

**UNCTAD-Intergovernmental Working Group of Experts on
International Standards of Accounting and Reporting**
Workshop on Accounting and Financial Reporting Standards

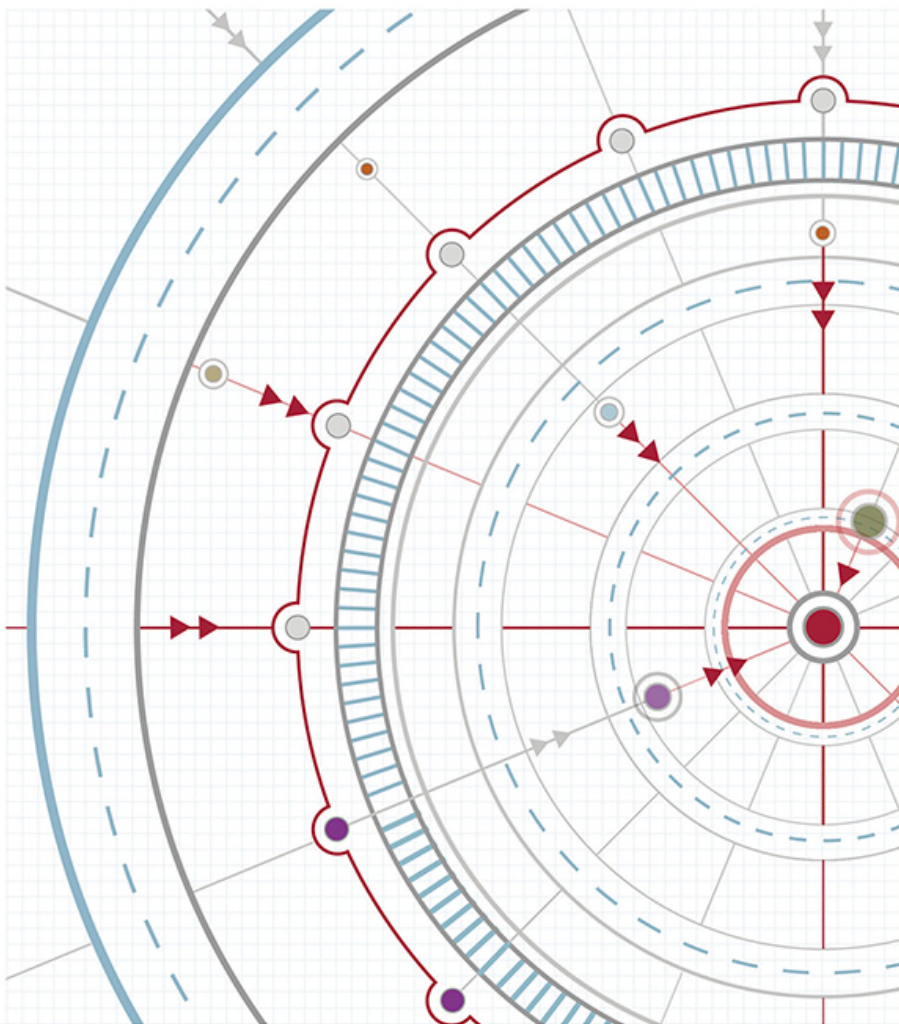
Monday, 3 October 2016
Room XXVI, Palais des Nations, Geneva
Morning Session

Trends in financial and corporate reporting

Presented by

Hugh Shields
Executive Technical Director
IASB

*This material has been reproduced in the language and form as it was provided.
The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.*



Trends in financial and corporate reporting

ISAR Workshop on Accounting and Financial Reporting Standards – Monday 3 October 2016

Hugh Shields, Executive Technical Director

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board (the Board) or IFRS Foundation.

Copyright © IFRS Foundation. All rights reserved



Agenda

- Introduction
- Primary Financial Statements
- The Disclosure Initiative
- Corporate Reporting



Introduction



Recent developments



- We have recently brought together in one team:
 - Primary Financial Statements project;
 - Disclosure Initiative;
 - IFRS Taxonomy and Technology; and
 - New work stream, Corporate Reporting.
- One aim is to look at all these areas holistically and identify synergies between the areas.
- Broader theme of “Better communication”

- A central theme for 2017-2021.
- Our theme of *Better Communication* will include our work on:
 - primary financial statements
 - the Disclosure Initiative, including projects on principles of disclosure and materiality
 - the IFRS Taxonomy.TM
- The scope of some of these projects, such as primary financial statements, is still being developed. Other topics, such as materiality, are more advanced.

Primary Financial Statements

Primary financial statements: Initial scope

Likely

- Structure and content of statement of financial performance
 - Additional line items
 - Subtotals
 - Disaggregation
 - Alternative performance measures
- Evaluating whether there are problems with
 - Statement of cash flows
 - Statement of financial position
- Assess the implications of digital reporting

Primary financial statements: Initial scope

Unlikely

- Defining a single measure of performance
- Statement of changes in equity (considered in Financial instruments with characteristics of equity project)

Alternative Performance Measures

- The IASB has observed that the use of the term 'alternative performance measures' is confusing.
- Focus instead on describing how performance measures can be fairly presented in financial statements:
 - reconciled (where possible) to the comparable measure in IFRS;
 - accompanied by an explanation of why it provides relevant information;
 - presented and labelled in a manner that makes it clear/understandable;
 - accompanied by comparatives and consistently classified/presented;
 - not displayed with more prominence than totals in IFRS for that statement;
 - presented in a way that makes it clear whether the measure forms part of the financial statements and whether it is audited.

- The Trustees recently completed their periodic “Structure and Effectiveness Review” in June 2016 and looked specifically at the IFRS Taxonomy:
 - IFRS Taxonomy considerations should not constrain the principles-based approach to Standard-setting.
 - The IASB has a role in ensuring high quality reporting in the digital world and needs to own the digital representation of its Standards.
 - A key aspect of the IFRS Taxonomy strategy is working to improve the quality of the data investors get from electronic filings.

- The IASB will consult more widely with investors to examine the current usefulness of the IFRS Taxonomy and electronic reports and identify possible future improvements.
- The IASB will enhance its co-operation with, and support for, securities regulators.
- Specifically, the staff will work with the International Organization of Securities Commissions to discuss how the IASB might best support regulators in their efforts to improve digital access to general purpose financial reports.



The Disclosure Initiative



Disclosure Initiative

Completed projects

Implementation projects

Research projects

Amendments to IAS 1: removing impediments to exercising judgement

Amendments to IAS 7: changes in liabilities from financing activities

Materiality Practice Statement

Principles of Disclosure

Standards-level review of disclosures

Ongoing activities: Digital reporting/IFRS Taxonomy

Disclosure Initiative—Fitting the projects together

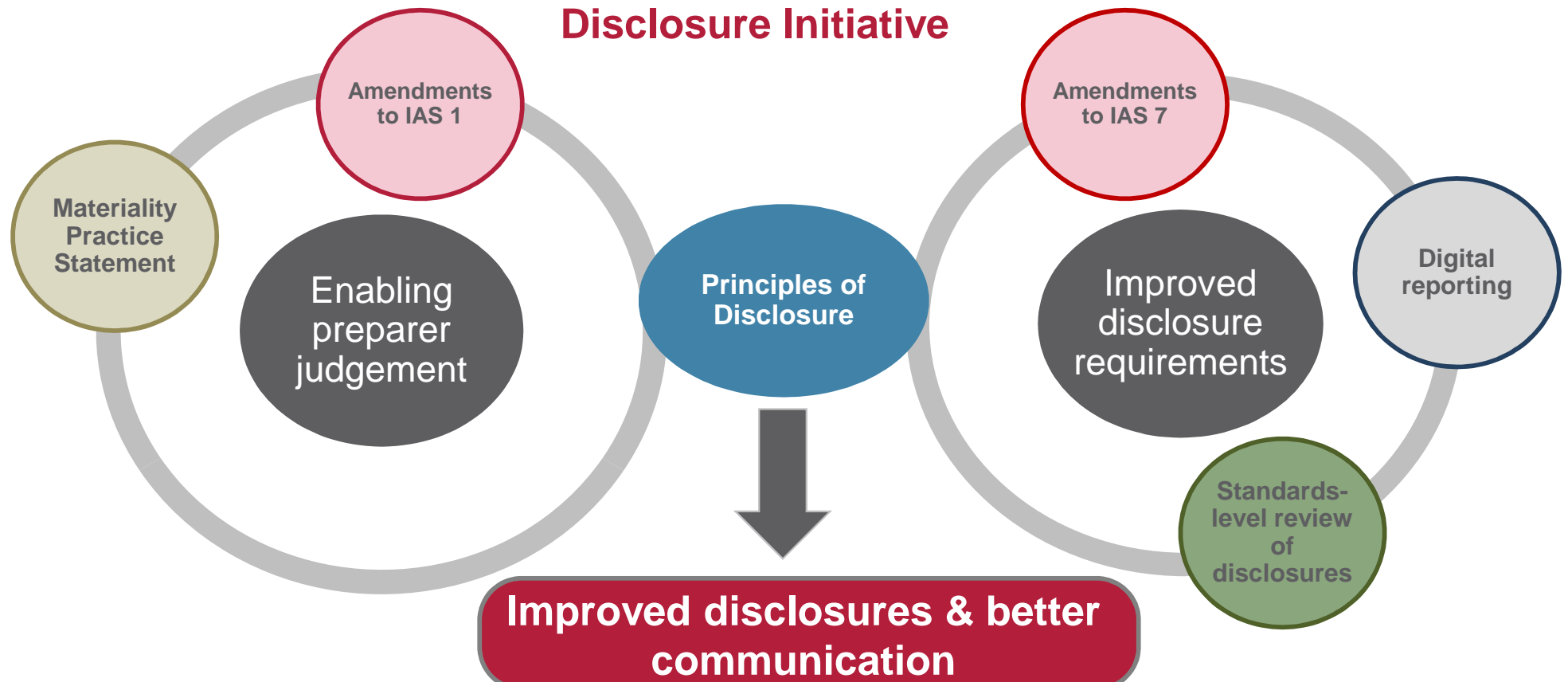
Disclosure problem?

Too much irrelevant information (overload)

Not enough relevant information

Poor communication

Disclosure Initiative



Why

- Requests for the Board to develop presentation and disclosure principles that apply across IFRS Standards.
- Purpose is to:
 - enable preparers to make better judgements about disclosures; and Board set better disclosure requirements.

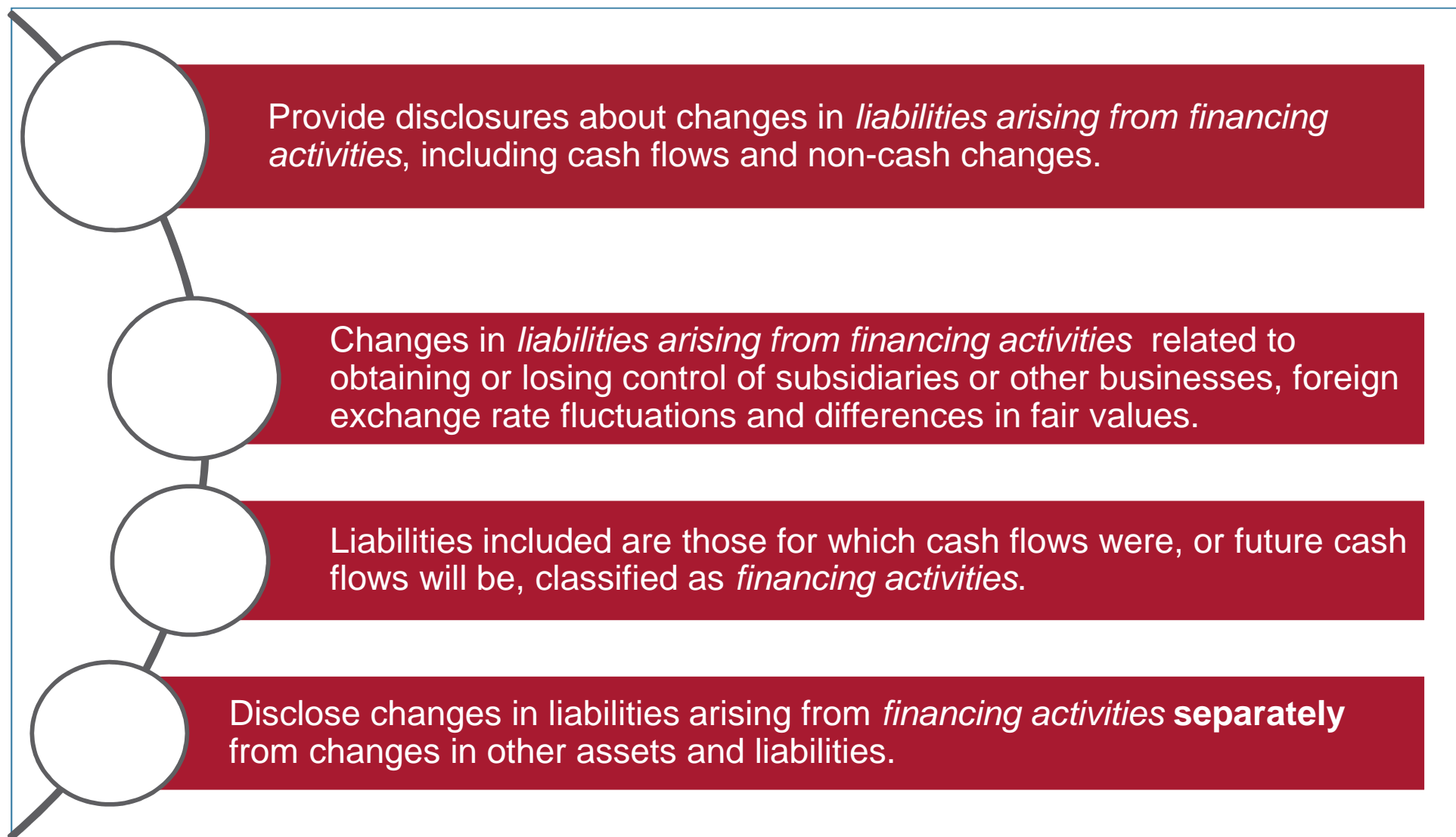
Output

- Discussion Paper
 - covers overall principles and specific issues.
- ultimate goal is to produce:
 - the basis for a new or revised general disclosure Standard for preparers (IAS 1, currently); and
 - drafting guidance for the Board for its internal use in setting disclosure requirements.

Amendments to IAS 1, effective January 2016

- Clarify that including immaterial information can obscure material information
- Clarify that the materiality assessment applies to the whole of the financial statements, including the notes
- Clarify that the concept of materiality applies within each Standard
- Clarify that specified line items can be disaggregated
- Include guidance about subtotals
- Amend language that has been interpreted as prescribing the order of the notes
- Remove contradictory examples from the significant accounting policy disclosure requirements

Amendments to IAS 7, effective January 2017



Objective

- Help preparers apply the concept of materiality.

Contents

- General characteristics of materiality.
- Materiality within the context of disclosing information.
- Materiality within the context of recognition and measurement.
- Does *not* consider possible changes to the definition of materiality (covered in Principles of Disclosure (POD) Discussion Paper).

Standards-level review of disclosures

Why

- The way some disclosure requirements are written has been identified as potentially contributing to the disclosure problem.

Output

- Drafting guide for the Board's use when writing the notes disclosure requirements of Standards:
 - will be informed by POD Discussion Paper feedback; and
 - may reflect NZ ASB proposals.
- Test drafting guide against targeted Standards.
- May result in amendments to those Standards.







Corporate Reporting




- In the Trustees' Structure and Effectiveness Review the Trustees took the view that the Board should:
 - play an active role in wider corporate reporting; and
 - commit modest staff resources to this area.
- Respondents to the Trustees' Request For Views generally supported that strategy.
- The Trustees reaffirmed this view in a recent meeting.

- The IASB participates in the Corporate Reporting Dialogue (CRD).
- The CRD is an initiative designed to respond to market calls for greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements.
- Other participants are:
 - Financial Accounting Standards Board;
 - Sustainability Accounting Standards Board;
 - Global Reporting Initiative;
 - International Standards Organisation;
 - International Integrated Reporting Committee;
 - Carbon Disclosure Project; and
 - Climate Disclosure Standards Board.


Keep up to date

-  @IFRSFoundation
-  IFRS-Foundation, IASB
-  go.ifrs.org/email-alerts
-  IFRS Foundation

Comment on our work

-  go.ifrs.org/comment

Join the organisation, and help shape the future of financial reporting

-  go.ifrs.org/careers