enforceability under the proposed approach would be challenging. Preparers, auditors, and regulators may have different views on	*a) Auditability and enforceability would be challenging* Some IASB members were also concerned that developing objective-based disclosure requirements in IFRS standards without requiring disclosure specific items will make it more challenging for enforcement (paragraph AV6-AV8).	*a) Auditability and enforceability would be challenging* Without detailed guidance, it might be challenging and time-consuming for preparers and auditors to agree on specific disclosures in the financial statements, which ultimately increases preparers' audit costs. Also, the regulator may need to conduct more inquiries when performing the review to ensure the disclosure objective was met.

Key issue	Has the IASB considered this issue? If yes, where.	Preliminary staff analysis
what information should be disclosed [PAP, UAC Professional bodies, AASB Board members]. One UAC member is concerned that the proposed approach may not effectively change an entity's disclosure behaviour as entities can be conservative and less inclined to adopt the change due to litigation risk concerns, e.g., investigation or class actions against them if specific disclosure is not included. Entities may still produce lengthy financial statements just to be on the safe side, as long as the material information is included. The PAP member [regulator] has observed that Australian preparers have been cautious in streamlining the disclosure. This PAP member commented that regulators do not want information overload but also do not want to see a significant decrease in disclosure and acknowledged it is challenging to strike the right balance in practice. Therefore, field testing of the proposed Guidance is of significant importance. Two AASB Board members commented that the auditors and regulators need to acknowledge that multiple ways of satisfying a principle exist for the proposed approach to achieve its intended effect. One Board member noted that the auditors should apply an approach of "Does what is in the report satisfy the objective" rather than "Is what is in the report how I would have satisfied the objective?". An AASB member and a stakeholder also expressed concern about potential unintended consequences. In litigious countries, the courts may need to adjudicate on the acceptability of disclosures. This may represent an external legal interpretation of the accounting standards. Different legal decisions in different countries will establish precedents that further reduce the international comparability of entity financial outcomes. Another AASB	IASB expects auditors and regulators would ensure sufficient disclosures to meet the objectives. IASB acknowledges that amendments to the disclosure requirements in IFRS Standards alone could not address the disclosure problem. It is important to understand from other stakeholders, including auditors and regulators, whether any proposed amendments to IFRS Standards would be effective in helping them to address the disclosure problems (paragraph BC10).	In addition, increased reliance on auditors may result in auditors' competence being a key driver for disclosure quality. There might be a diversity in the extent and quality of disclosures among entities within the same industry driven by a different expectation of the relevant audit firm (e.g. large firms may have a different view than small firms). At this stage, staff are still due to perform further outreach and research to understand better the potential audit and regulator consequences of the proposed approach. Staff will bring this back for Board consideration at a future meeting.

Key issue	Has the IASB considered this issue? If yes, where.	Preliminary staff analysis
Board member was not concerned with courts involvement in interpreting accounting standards if the proposed new disclosure approach is implemented. Such practice already exists in the current system as the Australian Accounting Standards are delegated legislation, and they are susceptible to be interpreted by the courts.		
b) Lead to a loss of detailed information. Stakeholders are concerned that some entities may use the flexibility provided in the proposals as an opportunity to avoid certain disclosures desired by users, particularly for entities that do not have a healthy track record for disclosure [UAC and PAP]. One PAP member commented that the quality of disclosures would depend on the qualifications of preparers and auditors, and they may fail to understand users' information needs. Stakeholders also noticed a tendency not to disclose information that is encouraged but not required by standards unless regulators specifically require those disclosures [PAP and Professional bodies].	*b) Lead to a loss of detailed information* IASB expects that auditors and regulators would be able to enforce sufficient disclosures to meet the objectives. Auditors and regulators will assess compliance with objective-based disclosure requirements and would need to ask whether the information provided meets those objectives in the entity's case. If the information provided is insufficient, auditors and regulators would have a basis to challenge the entities (page 62 of the BC). Paragraphs BC25– BC26 state that disclosure objectives need to be 'specific enough to be operational and enforceable' and 'not result in material information being omitted '. If objectives were too detailed, they could be used as a checklist. If they are too broad, they may not be operational or enforceable.	*b) Lead to a loss of detailed information* Staff agree that auditors and regulators would help to ensure entities provide sufficient disclosures to users. However, staff consider that this can be challenging in practice for the reasons identified by stakeholders in 1a) above.

Key issue	Has the IASB considered this issue? If yes, where.	Preliminary staff analysis
c) *Reduced comparability of the financial statement due to focus on entity-specific information [UAC and PAP]*. One UAC member commented that, under the proposed approach in the ED, auditors (or audit firms) could be the key driver for comparability. Financial statements audited by the same audit firm would likely be more comparable than those audited by different audit firms.	c) *Reduced comparability* Some IASB members were also concerned that developing objective-based disclosure requirements in IFRS standards without requiring disclosure of specific items will impair the comparability of financial statements (paragraphs AV13– AV14). Paragraphs BC195– BC200 of the ED summarise the likely effects of disclosure requirements developed using the proposed Guidance on the comparability of information in the financial statements. The IASB acknowledges that entities with similar circumstances could make different judgements about the information they believe meets the disclosure objective (paragraph BC198). Because the entities are required to meet the specific disclosure objectives, which are explicitly linked to items of information, the IASB Board expects the application of disclosure requirements to result in entities disclosing similar information (that may not be uniform). The IASB is of the view that while two entities might disclose information that looks different, the information would be comparable in all material respects if both entities have met the investor needs described in the objectives.	c) *Reduced comparability* Staff acknowledge the IASB's view that two entities might disclose information that looks different but are comparable in all material respects. However, staff noted that this might create a barrier to the effective use of automated data extraction. The users might need to extract the information first and then reformat it into a comparable form. It introduces additional costs to the users.
2. Operational in practice may be challenging	Some IASB Board members were also concerned that developing objective-based	Staff agree that appropriate materiality judgements are fundamental to solving the disclosure problem.

Key issue	Has the IASB considered this issue? If yes, where.	Preliminary staff analysis
Stakeholders doubted whether the proposed approach would be operational in practice [PAP, UAC and Professional bodies]. Stakeholders observed that some entities currently do not apply the materiality judgement very well. Therefore, those entities might find disclosure requirements that are based on the application of judgement challenging. Some PAP and UAC members observed that the fundamental factor contributing to this issue is the incompetence lack of competence of some accounting practitioners to apply materiality judgement. PAP members acknowledge IASB's effort to help stakeholders make better materiality judgements but suggested further education and guidance would be beneficial. Three PAP members observed that, despite the guidance on materiality included in IFRS *Practice Statement 2*, the materiality application issues persist. One AASB Board member noted that some stakeholders found in the past that the guidance contained in the AASB 1031 *Materiality* was useful. This guidance defined a materiality threshold but was withdrawn in 2013. One stakeholder (S1-HoTARAC) commented that accounting standards have existing provisions that support appropriate disclosure, principally in AASB 101 (IAS 1). The stakeholder acknowledged that these provisions might need an additional focus. It might be appropriate to review the content of such standards (e.g. IAS 1) and supplement it with further interpretative and educational work by the IASB.	disclosure requirements in IFRS standards without requiring disclosure of specific items will be more burdensome for preparers of financial statements (paragraphs AV9– AV12). The IASB Board observed that appropriate materiality judgement is fundamental to solving the disclosure problem (paragraphs BC9– BC10). The IASB has already completed various projects intended to help stakeholders make better materiality judgements (summarised in Tables 2 and 3 in paragraph BC3). IASB considers that the key reason for the disclosure problem is that the voluminous prescriptive requirements in individual IFRS standards override the general requirements for judgement and materiality in IAS 1. IASB considers that placing the compliance requirement on disclosure objectives rather than on items of information would require an entity to apply similar judgement to that required by paragraph 31 of IAS 1. In the IASB's view, this approach would reinforce the materiality requirements in IAS 1 while also reducing the perceived compliance burden that stakeholders told the Board was a cause of the disclosure problem (paragraph BC26).	See paragraphs 21 - 24 for staff consideration of materiality judgement application.

Key issue	Has the IASB considered this issue? If yes, where.	Preliminary staff analysis
3. The cost to implement the proposed changes may outweigh its benefit, particularly for smaller-sized entities Two PAP members commented that the transition costs for large entities would likely be immaterial. However, one PAP member commented that for smaller-sized entities that are relatively less-resourced, the costs (i.e. additional time and resources required) to understand users' information needs and apply judgements might outweigh the benefit. The Professional bodies also shared the same concern and suggested that IASB still provide a disclosure requirements checklist as an option for smaller entities that do not have time or resources to go through judgements. One stakeholder (S1-HoTARAC) commented that the proposal would result in a net overall cost increase in financial reporting. The stakeholder expects that any cost savings from simplified disclosures in IFRS 13 or IAS 19 would be more than offset by additional costs, such as reviewing and documenting achievement of disclosure objectives, subsequent examination by assurance provides, and potential legal challenges to disclosures.	IASB considered the transition costs but did not take into account various sizes of entities and the effect on smaller entities in particular. In paragraph BC201, IASB acknowledged preparers' feedback that applying judgement would be more challenging and more costly than using disclosure requirements like a checklist because: - the time pressure they face when preparing their financial statements and - following a mechanical process means that auditors, regulators and other stakeholders are less likely to challenge the entity's judgement. The IASB expects entities are likely to incur significant costs in the first year, but the costs of application would fall in subsequent years as the behavioural changes brought about by the proposals become more familiar to entities (paragraphs BC202–BC203).	Staff agree that entities are likely to incur high costs in the first year of application but should be able to reduce those costs in the following years as they utilise previously gained knowledge and experience.
4. Standard-setters determine users' information need One UAC member commented that users' information needs vary and change from time to time. For standard-setters to summarise users' needs and to comprehensively and accurately reflect them in disclosure objectives in a timely manner, the users be consulted regularly for the disclosure objectives and items of information to accurately reflect a balanced view of users' information needs and the minimum required level of	Paragraphs BC31–BC47 detailed the IASB's outreach approach plan to understand: - the issues with information that users of financial statements currently receive; - needs of stakeholders, including both primary users of financial statements and other than users of financial statements; and	Staff noted that disclosure requirements of the current accounting standards are also based on expected users' needs. Therefore, a high level of understanding of the users' information needs is necessary for each disclosure requirements setting. Staff agreed with the outreach approach as outlined in the ED. However, staff also noticed that the number of users IASB reached out to is fairly limited for such a significant

Key issue	Has the IASB considered this issue? If yes, where.	Preliminary staff analysis
disclosures across time. The consultation should reach out to a broad range of investors so that the disclosure objectives are balanced and comprehensive, given the diversity in investors' information needs. This comment also applies to the development of the overall disclosure objective and items of information. Three PAP members also commented that there could be a lag between identifying users' information needs and incorporating them into the disclosure objectives due to the benefit of hindsight. Standard-setters and entities may not know what users need until they need it [PAP].	- what disclosures are required to support proposed recognition and measurement requirements? The outreach activities cover a wide range of stakeholders, such as preparers, regulators, auditors, national standard-setters, accountancy bodies, IASB advisory bodies and consultative groups, and feedback from comment letters (paragraph BC40)	project (i.e. held 21 meetings with 35 users), which may not represent a holistic view of stakeholders.