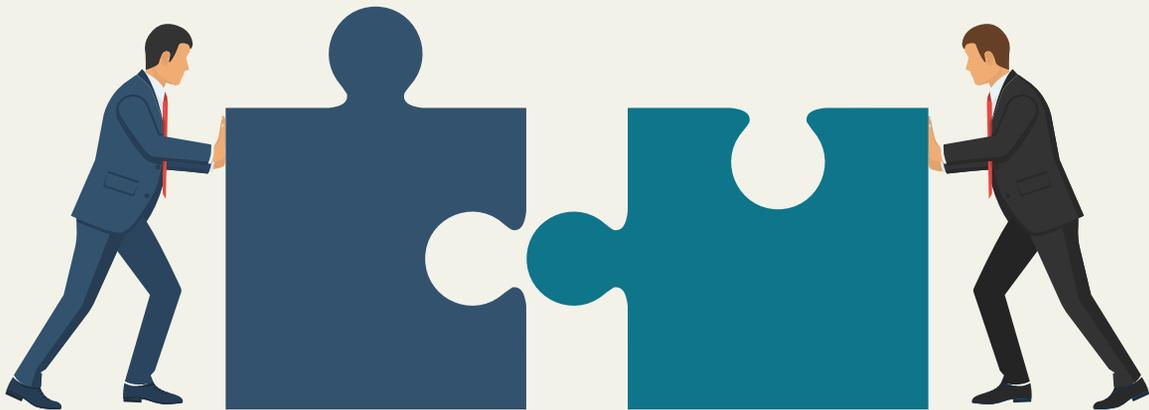


Shaping the future of IFRS together



In the *A Plus* April 2016 issue, we provided an overview of what to expect from the International Accounting Standards Board's Disclosure Initiative project. A lot has happened since then.

Right now, possible changes to the way a company presents its financial performance, financial position, cash flow, equity and additional notes are being debated. All these changes will impact the way financial reports would be prepared and analysed.

The following section – reproduced from Issue 13 of the IASB *Investor Update* with permission from the IASB – provides an overview of the developments and possible changes being debated.

IASB Investor Update Spotlight: Principles of Disclosure

Background – the “Disclosure Problem”

“Quality versus quantity” is an expression we frequently hear from investors discussing the topic of disclosures. The

IASB has observed there are three main concerns about information disclosed in financial statements:

- Not enough relevant information;
- Irrelevant information or disclosure overload; and
- Poor communication of disclosures.

To continue its work on addressing these concerns, the IASB published the discussion paper *Disclosure Initiative – Principles of Disclosure* in March, which discusses clarifying existing disclosure principles and developing new disclosure principles that can be used to improve communication of information in financial statements.

Objective and content of the discussion paper

The discussion paper describes, and seeks stakeholders' views about:

- Disclosure issues identified by the IASB through previous outreach;
- Approaches to address these issues; and

- Additional disclosure issues to address in this project.

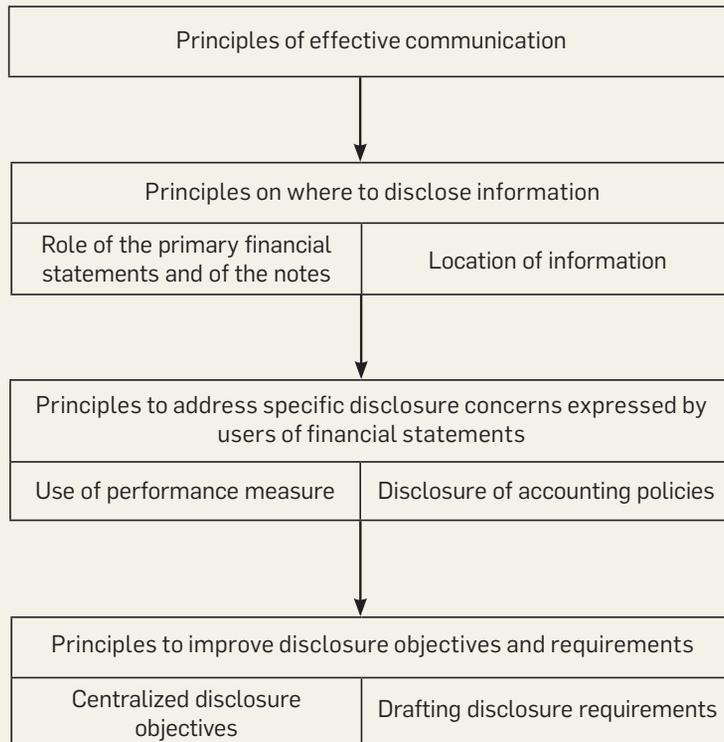
While the discussion paper discusses many aspects of disclosures and their requirements, we believe key areas for investors include discussions on the following topics:

- Suggested principles of effective communication for entities preparing financial statements;
- Suggested requirements to ensure performance measures are fairly presented in financial statements;
- The appropriate time to disclose outside the financial statements information necessary to comply with IFRS Standards; and
- The appropriate time to disclose inside the financial statements “non-IFRS information.”

Does this relate to “non-GAAP” earnings?

Yes, which is why the IASB expects

**A high level overview: content of the discussion paper
Disclosure Initiative – Principles of Disclosure**



Source: Issue 13 of the IASB Investor Update

to actively engage with investors on this issue in the coming months.

What does this mean for Hong Kong?

A financial report is an important communication tool between a company and its users. The ideas detailed in the discussion paper will impact everyone, including preparers; investors; auditors and regulators.

The Institute foresees the significant beneficial outcomes of the IASB’s Disclosure Initiative and is excited to contribute to this project.

To share your views on the quality of financial reporting or the discussion paper, email us at outreachhk@hkcipa.org.hk and:

- Register for our outreach events on 30 or 31 August (for preparers); or 4 or 5 September (for investors);
- Schedule a private meeting to discuss your views; or
- Send in your written feedback to allow time for us to consider your views.

The full discussion paper as well as a summary snapshot is available on the Institute’s website.



This article is contributed by the Institute’s Standard Setting Department.