

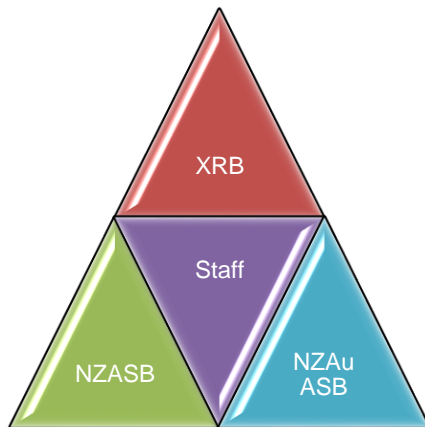


Disclosure Initiative *Principles of Disclosure* project

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Introducing the XRB

- The XRB is an independent Crown Entity responsible for developing and issuing accounting and auditing & assurance standards in New Zealand
- The XRB's organisation structure



- External Reporting Board (XRB)
- New Zealand Accounting Standards Board (NZASB)
- New Zealand Auditing and Assurance Standards Board (NZAuASB)

- The XRB is committed to adopting IFRS Standards in the for-profit sector

Background to the Disclosure Initiative

Background to the Disclosure Initiative

Better Communication in Financial Reporting

Primary
Financial
Statements

Disclosure
Initiative

IFRS
Taxonomy™

Content and its organisation

Content delivery

Disclosure Initiative and related projects

Disclosure Initiative

Completed projects

Materiality implementation projects

Research projects

Related projects

Amendments to IAS 1 to remove barriers to application of judgement

Amendments to IAS 7 to improve disclosure of liabilities from financing activities

Materiality Practice Statement

Definition of material

Principles of Disclosure (this project)

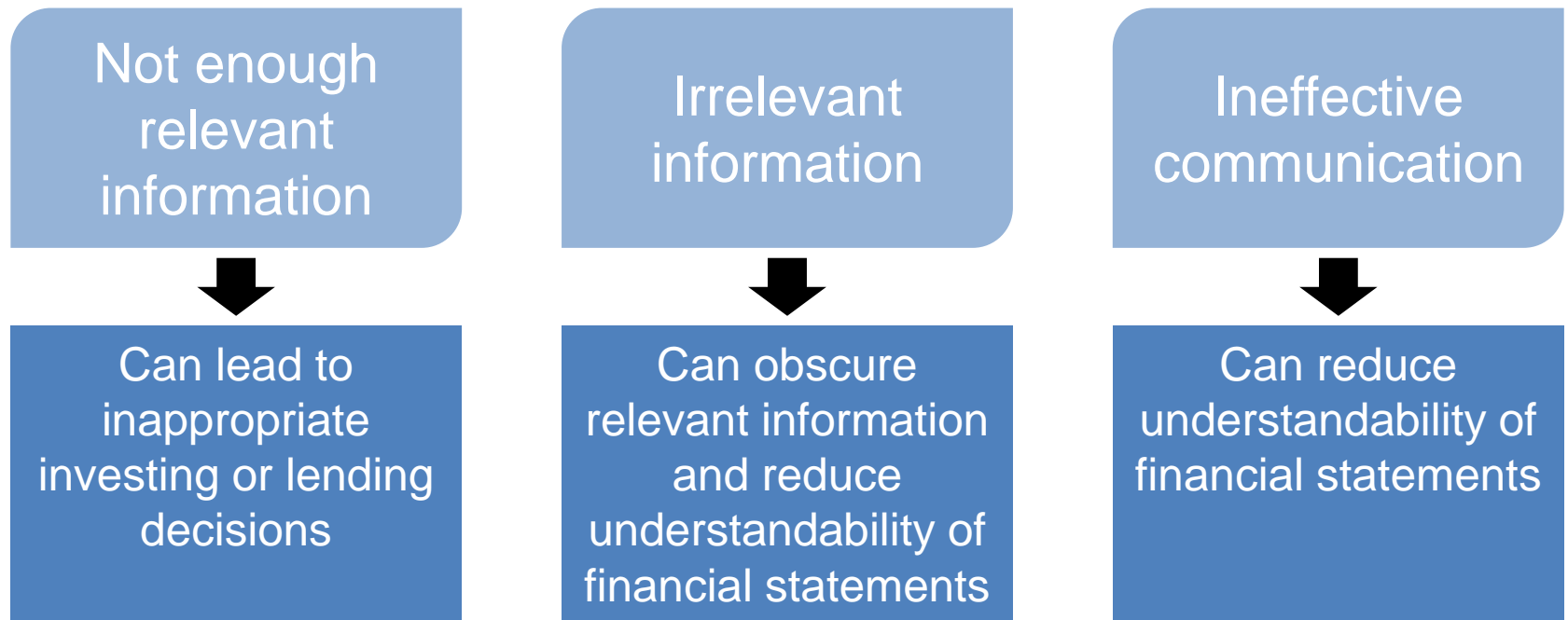
Standards-level Review of Disclosures

Conceptual Framework

Primary Financial Statements

The disclosure problem

- The IASB has identified three main concerns about disclosures in the financial statements:



Objectives of the Principles of Disclosure project

Objective of the project

- Request to develop **disclosure principles** that apply across IFRS Standards

Help entities apply judgement and communicate effectively

Help users by improving disclosures

Help the IASB improve disclosure requirements

Objective of the project

Building on *Conceptual Framework* concepts and general disclosure requirements in IAS 1 to:

Develop new principles of disclosure & guidance

Clarify existing principles of disclosure & guidance

Ultimate goal:

- New general disclosure standard or amendments to IAS 1
- Possibly with supporting guidance/education material

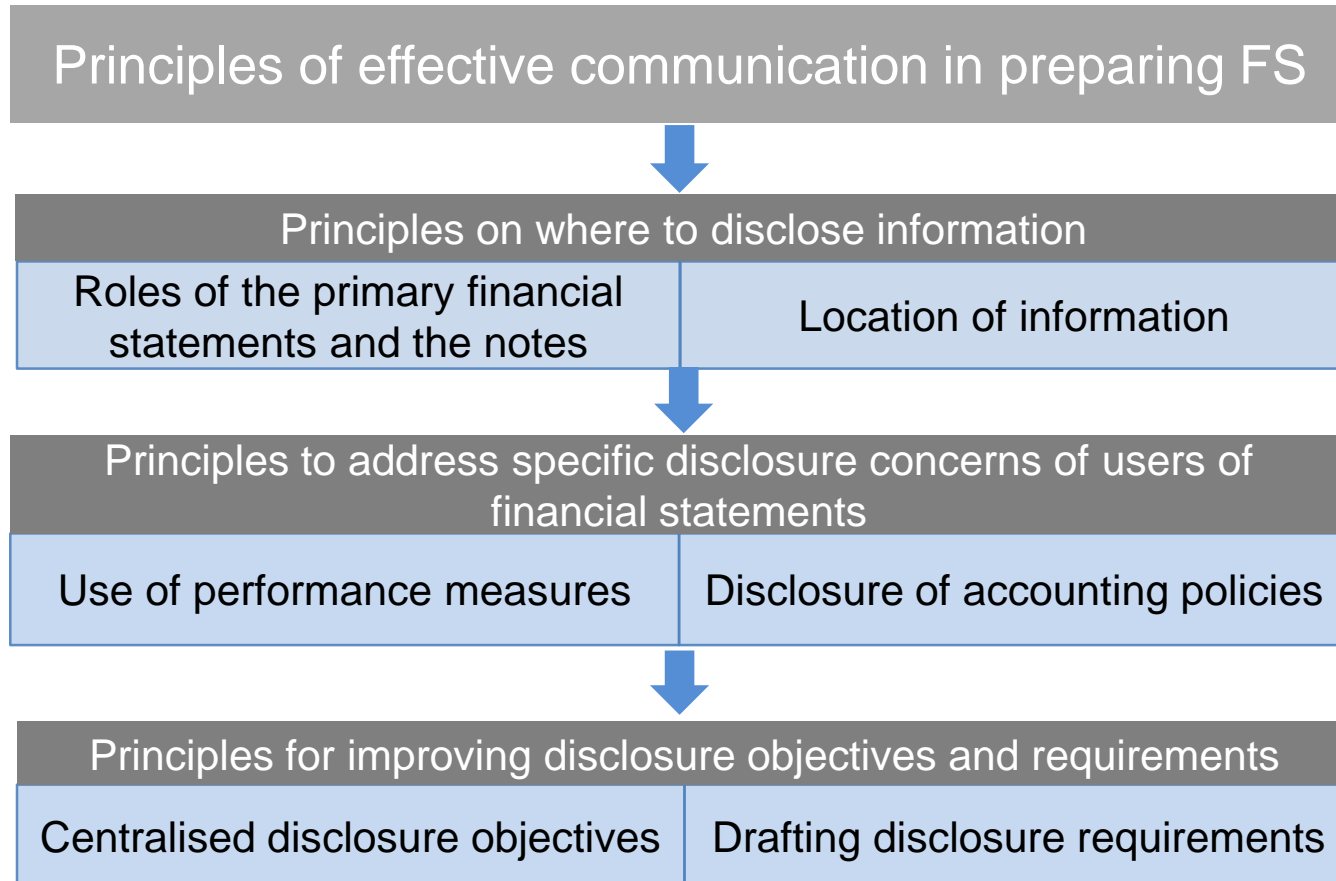
Objective of the Discussion Paper

- Seek **feedback** on

Approaches to address identified disclosure issues

Whether there are other disclosure issues to consider

Outline of Discussion Paper





**Disclosure issues and
possible approaches to
address them**

Principles of effective communication

- Ineffective communication can make FS difficult to understand and analyse
- 7 Principles to help entities communicate information effectively in FS

Entity-specific	Tailored to an entity's business and specific circumstances rather than generic "boilerplate" language
Clear and simple	No loss of material information and without unnecessarily increasing the length of the FS
Organised to highlight important matters	Providing disclosures in an appropriate order and emphasising the important matters
Linked to related information	Highlighting relationships between pieces of information and improving navigation
Free from unnecessary duplication	In different parts of the FS or the annual report
Comparable	Easing comparability among entities and across reporting periods
In an appropriate format	Using lists, tables, graphs and charts to increase understandability where appropriate

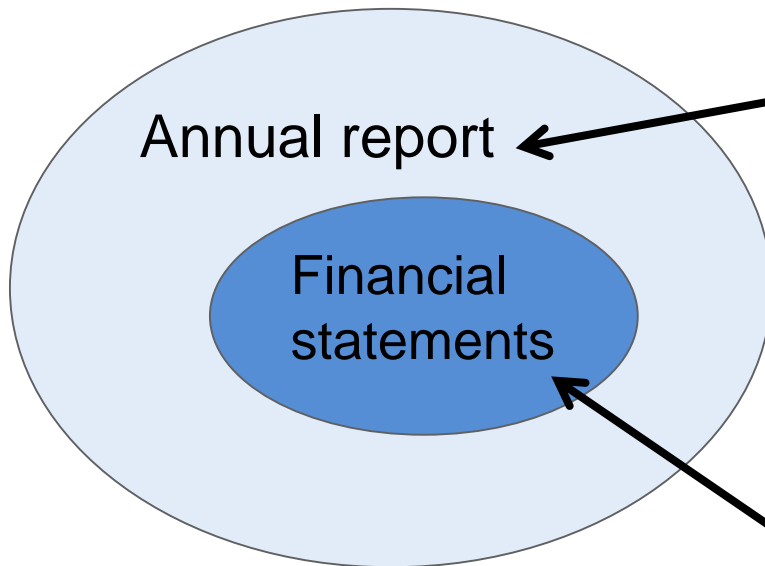
Roles of primary financial statements and notes

- Entities have difficulty judging whether information should be provided in the primary financial statements or the notes

Component of financial statements	Role
Primary financial statements are statements of: <ul style="list-style-type: none">• financial position• financial performance• changes in equity• cash flows	To provide a structured and comparable summary of an entity's recognised assets, liabilities, equity, income and expenses
Notes	To explain and supplement the primary financial statements

Location of information

- Information duplication and fragmentation can make financial statements less understandable and difficult to analyse



Information necessary to comply with IFRS Standards may be **placed outside financial statements**, but within annual report if

- annual report more understandable
- financial statements understandable
- information is faithfully represented, cross-referenced and clearly identified

Information labelled as 'non-IFRS' may be **placed within the financial statements** if listed, clearly identified and explained

Use of performance measures

- Can provide useful information if used correctly
- Can be misleading if used incorrectly
- Use of performance measures should be:
 - No more prominent than IFRS information
 - Reconciled to IFRS measures
 - Clearly labelled, and relevance explained
 - Neutral and consistently measured and presented over time
 - Accompanied by comparatives

Disclosure of accounting policies

- Users commonly **express concerns** about ineffective disclosure of accounting policies
- Guidance could:

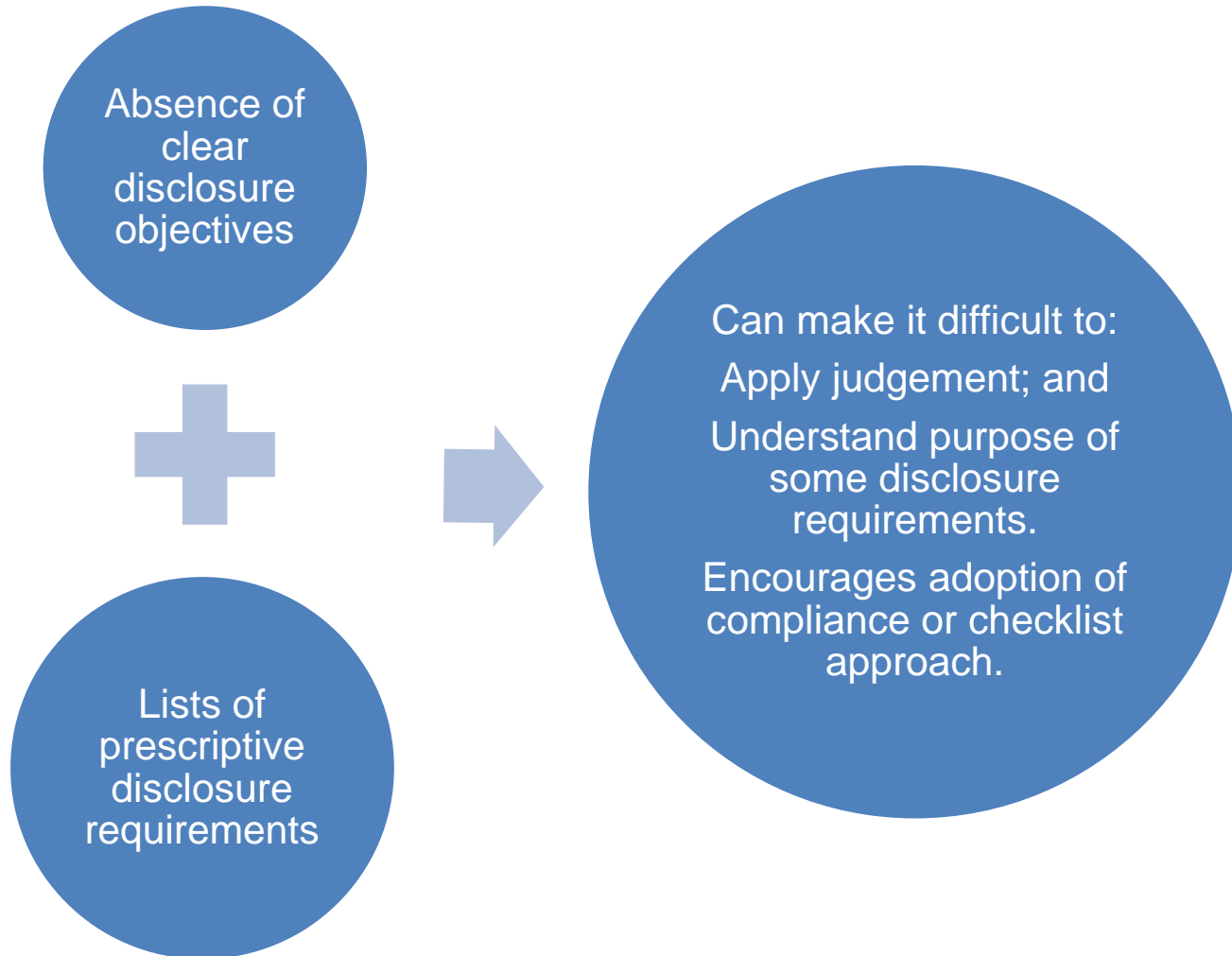
Clarify which accounting policies are necessary for understanding the financial statements

Explain how to better organise and locate accounting policies and significant judgements and assumptions



Disclosure objectives and requirements

What is the problem?



Centralised disclosure objectives

- IASB should develop centralised disclosure objectives
 - Consider objective of FS and role of the notes
- Two methods identified for developing centralised disclosure objectives
 - Focusing on different types of information (Method A) or
 - Focusing on information about an entity's activities (Method B)
- Depending on feedback received a single standard for disclosures may be considered

Main aspects of the NZASB staff's approach

- Inclusion of disclosure objectives:
 - Overall disclosure objective for the standard
 - Specific disclosure subobjectives for each type of information required
- Division of disclosure requirements into two tiers:
 - Summary information, subject to materiality – tier 1
 - Additional information, subject to relative importance and amount of judgement involved in accounting for item or transaction – tier 2

Main aspects of the NZASB staff's approach

- **Emphasising the use of judgement:**
 - Include 'use of judgement' section either in each standard or in general disclosure standard
 - Relative importance of item or transaction to the entity
 - Amount of judgement in accounting for item or transaction
- **Using less prescriptive language:**
 - “An entity discloses...” – for tier 1 disclosures
 - “Examples of information that the entity considers disclosing...” – for tier 2 disclosures

The background of the slide features a blue-tinted image of financial documents. A prominent donut chart is visible, with a label 'Dividends 41%' pointing to a dark blue segment. Other labels include 'Member P... & Benefits 10%' and 'Loans \$900 800 70'. A black pen lies diagonally across the documents. The overall aesthetic is professional and data-oriented.

Timeline of our project

Our expected project timeline

May–June 2017
outreach events

2 August 2017
NZASB
considers draft
submission

18 August 2017
Comments due
to NZASB

13 September
2017
NZASB approves
submission

2 October 2017
Comments due
to IASB

Feedback on Discussion Paper will also inform

- Primary Financial Statements project
- Standards-level Review of Disclosures project

Outreach events

- Holding three outreach events:
 - Wellington 13 June 2017
 - Christchurch 14 June 2017
 - Auckland 16 June 2017
- Presentation via video link from IASB staff
- Roundtable discussions
- 8.30am to 10am
- Invitations issued shortly or <https://www.xrb.govt.nz/information-hub/communiques/>

XRB | EXTERNAL REPORTING BOARD
Te Kaiti Arāhi Pirangō Māwhiri

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Home » Accounting Standards

Accounting Standards

Current Standards & Guidance

- FP For-profit Standards
- NFP Not-for-profit Standards
- PS Public Sector Standards
- NFP PS Templates

Explanatory Guides

Authoritative Notices

Current Exposure Drafts

Frequently Asked Questions Tier 1 & 2 NFP

Frequently Asked Questions Tier 3 & 4 NFP

Accounting Standards Framework

Standards in Development

- > Current Exposure Drafts
- > Closed Exposure Drafts
- > Submissions by the NZASB
- > NZASB 2016/17 Plan

Archived Standards

Current Framework

- > General Standards and Explanatory Guides
- > For-profit Standards
- > Public Benefit Entity Standards

Archived Standards

Old Framework

- > General Standards and Explanatory Guides
- > Standards for All Entities
- > NZ IFRS Differential Reporting
- > NZ IFRS PBE
- > Practice Statements
- > Old GAAP Standards
- > ASRB Releases

Accounting Standards Framework

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LATEST NEWS
New Accounting Standards
The new auditor's report is here!

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Enter email address

Contact us

- Your view is very important to us. Comments may be made in an e-mail or a letter.
- You can send comments on the DP to the NZASB by **18 August 2017**, or send comments directly to the IASB by **2 October 2017**, with a copy to the NZASB.
- Comments, both formal and informal, to the NZASB should be addressed to the Chief Executive, External Reporting Board, PO Box 11250, Manners Street Central, Wellington 6142, or by email to submissions@xrb.govt.nz.

Questions



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