

From: Kimberley Crook NZASB Chair

Subject: Disclosure Initiative—Principles of Disclosure: Drafting of disclosure requirements

Item: Agenda Paper 9.2.1

Introduction

1. Staff of the New Zealand Accounting Standards Board (NZASB) have been working with IASB staff to develop a new approach to drafting the disclosure requirements for Standards. This work is being undertaken as part of the Principles of Disclosure (POD) project. Ultimately, feedback received on this approach (to be included as a chapter of the POD Discussion Paper) will inform the project to review disclosures in existing standards, which is also part of the Disclosure Initiative. This project is in its early stages, but there are plans to develop a drafting guide to help the IASB and its staff develop disclosure requirements in new or amended Standards.
2. The work involved reviewing two existing standards (*IAS 16 Property, Plant and Equipment* and *IFRS 3 Business Combinations*) to develop examples for inclusion in the POD Discussion Paper, to illustrate how a proposed new approach to drafting disclosure requirements could be applied to two existing Standards.
3. The proposed approach was initially discussed with the IASB at its meeting in April 2015 and was also discussed at the Asia-Oceania Standard-Setters workshop in Tokyo in June 2015.
4. The proposed approach was then revised, based on the feedback from IASB members and participants at the Tokyo workshop.
5. The revised approach was discussed at the IASB and World Standard Setters meetings in September 2015. The revised proposed approach is presented in the accompanying draft chapter of the POD Discussion Paper (see Agenda Paper 9.2.2, being the IASB September 2015 Agenda Paper 11B). An updated version of this draft chapter will be included in the POD Discussion Paper planned to be published in Q1 2016.
6. Some of the feedback received on the revised approach includes:

- (a) The approach would require preparers and others to exercise more judgement, which has pros and cons.
- (b) The approach raises questions around auditing disclosures and whether documentation of the judgements would be needed.
- (c) The section on the exercise of judgement could be better placed in a general standard on disclosure.

This feedback is being considered during the process of updating the draft chapter.

Purpose of this session

- 7. The purpose of this session is to update you on the project on drafting disclosure requirements, and seek your views on the proposed approach.
- 8. Note that we are seeking views on the overall drafting approach, not the location or content of the disclosure objectives, requirements or examples of information that could be disclosed to meet the proposed disclosure objectives. As explained in the draft chapter, the content and location of disclosure requirements will depend on the outcome of other issues being considered in the POD project, relating to the role and content of the notes to the financial statements.

Summary of the proposed approach

- 9. The main features of the proposed approach on which views are sought are:
 - (a) the inclusion of disclosure objectives, comprising an overall disclosure objective for each Standard that includes disclosure requirements and more specific disclosure objectives for each group of disclosure requirements;
 - (b) greater emphasis on the need to exercise judgement to determine the extent and mix of information to be provided to meet the disclosure objectives, coupled with less prescriptive wording;
 - (c) the division of disclosure requirements into two tiers, with the extent of information to be disclosed depending on the relative importance of an item or

transaction to the reporting entity and the extent of judgement required in accounting for the item or transaction. The two tiers are:

- (i) summary information, to provide an overall picture of the effect of the item or transaction, which entities would be required to disclose, subject only to materiality; and
- (ii) additional information that entities would be required to consider disclosing, based on assessment of whether disclosure of additional information was necessary to meet the disclosure objective.