asian-oceanian standard-setters group

APPENDIX A – Analysis of AOSSG members' comments

<table>
<tr><th>Overall Feedback</th><th>Jurisdictions</th><th>AOSSG Members' Comments</th></tr>
<tr><td colspan="3">Section.1 Overview of the 'disclosure problem' and the objective of this project</td></tr>
<tr><td colspan="3">Question 1

Paragraphs 1.5 – 1.8 describe the disclosure problem and provide an explanation of its causes.

(a) Do you agree with this description of the disclosure problem and its causes? Why or why not? Do you think there are other factors contributing to the disclosure problem?

(b) Do you think that the development of disclosure principles in a general disclosure standard (ie either in amendments to IAS 1 or in a new general disclosure standard) would address the disclosure problem? Why or why not?</td></tr>
<tr><td rowspan="3">【Overall Feedback】
• AOSSG members generally agreed with the description of the disclosure problem and its cause.
• Some members thought the behavioural issue is one of the main reasons for the disclosure problems and stressed the importance of education to address them.</td><td>Australia</td><td>• A stakeholder suggested more education could help draw this out.</td></tr>
<tr><td>Hong Kong</td><td>• The HKICPA agrees with the three main concerns about disclosures in financial statements and the root causes of the problem.
• In analysing the root causes, the HKICPA thinks that it will be difficult to tackle the behavioral issues solely through this DP or any other written publication. Additionally, the HKICPA suggests the IASB to consider if its wider corporate reporting role should focus on education on reporting meaning financial information and other information, such as internally generated intangible assets (refer to our analysis in Question 3 below), as well as promoting stronger corporate governance practices.</td></tr>
<tr><td>Japan</td><td>• We think the IASB should discuss better communication taking into account the fact that financial statements often are compliance documents because accounting standards are often incorporated into laws and regulations.
• We think that the IASB should focus on developing authoritative accounting standards. The IASB should clarify the boundary of financial statements (which include the notes), and focus on</td></tr>
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Overall Feedback	Jurisdictions	AOSSG Members' Comments
		information to be provided within the financial statements, not on information to be provided outside the financial statements. users make decisions using both information provided within the financial statements and information provided outside the financial statements together
	Korea	・ We agree with the description of the disclosure problem and its cause. ・ We identify additional causes from which the disclosure problems arise: small entities lack in resources and capability to prepare the financial statements; entities that have many subsidiaries have difficulty adequately communicating with their subsidiaries when preparing the consolidated financial statements; andinternal discussion across different divisions within an entity and the approval of a CEO is needed in order to add new line items in the financial statements, which lead entities to regard the financial statements as compliance documents and thus apply the check list approach. ・ It would be more effective when the mindset and behaviour of entities and users of the financial statements are changed.
	New Zealand	・ We agree with the description of the "disclosure problem" and its causes in the DP. ・ We agree that the development of disclosure principles in a general disclosure standard would help address the disclosure problem.
Question 2 Sections 2-7 discuss specific disclosure issues that have been identified by the Board and provide the Board's preliminary views on how to address these issues. Are there any other disclosure issues that the Board has not identified in this Discussion Paper that you think should be addressed as part of this Principles of Disclosure project? What are they and why do you think they should be addressed?		
【Overall Feedback】 ・ AOSSG members suggested that	**Australia**	・ Some participants observed that this project appears to have competing objectives to eXtensible Business Reporting Language (XBRL). Instead, this project could be used together with XBRL, to promote XBRL.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
the IASB explore disclosure principles for financial statements made available in digital format and this project could be used together with XBRL.	**Hong Kong**	• Please refer to our response to Question 1.
	Japan	• We think the discussions in the DP should distinguish between those that should be included in the Conceptual Framework which would assist the IASB in developing accounting standards ('the IASB's decision-making process') such as the principles of effective communication, the role and its implications to the primary financial statements, and the role and content of the notes and the centralised disclosure objectives and those to be included in accounting standards and require entities to comply with when entities determine the contents of their disclosures in the financial statements ('the entity's decision-making process'). • We believe that, consistent with the *Conceptual Framework*, the IASB should assume that users are those 'who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently'. • Actual users are diverse in their knowledge about IFRS Standards and their approaches to analysing information may vary and, accordingly, the information needs may be different among users. On this point, we suggest the IASB take into account paragraph OB8 of the Conceptual Framework (or paragraph 1.8 of the Conceptual Framework ED), which states that the IASB 'will seek to provide the information set that will meet the needs of the maximum number of primary users'.
	Korea	• N/A
	New Zealand	• We believe that the IASB should seek to further explore/develop disclosure principles for financial statements made available in digital format. • This includes considering the CORE & MORE approach developed by Accountancy Europe, with hyperlinks used to drill down from the CORE report to detailed information in the MORE report(s).
	Singapore	• We believe that the IASB should consider broader discussions on relevant disclosures that are typically missing in financial statements – being one of the disclosure problems – and that could be addressed in a general disclosure standard.

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Overall Feedback	Jurisdictions	AOSSG Members' Comments
Section.2 Principles of effective communication		
Question 3 The Board's preliminary view is that a set of principles of effective communication that entities should apply when preparing the financial statements as described in paragraph 2.6 should be developed. The Board has not reached a view on whether the principles of effective communication should be prescribed in a general disclosure standard or described in non-mandatory guidance. The Board is also of the preliminary view that it should develop non-mandatory guidance on the use of formatting in the financial statements that builds on the guidance outlined in paragraphs 2.20~2.22. (a) Do you agree that the Board should develop principles of effective communication that entities should apply when preparing the financial statements? Why or why not? (b) Do you agree with the principles listed in paragraph 2.67? Why or why not? If not, what alternative(s) do you suggest, and why? (c) Do you think that principles of effective communication that entities should apply when preparing the financial statements should be prescribed in a general disclosure standard or issued as non-mandatory guidance? (d) Do you think that non-mandatory guidance on the use of formatting in the financial statements should be developed? Why or why not? If you support the issuance of non-mandatory guidance in Question 3(c) and/or (b), please specify the form of non-mandatory guidance you suggest (see paragraph 2.13(a)-(c)) and give your reasoning.		
【Overall Feedback】 • AOSSG members generally agreed with developing	**Australia**	• N/A
	Hong Kong	• HKICPA considers that it is important to incorporate more forward-looking ideas into the DP in order to maintain the relevance of financial reports in the future. This is because the information needs of users today have evolved from what traditional financial reporting provides.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
principles of effective communication and the principles proposed by the IASB. Some members suggested that the IASB need to articulate in what order or priority different principles should be applied in case that those principles conflict with one another. Some members suggested that the IASB add 'relevance' to the principles. • However, there were mixed views on the form of the principles. • AOSSG members generally agreed with non-mandatory guidance on the use of formatting in the financial statements. • One member saw limited benefit in non-mandatory guidance as preparers would not be motivated to apply it. This member recommended the principles be mandatory.		• For example, certain intangibles such as internally generated brands or human talent pools, which could be key contributors to the long-term value creation of a modern business, are not recognised in financial statements. In some cases, there may also be insufficient linkage between the line items in traditional financial statements with a company's business model and strategy. • HKICPA therefore recommends that, as a first step, the IASB incorporates more forward-looking ideas in the DP by analysing how the principles of wider corporate reporting frameworks differ from traditional IFRS financial reports, if these 'gaps' are useful to users of financial reports, and how the concepts and objectives in the Conceptual Framework can fill these 'gaps'. • The HKICPA agrees with the seven proposed principles of effective communication. The HKICPA also thinks that the IASB can consider adding the principles of 'relevance', 'transparency' and 'timely' as suggested by our stakeholders. • The HKICPA notes that there is a conflict between some of the principles: for example, information that are entity-specific versus comparable. The HKICPA thinks that the IASB should provide illustrations/guidelines on how the principles should be prioritised to achieve the goal of better communication. • The IASB should enhance the association between the concepts of materiality and qualitative characteristics of useful financial information and the principles of effective communication, as well as elaborate how they are intended to interact, in order to increase its effectiveness. • Based on our observations in Hong Kong, not many preparers use, in any way, non-mandatory guidance. The HKICPA thinks that the principles in the DP should be mandatory.
	Japan	• We think that both the principles of effective communication and the guidance on formatting shown in the DP are essential. • On the other hand, we believe that the proposed principles and guidance should not be included in accounting standards. The principles and guidance are abstract and no more than common sense. Accounting standards are often incorporated into laws and regulations and require certain entities to comply with those accounting standards. If the principles and guidance are included in

Overall Feedback	Jurisdictions	AOSSG Members' Comments
		accounting standards, it would be difficult not only for entities but also for their auditors to assess whether the entities have complied with the accounting standards.
	Korea	• We generally agree with developing principles of effective communication and the seven principles • An additional principle of effective communication could be set out so that entities should present certain information in an appropriate location whether in the primary financial statements or in the notes when providing information in the financial statements. • In case that those principles of effective communication conflict with one another, the IASB would need to articulate in what order or priority different principles should be applied. • Also, preparers would find it very helpful if the IASB provide detailed examples illustrating how the principles can be applied in practice. • It is often the case that effective communication of an entity with externals is constrained by ineffective communication within the entity. Typically, the IR (Investor Relations) department of an entity takes responsibility for communicating with users of the financial statements. The problem is that staff members in the IR department usually do not have sufficient accounting knowledge, and yet they do not properly communicate with those in the accounting department who can help provide accounting information to externals in a more organised and reliable manner because they are better equipped with accounting knowledge. As a consequence, the company as a whole is less likely to communicate effectively with users via the financial statements. • We believe that the principles of effective communication should be prescribed in a general disclosure standard. This is because they are similar to current IAS 1 requirements and prescribing the principles in a general disclosure standard would make those principles appear more authoritative • We think that the guidance would be more effective when it takes the form of mandatory guidance in terms of likelihood to prompt behavioural change from preparers, auditors and users, which we consider this project is primarily aimed at.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
		• If the IASB find out and provide the most widely used format in practice as a non-mandatory guidance, it would help entities prepare the financial statements. Also, if the IASB provides illustrative examples for disclosure in the notes, it would help entities apply the principles of effective communication.
	New Zealand	• We agree that the IASB should develop principles of effective communication that entities should apply when preparing the financial statements. We agree with the principles of effective communication listed in paragraph 2.6 of the DP. • We recommend that the IASB explores combining/condensing the seven principles into three or four principles, to make the principles more workable in practice. • We believe that it would be appropriate for the IASB to increase the visibility of the QCs *relevance* and *materiality*, by including a discussion of *relevance* and *materiality* to accompany the principles of effective communication. • Given the inter-relationship between some of the principles and the potential need for an entity to make a trade-off between some of the principles of effective communication, e.g. entity-specific information vs comparable information, we do not consider that issuing the principles as mandatory requirements would be suitable. The principles should be included in guidance that accompanies, but does not form part of, a general disclosure standard • We support the development of non-mandatory guidance on the use of formatting in the financial statements.

Section 3 Role of the primary financial statements and the notes

Question 4

The Board's preliminary views are that a general disclosure standard should:

- specify that the 'primary financial statements' are the statement of financial position, financial performance, change in equity and cash flows;

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- describe the role of primary financial statements and the implications of that role as set out in paragraphs 3.22 and 3.24;
- describe the role of the notes as set out in paragraph 3.28, as well as provide examples of further explanatory and supplementary information, as referred to in paragraphs 3.26-3.27; and
- include the guidance on the content of the notes proposed in paragraphs 7.3-7.7 of the Conceptual Framework Exposure Draft, as described in paragraph 3.7.

In addition, the Board’s preliminary views are that;

- it should not prescribe the meaning of ‘present’ as presented in the primary financial statements and the meaning of ‘disclose’ as disclosed in the notes; and
- if it uses the terms ‘present’ and ‘disclose’ when describing where to provide information in the financial statements when subsequently drafting IFRS standards, it should also specify the intended location as either ‘in the primary financial statements’ or ‘in the notes’.

Do you agree with the Board’s preliminary views? Why or why not? If you do not agree, what do you suggest instead, and why?

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【Overall Feedback】

- AOSSG members generally agreed with the role of the primary financial statements and the notes with some suggestions.
- One member suggested that the role of the primary financial statement should be providing information of major line items.
- Some members suggested that

</td><td>Australia</td><td>

- Stakeholders generally agreed with the IASB′s definition of the primary financial statements

</td></tr>
<tr><td>Hong Kong</td><td>

- The HKICPA agrees with the role of primary financial statements and the notes, which is consistent with current practices.

</td></tr>
<tr><td>Japan</td><td>

- The IASB should not include the role and its implication to the primary financial statements, and the role and content of the notes in accounting standards but should consider including in the *Conceptual Framework*.
- We are concerned about the description of the Discussion Paper which information in the primary financial statements is more prominent than information in the notes. Because this description may be interpreted to mean that the relevance of information in the primary financial statements is higher than that in the notes. Financial statements are designed so that they provide meaningful information when both primary financial statements and notes are presented together as a whole.

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Overall Feedback	Jurisdictions	AOSSG Members' Comments
the role of the primary financial statement should be defined considering cash flows information.		The IASB should view primary financial statements and the notes together as a whole when developing accounting standards.
	Korea	• We suggest that the role of the primary financial statements should be defined as providing information of major line items rather than providing a summary of information on an entity's recognised items. • The IASB needs to consider providing guidance for the extent of detail when it comes to preparing the primary financial statement and the notes.
	New Zealand	• The proposed role of the primary financial statements is inconsistent with the objective of financial statements which refers to "assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's resources". The IASB's preliminary view is that the statement of cash flows is one of the primary financial statements, yet the proposed description of the role of the primary financial statements does not reflect this.
	Singapore	• We support the view that the role of primary financial statements should be refined to give due consideration to cash flows information.
Section 4 Location of information		
Question 5 The Board's preliminary view is that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS standards outside financial statements if the information meets the requirements in paragraphs 4.9(a)-(c) (a) Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why? (b) Can your provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 5.4-4.4), for which you think an entity should or should not be able to provide information necessary to comply with IFRS Standards outside the financial statements? Why? Would those scenarios meet the criteria in paragraphs 4.9(a)-(c)		
【Overall Feedback】	**Australia**	• Cross-referencing should be permitted as it is useful, alleviating duplication

Overall Feedback	Jurisdictions	AOSSG Members' Comments
• AOSSG members generally agreed with the Board's preliminary view. • However, nearly all members did not agree with the requirement that limits cross-referencing to IFRS information within the annual report. • Many members thought that the feasibility of auditing IFRS information outside financial statements should be considered. • Some members did not agree with the requirement that the location of the information should make the annual report as a whole more understandable.		• Stakeholders showed mixed response on whether cross-referencing should be restricted to the Annual Report. There should be more clarity on what constitutes an "Annual Report" • IASB requirements should be principle-based rather than being woo prescriptive • Cross-referenced IFRS information must be identifiable, auditable and traceable.
	Hong Kong	• The HKICPA welcomes the principles discussed in the DP on disclosing IFRS information outside the financial statements. • Some listed companies in Hong Kong are already applying some principles (e.g. the use of cross-reference) when preparing their financial reports. Users of financial statements generally find such presentation helpful in understanding the financial statements as they highlight relationships between pieces of information within the annual reports.
	Japan	• We believe that IFRS information should be within a single document that includes the financial statements. • We think that cross-referencing can be permitted as long as it does not reduce understandability of financial statements. • In our jurisdiction, many entities voluntarily disclose a document labelled 'Annual Report' separately from statutory reports. Accordingly, the IASB should not use the term 'annual report' but consider describing the extent to which cross-referencing is permitted using a principles-based phrase. • If financial statements were subject to audit, we think that IFRS information provided outside the financial statements would also be subject to audit. Accordingly, when the IASB determines the extent to which cross-referring is permitted, the IASB should make that determination considering the feasibility of audits.
	Korea	• We do not believe that a cross-reference should be made only to somewhere within the annual report, because different jurisdictions may have different reporting regimes where the role or scope of the annual report is defined in different manners.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
		• Making judgements about whether 'its location outside the financial statements makes the annual report as a whole more understandable' as set out in paragraph 4.9(b) of the DP is very difficult and subjective given that the annual report includes non-financial information and non-IFRS information
	New Zealand	• We do not agree with the requirement expressed in paragraph 4.9(a) of the DP that limits cross-referencing to other information within the annual report. We believe that it would be more appropriate to broaden the requirement in paragraph 4.9(a) of the DP to permit cross-referencing where IFRS information outside of the financial statements is available on the same terms, at the same time and continues to be available as long as the financial statements. • We do not agree with the requirement that "the location of the information makes the annual report as a whole more understandable". We consider that the understandability of the annual report as a whole is outside of the IASB's mandate. • The IASB should consider requiring that cross-referenced information outside the financial statements be clearly identified as being audited or not.

Question 6

The Board's preliminary view is that a general disclosure standard:

- should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information', or by a similar labeling, to distinguish it from information necessary to comply with IFRS Standards; but;
- should include requirements about how an entity provides such information as described in paragraphs 4.38(a)-(c).

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

【Overall Feedback】 • AOSSG members generally	**Australia**	• Most stakeholders agreed that non-IFRS should be permitted as long as accompanied by reconciliation to IFRS. • Most stakeholders questioned having an ″explanation of why it is useful″, suggesting that this may

Overall Feedback	Jurisdictions	AOSSG Members' Comments
agreed with the Board's preliminary view. • Some members were concerned about the difficulty in auditing non-IFRS information in the financial statements. • Some members highlighted the importance of fair presentation of non-IFRS information in the financial statements.		just result in boilerplate or motherhood statements, which do not add value. • All agreed that having a list of non-IFRS together with the statement of compliance wasn't practical or necessary. • Stakeholders generally agreed that the only "non-IFRS" measures that should be included on the "Face" of the financial statements should be the ones that can be sub-totalled / "pulled" directly from information on the Face. All other non-IFRS must go into the notes and be accompanied by clear labelling and reconciliation to IFRS.
	Hong Kong	• The HKICPA is aware that investors and users in Hong Kong generally find it useful having non-IFRS information disclosed within financial statements. • The HKICPA strongly recommends that the IASB collaborates with the IAASB to assess the audit implications of disclosing non-IFRS information within financial statements.
	Japan	• N/A
	Korea	• We do not agree with the Board's preliminary view. • Users of the financial statements refer to audited financial statements for their decision making as well as the annual report, IR report and other reports. Therefore including non-IFRS information in the audited financial statements is not needed. If non-IFRS information is included in the audited financial statements, we are concerned that it would impair the credibility of the financial statements. It is because entities may be tempted to only include information favourable to them. • The annual report is filed after the auditor issues its audit report on the company's the financial statements in Korea. Therefore including non-IFRS information of the annual report in the audited financial statements by using cross-reference is impossible in Korea. • Some preparers in Korea suggested that the regulator of each jurisdiction should decide whether non-IFRS information should be included in the financial statements or IFRS information should be included in the report outside the financial statements, rather than the IASB decides it. • If the IASB wants to proceed with the proposal in the Discussion Paper, non-IFRS information

Overall Feedback	Jurisdictions	AOSSG Members' Comments
		included in the financial statements should be rather a summarized form relative to the volume of the financial statements. Inserting the non-IFRS information of the annual report indiscriminately into the financial statements would not be helpful for preparers to effectively communicate with users.
	New Zealand	• We agree that a general disclosure standard should not prohibit an entity from including other information in its financial statements • We believe that entities should focus on what additional information to include in their financial statements in order to achieve a fair presentation rather than on differentiating between IFRS information and "non-IFRS information". • We would prefer that the IASB develops principles around the fair presentation of "additional" information, e.g. any additional information presented or disclosed in the financial statements, beyond the requirement of IFRS Standards, shall not be misleading or biased.
	Islamic Finance Working Group	• The AOSSG Islamic Finance Working Group strongly agrees with the IASB's preliminary view that a general disclosure standard should allow an entity to include non-IFRS information in its financial statements if such an inclusion is necessary to enhance users' understandability of the information. For example, Islamic financial institutions are normally required to disclose additional information in their financial statements to explain, among others, features of Shariah contracts and related accounting policies, disaggregation of balances into types of Shariah contracts and the nature of finance income earned and finance cost incurred during the financial year • The WG proposes that the general disclosure standard should retain the principle of paragraph 17 in IAS 1 *Presentation of Financial Statements* which states regarding a fair presentation. • The WG believes it is important for the general disclosure standard to clearly define what constitutes information that is inconsistent with IFRS.
Question 7		

Overall Feedback	Jurisdictions	AOSSG Members' Comments
The Board did not discuss whether any specific information-for example, information that is inconsistent with IFRS Standards-should be required to be identified as described in paragraphs 4.38(a)-(c) or should be prohibited from being included in the financial statements. Do you think the Board should prohibit the inclusion of any specific types of additional information in the financial statements? If so, which additional information, and why?		
【Overall Feedback】 • All members generally agreed that the IASB should not prohibit the inclusion of any types of additional information in the financial statements if it is necessary for users understanding the financial statements.	**Australia**	• Stakeholders generally were of the view that only information that cannot be reconciled to IFRS should be prohibited.
	Hong Kong	• The HKICPA does not see the need to prohibit entities from disclosing a specific non-IFRS information as this may limit the ability of entities to provide information that is relevant to users.
	Japan	• If an entity determines that certain information would useful for users of financial statements, that information could become IFRS information. Therefore, we think that the IASB cannot explicitly define information that should (or should not) be provided within financial statements as it attempted to do in the DP. • If an entity decides to include 'information that is generally not included in financial statements' in the financial statements, for example non-financial information, forward-looking information and financial information that is not in compliance with IFRS standards, we think that the constraints such as those proposed in paragraph 4.38 of the DP should be imposed to make clear that the such information is 'information that is generally not included in financial statements'.
	Korea	• We believe that the IASB should not prohibit the inclusion of any specific types of additional information in the financial statements if it is necessary for users to understand the financial statements.
	New Zealand	• We do not think the IASB should prohibit the inclusion of any specific types of additional information in the financial statements as this could prevent an entity from telling its story (subject to our earlier comments on developing principles for the fair presentation of such information).
	Singapore	• In our view, the IASB should not permit the inclusion of information that is inconsistent with

Overall Feedback	Jurisdictions	AOSSG Members' Comments
		IFRS Standards, unless a particular piece of IFRS-inconsistent information is required by law or regulation.
	Islamic Finance Working Group	• The WG agrees with the IASB's preliminary views that a general disclosure standard should not prohibit an entity from including non-IFRS information in its financial statements. The WG proposes that the general disclosure standard should allow preparers to exercise judgment in determining the best way of presenting information in their financial statements without having the need to segregate them accounting to the types of information.

Section 5 Use of performance measures in the financial statements

Question 8

The Board's preliminary views are that it should:

- clarify that the following subtotals in the statement(s) of financial performance comply with IFRS Standards if such subtotals are presented in accordance with paragraphs 85-85B of IAS 1:
  - the presentation of an EBITDA subtotal if an entity uses the nature of expense method; and
  - the presentation of an EBIT subtotal under both a nature of expense method and a function of expense method.
- develop definition of, and requirements for, the presentation of unusual or infrequently occurring items in the statement(s) of financial performance, as described in paragraphs 5.26-5.28.

(a) Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what alternative action do you suggest, and why?

(b) Should the Board prohibit the use of other terms to describe unusual and infrequently occurring items, for example, those discussed in paragraph 5.27?

(c) Are there any other issues or requirements that the Board should consider in addition to those stated in paragraph 5.28 when developing requirements for

Overall Feedback	Jurisdictions	AOSSG Members' Comments
the presentation of unusual or infrequently occurring items in the statement(s) of financial performance? The feedback on Question 8 will be considered as part of the Board's Primary Financial Statements project.		
【Overall Feedback】 • All members disagreed with defining and separately presenting unusual and infrequently occurring items. • Some members did not think the requirement for fair presentation of EBIT or EBITDA is necessary because current requirements of IAS 1 are sufficient for ensuring the fair presentation of EBIT or EBITDA. • Some members did not agree with presenting EBIT or EBITDA. Instead, they suggested presenting other performance measures such as operating profit. • Some members thought that the IASB should analyse why the performance measure is widely used in practice and needs	**Australia**	• Stakeholders were not supportive of the IASB defining unusual or infrequently occurring items. They generally expressed the view that entities should explain how measures have been determined, rather than by reference to a label such as 'unusual', 'infrequently', 'recurring', 'non-recurring' (i.e. hiding behind a label). • A stakeholder suggested that the IASB consider having definitions for some of the more commonly used performance measures for consistency / comparability. • Some stakeholders supported for defining EBIT to achieve comparability.
	Hong Kong	• As long as entities follow the general requirements, the use of EBITDA/EBIT should be a fair presentation of the performance of an entity. Therefore the HKICPA does not consider there is a need to prescribe additional requirements for the presentation of EBITDA and EBIT as discussed in the DP. • The HKICPA disagrees with the IASB's proposals on developing definitions of, and requirements for, separate presentation of 'unusual or infrequently occurring items' in the statement(s) of financial performance. Because entities can add additional line items and use appropriate labels or descriptions under current IAS 1. Because what items are considered 'unusual' or 'infrequently occurring' may be subjective it would be more useful if entities are required to clearly describe the nature of the transactions/events. IAS 1 prohibits the presentation of 'extraordinary items'. The HKICPA does not see how the two terms 'unusual' and 'extraordinary' are different in practice.
	Japan	• We think that the IASB should not introduce a new performance measure simply because many stakeholders have already that measure, without analysing why that performance measure is widely used in practice. • In relation to usual or infrequently occurring items, we think further discussion is needed. For

Overall Feedback	Jurisdictions	AOSSG Members' Comments
further research before introducing a new performance measure.		example, how to treat 'one-off' items, how to prescribe the threshold for determining 'unusual' or 'infrequently occurring', the relationship between extraordinary items prohibited in paragraph 87 of IAS 1 and unusual or infrequently occurring items and the relationship between profit or loss from discontinued operations based on IFRS 5 and unusual or infrequently occurring items should be further discussed. • Although we agree that it may be difficult to define operating profit, we think that the IASB should continue to consider defining operating profit in the general disclosure standard. We believe that the IASB could require entities to present operating profit in principle, but at the same time, permit an option not to present operating profit if the entity determines that it is more relevant not to do so, and to require an explanation of the entity's reasoning. • In our jurisdiction, constituents including preparers and users widely share that the presentation of operating profit, which aims to represent the 'sustainable income arising from operating activities' is useful. In particular, there are strong needs from users as the starting point for financial statement analysis because it allows them to conduct the operating profit to sales ratio analysis, which in their view is one of the most important analysis conducted.
	Korea	<u>*Unusual or infrequently occurring items in the statement of financial performance*</u> • We do not agree with defining and separately presenting 'unusual and infrequently occurring items'. It is very difficult for the IASB to define 'unusual' and 'infrequently occurring' consistently and also difficult for the accounting firm to audit it. <u>*Fair presentation of EBIT or EBITDA*</u> • We fundamentally question whether the presentation of EBIT or EBITDA is necessary or not. • Approximately 2 % of listed companies in Korea disclose EBIT in the notes in the financial statements as a trigger of default in debt covenants other than performance measure. EBIT and EBITDA can be determined by a fairly plain calculation of such as 'profit or loss - interest - tax - depreciation/amortisation'. Therefore, we are wondering whether presenting EBIT or EBITDA in the financial statements is necessary and entities' providing necessary information for calculation

Overall Feedback	Jurisdictions	AOSSG Members' Comments
		of EBIT in the income statements is better than defining and requiring EBIT. Calculation method of EBIT is different by entities and users and the extent of disaggregation of information in the income statements is also different. Therefore, establishing comparable EBIT is more difficult than we expect. Further research is needed regarding whether users want the presentation of EBIT or EBITDA and the reason for it, if they want. *General requirements for all performance measures in the financial statements* • We generally agree with the general requirements for all performance measures in the financial statements
	New Zealand	• We do not agree that it is necessary for the IASB to clarify when the presentation of EBIT and EBITDA can be considered a fair presentation in accordance with IFRS Standards. We believe the current requirements in paragraph 85A of IAS 1 are sufficient to ensure entities do not provide subtotals that disrupt the analysis of expenses. • We do not agree the IASB should proceed with proposals to develop definitions of, and requirements for, the presentation of unusual or infrequently occurring items. We believe it is entity and industry specific as to what is considered unusual or infrequent and it would be extremely difficult for the IASB to define these terms. We suggest that instead of focusing on the terms used, the IASB should establish requirements for the fair presentation of these items.
	Singapore	• We see more merits in the IASB taking a more holistic approach in addressing this topic, such as by developing broad-based guidance on the separate presentation of items with certain characteristics, and the adjustments to line items required in IFRS Standards (including the resulting subtotals), under the various approaches to classification of expenses.

Question 9

The Board's preliminary view is that a general disclosure standard should describe how performance measures can be fairly presented in financial statements, as described in paragraph 5.34.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative action do you suggest, and why?		
【Overall Feedback】 • AOSSG members generally agreed with the general requirements for fair presentation of all performance measures.	**Australia**	• Most stakeholders agreed with the general requirements for fair presentation of all performance measures.
	Hong Kong	• The HKICPA broadly agrees with the general requirements for fair presentation of all performance measures outlined in the DP. • Instead of requiring performance measures to be neutral, it is more important that performance measures are provided in a way that is transparent and understandable so that users of financial statements know what the performance measures represent.
	Japan	• We think that the constraints such as those in paragraph 5.34 in the DP should be imposed when an entity presents in its financial statements performance measures that are not specifically required in IFRS Standards.
	Korea	• We agree with the Board's preliminary view.
	New Zealand	• We agree with the IASB's preliminary view that a general disclosure standard should describe how performance measures can be fairly presented in financial statements. • We think that if the reconciliation cannot be done, then the performance measure should not be presented in the financial statements.

Section 6 Disclosure of accounting policies

Question 10

The Board's preliminary views are that:

- a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16; and
- the following guidance on the location of accounting policy disclosures should be included either in a general disclosure standard or in non-mandatory guidance (or in a combination of both):

Overall Feedback	Jurisdictions	AOSSG Members' Comments
• the alternatives for locating accounting policy disclosures, as described in paragraphs 6.22-6.24; and • the presumption that entities disclose information about significant judgements and assumptions adjacent to disclosures about related to accounting policies, unless another organisation is more appropriate. (a) Do you agree with the Board's preliminary view that a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16? Why or why not? If you do not agree, what alternative proposal(s) do you suggest, and why? (b) Do you agree with the Board's preliminary view on developing guidance on the location of accounting policy disclosures? Why or why not? Do you think this guidance should be included in a general disclosure standard or non-mandatory guidance (or in a combination of both)? Why? If you support the issuance of non-mandatory guidance in Question 10(b), please specify the form of non-mandatory guidance you suggest (listed in paragraphs 2.13(a)-(c)) and give your reasoning .		
【Overall Feedback】 • AOSSG members expressed various views for the disclosure of accounting policies. • Some members thought that all material accounting policies should be disclosed within the financial statements. • There were mixed views as to the way of locating accounting policy disclosure. • Some members thought that common accounting policies	**Australia**	• Most stakeholders supported having all material accounting policies disclosed within the financial statements. • Most stakeholders stated that "boilerplate" details of policies, which the entity does not have any choice in (i.e. those that are pure requirements of the standards), may be cross-referenced to an "accounting policy" note on the entity's website.
	Hong Kong	• The categorization of accounting policies do not address the underlying issue noted by our stakeholders—that is, preparers tend to disclose generic or 'boilerplate' accounting policies. The HKICPA thinks that educating and explaining 'how' to draft accounting policies is more important. • The HKICPA considers that the IASB should explain further how the principles of effective communication should be applied when disclosing accounting policies.
	Japan	• We believe that copying the requirements in IFRS Standards in the significant accounting policy disclosures should be minimised to the extent possible under the assumption that users are familiar with IFRS Standards.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
that relate to all entities should not be included in the notes or should be minimised.		• Category 3 accounting policies are those related to items, transactions or events that are not material and, accordingly, we think that such accounting policies generally should not be disclosed. • We think that the guidance about location of accounting policy disclosures should be included in the general disclosure standard. • We think information about the reporting entity is essential for users to understand the entity's financial statements and, accordingly, this information should be provided at the beginning of the notes. And information about the specific methods of applying IFRS Standards should be disclosed in the same note as related information.
	Korea	• We agree with the Board's preliminary view. • We believe that the guidance should be non-mandatory because it is guidance on the location of accounting policy disclosure. We believe that illustrative examples or implementation guidance is appropriate because entities' optimal location could be different depending on their circumstances. • The IASB could consider whether category 1 accounting policies should be located in the frontal part of the notes; category 2 accounting policies should be disclosed in the same note as the information to which it relates; and common accounting policies that relates to all entities should not be included in the notes.
	New Zealand	• We believe that the introduction of the three categories would create unnecessary complexity. Rather, the disclosure of all material accounting policies should be required. We recommend that the IASB considers amendments to IAS 1 *Presentation of Financial Statements* to require the disclosure of material accounting policies, as opposed to significant accounting policies. • We do not believe that additional guidance is needed regarding the location of accounting policies. We consider that paragraphs 113–114 of IAS 1 contain sufficient guidance regarding the ordering and grouping of the notes.
Section 7 Centralised disclosure objectives		

Overall Feedback	Jurisdictions	AOSSG Members' Comments
Question 11 The Board's preliminary view is that it should develop a central set of disclosure objectives (centralized disclosure objectives) that consider the objective of financial statements and the role of the notes. Centralised disclosure objectives could be used by the Board as a basis for developing disclosure objectives and requirements in Standards that are more unified and better linked to the overall objective of financial statements. Do you agree that the Board should develop centralised disclosure objectives? Why or why not? If you do not agree, what alternative do you suggest, and why?		
【Overall Feedback】 • AOSSG members generally agreed with developing the centralised disclosure objectives.	**Australia**	• Most stakeholders agreed that the key issues underpinning disclosures are behavioural. Therefore, there was uncertainty how any of the methods proposed by the IASB would help. • Most stakeholders were in favour of having a top-down approach – starting with what is material and significant and then moving onto more specific standards. • Stakeholders agreed that the IASB should not require either Method A (disclosure by type of information) or Method B (disclosure focussed on the entity's activities) (i.e. both should be allowed) • Stakeholders generally expressed a preference for the IASB to continue specifying minimum disclosures (subject to materiality) to provide entities with some direction towards satisfying disclosure objectives. • Stakeholders generally preferred "grouping" of disclosure requirements like in IFRS 7 *Financial Instruments: Disclosures* and IFRS 12 *Disclosure of Interests in Other Entities*
	Hong Kong	• The HKICPA and our stakeholders support the development of centralised disclosure objectives as they help entities exercise judgement about what specific information to communicate to users of financial statements.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
	Japan	• We believe the centralised disclosure objectives as proposed should be included in the *Conceptual Framework*. They could be used as underlying basis (or framework) for developing and organising disclosure objectives and requirements in Standards. And they merely repeat the objective of the financial statements described in the *Conceptual Framework* and, accordingly, these objectives are too abstract to assist entity in determining the contents of the disclosures.
	Korea	• We agree that the Board should develop centralized disclosure objectives.
	New Zealand	• We agree that the IASB should develop centralised disclosure objectives.

Question 12

The Board has identified, but not formed any preliminary views about, the following two methods that could be used for developing centralized disclosure objectives and therefore used as the basis for developing and organising disclosure objectives and requirements in Standards:

- focusing on the different types of information disclosed about an entity's assets, liabilities, equity, income and expenses (Method A); or
- focusing on information about an entity's activities to better reflect how users commonly assess the prospects for future net cash inflows to an entity and management's stewardship of the entity's resources (Method B).

(a) Which of these methods do you support, and why?

(b) Can you think of any other methods that could be used? If you support a different method, please describe your method and explain why you think it might be preferable to the methods described in this section.

Method A and B are in the early stages of development and have not been discussed in detail by the Board. We will consider the feedback received on this Discussion Paper about how centralized disclosure objectives might best be developed before developing them further.

【Overall Feedback】 • Most members felt that they	**Australia**	• N/A
	Hong Kong	• Because the development of disclosure requirements focusing on an entity's activities (i.e. method B) is still at the conceptual phase, stakeholders may not be able to visualise how the future

Overall Feedback	Jurisdictions	AOSSG Members' Comments
were not in the position to express their views regarding the two methods because Method B has not been developed yet and still at the conceptual phase.		disclosures would look like under such method and accordingly, assess their costs and benefits. • The HKICPA recommends that the IASB provides further illustrations and examples on how they foresee information will be disclosed under the two approaches.
	Japan	• We are not confident whether we fully understand the background of Method B and the consequences of adopting Method B on paragraphs 112 to 116 of IAS 1, which need to be changed if the IASB adopts Method B. Moreover, it was not clear how to change IFRS Standards fundamentally under Method B, which focuses on information about the entity's activities. Therefore, we are not in the position to express our view regarding whether Method A or Method B is appropriate at this time.
	Korea	• We believe that Method A would be more effective in developing centralized disclosure objectives. It is because we believe that developing objectives focusing on different types of information is better than developing objectives in a way that is very different from current disclosure requirements. Although Method B could be more effective for certain items, maintaining consistent and cohesive concepts of operating, investing and financing activities, which are not defined in current IFRSs, would be very challenging. • Some suggested that it would work better if the IASB set out mandatory disclosure requirements and each jurisdiction set out selective disclosure requirements considering their circumstances, law and regulation. • Some suggested that if the IASB provide mandatory disclosure requirements that are specific to each of industries, it would help entities apply the principles of disclosure.
	New Zealand	• We do not consider that Method B has been sufficiently developed to allow us to make an informed decision regarding which method we support.

Question 13

Do you think that the Board should consider locating all disclosure objectives and requirements in IFRS Standards within a single Standard, or set of Standards, for disclosures? Why or why not?

Overall Feedback	Jurisdictions	AOSSG Members' Comments
【Overall Feedback】 • Some members preferred a single Standard approach and some members preferred a set of Standards approach. Other members preferred a hybrid of the two approaches.	**Australia**	• N/A
	Hong Kong	• The HKICPA sees the pros and cons of locating centralised disclosure objectives either within a single standard or set of standards. • The HKICPA does not have any particular comments about the location of centralised disclosure objectives at the moment, given methods A and B are in the early stage of development.
	Japan	• We think the IASB should maintain its existing approach to prescribe recognition, measurement and disclosure requirements in a single package in each standard. • However, we acknowledge that in some cases, it may be easier to understand the requirements if disclosure objectives and disclosure requirements for several standards that prescribe recognition and measurement requirements are integrated in a single standard.
	Korea	• We believe that a single Standard should set out overarching principles that form basis for developing disclosure requirements at the level of individual standards, and then individual standards set out their own disclosure objectives and requirements according to their contents. • If necessary, 'a set of Standards' approach might be considered when developing disclosure objectives and requirements for items that have similar characteristics.
	New Zealand	• We believe locating all disclosures in a single IFRS Standard would encourage more discipline in how the IASB sets disclosure requirements. This approach will also help preparers take a more holistic approach to disclosures rather than a piecemeal approach.

Section 8 New Zealand Accounting Standards Board staff's approach to drafting disclosure requirements in IFRS Standards

Question 14

This section describes an approach that has been suggested by the NZASB staff for drafting disclosure objectives and requirements in IFRS Standards.

(a) Do you have any comments on the NZASB staff's approach to drafting disclosure objectives and requirements in IFRS Standards described in this

Overall Feedback	Jurisdictions	AOSSG Members' Comments
section (the main features of the approach are summarized in paragraph 8.2 of this section)? (b) Do you think that the development of such an approach would encourage more effective disclosures? (c) Do you think the Board should consider the NZASB staff's approach (or aspects of the approach) in its Standards-level Review of Disclosure project? Why or why not? Note that the Board is seeking feedback on the NZASB staff's overall approach, rather than feedback on the detailed drafting of paragraphs on the use of judgement in the NZASB staff's example 1 or the detailed drafting of the specific disclosure requirements and objectives included in the NZASB staff's examples 2 and 3. In addition, the Board is not seeking feedback on where specific disclosure objectives and requirements should be located in IFRS Standards (except as specifically requested in Question 13).		
【Overall Feedback】 ・ There were mixed views on the NZASB staff's approach.	**Australia**	・ N/A
	Hong Kong	・ Most preparers and small-medium practitioners in Hong Kong prefer method A in developing disclosure objectives as it is more aligned to, and consistent with, the current disclosure approach. ・ The HKICPA considers that method A may not be able to fully address the disclosure problem, as it is similar to the current disclosure approach which is information focus. The HKICPA considers that significant education effort, at least by the IASB, IAASB and IAESB, is needed to address the disclosure problem.
	Japan	・ We think the two tiers should be structured as follows: - (a) Tier 1 disclosures: core items that are generally required to be disclosed - (b) Tier 2 disclosures: items that are generally not required to be disclosed but are considered whether they should be disclosed in the light of disclosure objective.
	Korea	・ Methods A and B for centralized disclosure objectives are in the early stages of development. Therefore, it is difficult for us to express our view regarding whether the development of the NZASB staff's approach would encourage more effective disclosures or not. However, we prefer, if possible, a hybrid of Methods A and B.

Overall Feedback	Jurisdictions	AOSSG Members' Comments
		• On the other hand, the IASB could consider an alternative: Users on different levels can use information in the financial statements according to their needs when entities stratify information into three categories based on materiality; first, information that is meaningful in itself; second, disaggregated information about line items of primary financial statements; and third, information regarding basis of estimation and judgement.
	New Zealand	• Overall, we support the development of a unified and consistent approach, which emphasises the application of judgement, to drafting disclosure requirements in IFRS Standards. • We think that the IASB should consider the NZASB staff's approach in its Standards-level Review of Disclosures project

Question 15

Some stakeholders say that the way that disclosures are drafted in IFRS Standards might contribute to the 'disclosure problem', as described in Section 1. Some cite in particular the absence of clear disclosure objectives and the presence of long lists of prescriptively written disclosure requirements in Standards (see paragraph 8.4).

Nevertheless, other stakeholders observe that specific disclosure requirements might be simpler to use than applying judgement when determining how to meet disclosure objectives.

Do you think the way the Board currently drafts IFRS Standards contributes to the disclosure problem? Please give your reasoning. If you think the current drafting contributes to the disclosure problem, please provide examples of where drafting in Standards could be improved and why.

【Overall Feedback】 • One member suggested modified two tier disclosures.	**Australia**	• N/A
	Hong Kong	• N/A
	Japan	• N/A
	Korea	• N/A

Overall Feedback	Jurisdictions	AOSSG Members’ Comments
	New Zealand	• Examples of prescriptive language can be found throughout IFRS Standards. They include the use of “An entity shall disclose”, “An entity shall disclose, as a minimum”, “The following shall be disclosed” or other similar prescriptive language.