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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Via online submission: www.ifrs.org

Dear Hans

Discussion Paper: Disclosure Initiative – Principles of Disclosure

CPA Australia welcomes the opportunity to provide comments on the above consultation. CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. We make this submission on behalf of our members and in the broader public interest.

CPA Australia commends the IASB's efforts in developing the proposals included in the Discussion Paper as part of its Disclosure Initiative project, and the broader Better Communications project. Disclosure complexity and disclosure overload are both significant problems that affect IFRS based financial reporting. It is important that the IASB address these challenges in a timely and holistic manner to ensure the ongoing value-relevance of IFRS based financial reporting.

As this project is one part of the multi-project Better Communications initiative and there are links between this and other projects within this initiative, it is important that the IASB adopts a suitable project management methodology so that the links between the multiple projects are properly addressed and the projects are completed in a timely fashion. For example, disclosure overload that is part of the 'disclosure problem' arises partly due to the incorrect application of materiality, which is being considered through two separate projects. Similarly, the use of non-IFRS measures that is considered in this Discussion Paper will be more comprehensively considered in the Primary Financial Statements project.

We agree with the view expressed in the Discussion Paper that behavioural issues are a contributory factor to the disclosure problem. This includes a 'checklist based approach' rather than the exercise of professional judgement, which can result in unnecessary and excessive disclosures. As these behavioural issues are not restricted to preparers of financial statements, but extend to the compliance approach taken by some auditors and regulators, we recommend the IASB includes these stakeholder groups in the development of these proposals to ensure the project's objectives are successfully met.

In our view, technology can play a vital role in improving disclosures, and financial reporting more broadly. We appreciate that further work is needed to analyse and assess how technology could be harnessed to provide suitable solutions. We note that the United Kingdom Financial Reporting Council's financial reporting lab is undertaking a project to consider digital reporting as part of its Digital Future initiative. Such projects may assist and inform the IASB in progressing the role of technology in financial reporting.

Our detailed responses to the specific questions are provided in the attached appendix. If you require further information on our views expressed in this submission, please contact Ram Subramanian, Policy Adviser – Reporting, on +61 3 9606 9755 or at ram.subramanian@cpaaustralia.com.au.

Yours sincerely

Stuart Dignam

General Manager, Policy & Corporate Affairs

Appendix

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 agree 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?**

The disclosure problem described in paragraphs 1.5-1.8 does not include consideration of the issue of excessive disclosures or "disclosure overload". As stated in our cover letter, the incorrect application of materiality can give rise to unnecessary disclosures that undermines effective communication of information in financial statements. We acknowledge that issues surrounding the application of materiality are being addressed through two other projects.

We agree with the comment that some entities, auditors and regulators approach financial statements as compliance documents. In many cases financial statements are prepared in order to comply with a jurisdiction's legal and other requirements and the focus on ensuring compliance is not wholly unwarranted. It is important for a balance to be struck between the primary objectives of financial reporting and the fact that financial statements are also compliance documents in many cases. As stated in our cover letter, we suggest the IASB ensure auditors and regulators are also involved in the further development of these proposals to ensure congruence in respective objectives.

We agree with the proposal to develop disclosures principles in a general disclosure standard. We also support the development of additional guidance that supplements disclosure principles.

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?

We have provided our responses to the questions in raised in sections 2-7 below. We have no further comments.

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 2.6? 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 (d), please specify the form of non-mandatory guidance you suggest (see paragraph 2.13(a)–(c)) and give your reasoning.

Yes, we agree that the IASB should develop principles of effective communication that provide the basis for how information should be communicated through financial statements. We agree with the principles listed in paragraph 2.6. In addition, we suggest the following to be considered for inclusion as additional principles of effective communication:

- Flexible – information should be capable of being presented in different formats and in different ways, particularly with the use of technology

- Verifiable – information presented within financial statements should be capable of independent audit or review by external auditors and enforcement by regulators

We note the view expressed by some Board members that the principles would be difficult to enforce or audit. In order to be able to be audited or reviewed under the Auditing Standards issued by the IAASB, disclosures need to comprise 'appropriate underlying subject matter', that is identifiable and capable of consistent measurement or evaluation against the identified criteria. The requirements for disclosures in the accounting standards need to provide 'suitable criteria' which enable reasonably consistent evaluation or measurement of the subject matter within the context of professional judgement. In addition, we believe that for the principles to be effective in improving disclosures, they need to be enforceable. Accordingly, it is our view that the principles of effective communication should be prescribed in a general disclosure standard.

We support the development of non-mandatory guidance on the use of formatting in financial statements. Such guidance will support the principle of effective communication that requires provision of information in an appropriate format. Today, multimedia formats including audio and video are employed commonly as communication tools. We suggest the IASB considers how it might incorporate such innovative formats within any guidance it develops.

Question 4

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

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

- **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?

We support the use of the term “primary financial statements” to describe the statements listed in paragraph 3.3(a) of the Discussion Paper. We support the view that the primary financial statements provide an overview of an entity’s assets, liabilities, equity, income, expenses and cash-flows and the information provided in the notes supports such information. Accordingly, we agree with the proposal to introduce a definition of the term “primary financial statements”. However, when describing the term primary financial statements, it should be emphasised that this does not give more importance to these primary financial statements over the notes.

We support the view that the notes provide further, and supplementary information that supports and explains the information provided in the primary financial statements, as set out in paragraph 3.28 of the Discussion Paper. It should also be noted that some notes provide valuable stand-alone information that may not necessarily be linked to the primary financial statements (e.g. some related party transactions). We agree with the IASB’s preliminary view that it should include the proposed guidance on the content of the notes in a general disclosure standard.

In our view it is common practice to use the term ‘present’ to describe information in the primary financial statements and ‘disclose’ to describe information provided within the notes. We believe the IASB should provide certainty to established common practice of the usage of the terms ‘present’ and ‘disclose’ by further describing the meaning of these terms. We also support the proposal to specify the intended location as either ‘in the primary financial statements’ or ‘in the notes’ when using the terms ‘present’ or ‘disclose’ respectively.

<u>Question 5</u>

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 you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3–4.4), 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)?

We support the IASB’s preliminary view that a general disclosure standard should include a principle that entities can provide information that is necessary to comply with IFRS standards outside the financial statements. This principle would support many of the proposed principles of effective communication, including the principle that information should not be duplicated unnecessarily.

We agree that cross-referenced information could be included in another statement that is made available on the same terms and same time as the financial statements. Whilst such a “single reporting package” is often referred to as an annual report, this is not always the case (e.g. some entities may refer to an Integrated Report). In other cases, entities may use a technology based approach to present information on their website or through other digital means that does not follow the traditional paper-based approach to financial reporting that IFRS is based upon.

There is a presumption that an annual report will always include the financial statements. We have however identified instances where an entity does not include financial statements as part of its annual report, instead publishing financial statements as a separate document. It may not be appropriate in such instances for cross-referenced information to be provided in an annual report that is published separately from financial statements.

It should also be noted that the term “financial report” can be given a specific definition in a jurisdiction’s corporate legislation. For example, in Australia the Corporations Act 2001 section 295 describes the contents of a “financial report” as the financial statements, the notes and the directors’ declaration about the statements and the notes.

We suggest further consideration is given to the term “annual report” and a more robust definition or description is developed to capture different terminology and different formats that may be used to provide annual information that may or may not include financial statements. We do not believe the definition proposed in the introduction to the Discussion Paper adequately defines the term. We suggest the IASB consider the proposed description of an “annual reporting package” included in paragraph 4.22 as a basis for developing a definition of the term “annual report”. This description gives more consideration to some of the specific types of information that may be included in an annual report. We also suggest the IASB aligns any developed definition with the definition of “annual report” included in ISA 720 *The Auditor’s Responsibilities Relating to Other Information*. This will ensure preparers and auditors use the same definition when considering what constitutes an annual report.

Subject to the above, we support the criteria set out in paragraph 4.9 of the Discussion Paper.

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 labelling, 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?

Question 7

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?

We agree that as a principle, a general disclosure standard should not prohibit an entity from including non-IFRS information in its financial statements. CPA Australia-funded research of non-IFRS disclosures in New Zealand has identified a steady rise in “pro forma earnings” disclosures since the introduction of IFRS in New Zealand in 2005. This and other similar research points to a continuing and rising use of non-IFRS information, a trend that highlights a prevalent desire for entities to communicate certain messages through the financial statements that may not always be catered for through the IFRS framework. Rather than seeking to abolish this popular and useful tool employed by entities, we suggest the IASB identifies solutions to accommodate non-IFRS information that enables consistency with IFRS information and does not detract from the fundamental objectives of financial reporting.

One step in addressing this issue would be to consider non-IFRS measures that are commonly and consistently used by entities and identify how such measures can be incorporated into the IFRS framework. In this regard, we support the IASB’s initiatives that seek to incorporate the more commonly used non-IFRS performance measures within the IFRS framework.

As noted in the Discussion Paper, local regulators can require certain information to be included in the financial statements that would be considered non-IFRS information. Any restrictions or boundaries placed on non-IFRS information should generally not apply to such local regulatory disclosure requirements.

Where an entity includes additional non-IFRS information within its financial statements, we support the inclusion within a general disclosure standard, the proposed requirements in paragraph 4.38(a). We note that this paragraph and the IFRS standards in general do not require any information to be audited. However, it is our view that any non-IFRS financial information that is included in the financial statements should be capable of being audited, that is identifiable and capable of consistent measurement or evaluation against the identified criteria. The decision as to whether such information should be audited will ultimately rest with the national regulators of each jurisdiction.

If non-IFRS information is clearly identified, as proposed under paragraph 4.38(a), we are not sure what additional value will be added by the proposal in 4.38(b) to provide a list of such information together with the statement of compliance with IFRS. Including such a list could be considered duplication and this could also detract from the importance of the statement of compliance with IFRS.

We are uncertain as to whether users will benefit from the proposed requirement in paragraph 4.38(c) to explain why non-IFRS information is useful. Regulatory Guide RG 230 *Disclosing non-IFRS financial information* issued by the Australian Securities and Investments Commission provides for a similar disclosure. Anecdotal evidence indicates that such disclosures can be boilerplate or motherhood statements which provide no useful insights into the non-IFRS information being provided. As an alternative, we suggest the IASB consider developing a requirement to disclose the objective(s) of including the relevant non-IFRS information and how the non-IFRS information satisfies the objective(s).

We however share the concerns expressed by others that some non-IFRS information can obscure or undermine information included in financial statements. It is also possible that non-IFRS information can either intentionally or unintentionally mislead users of financial statements. We suggest that a general disclosure standard should include requirements that prohibit the use of non-IFRS information that may detract from the IFRS information included, or could mislead users of the financial statements. We recommend the prohibition of any non-IFRS information that cannot be reconciled to IFRS information that is included in the same financial statements.

If cross-referencing is permitted to information outside the financial statements, there is a risk that entities will cross-reference to non-IFRS information that obscures, undermines or misleads users. We suggest the IASB give consideration to how to address this risk.

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 definitions 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 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.

CPA Australia acknowledges the links between the project to develop disclosure principles and the primary financial statements project. In this context, we can understand the IASB's motives to seek feedback on EBITDA and EBIT. However, there are other similar non-IFRS performance measures (e.g. NPAT) that will also require similar consideration. We suggest the IASB considers feedback received in respect of these performance measures as indicative feedback. We expect that this feedback will inform what will be a much more holistic consultation of performance measures as part of the primary financial statements project.

Subject to the above, we support the IASB's proposals to clarify EBITDA and EBIT.

Similar to our views expressed above on performance measures such as EBITDA and EBIT, we suggest the IASB undertake a more comprehensive consultation on 'unusual', 'infrequent' and other similar terms as part of its primary financial statements project.

When consulting on this matter, the IASB should also consider the other terms such as 'extraordinary' which is currently prohibited. Whilst we continue to believe the current approach is correct, it may be appropriate to assess whether the perceptions and understanding of this and other terms remain unaltered. In our view, any decision about developing definitions or setting requirements for such terms should follow completion of a more comprehensive consultation.

<u>Question 9</u>

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.

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?

There is a risk that the term "performance measures" could be misinterpreted as performance measures relating to both financial and non-financial measures. We suggest the IASB consider an alternative term such as "financial performance measures" to distinguish the types of measures being considered in this Discussion Paper.

Subject to our above comments in response to question 8 about the more comprehensive consultation on performance measures which is being undertaken, we are supportive of the proposals described in paragraph 5.34 of the Discussion Paper.

<u>Question 10</u>

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):**
  - **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 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.

We support the proposal that a general disclosure standard should explain the objective of providing accounting policy disclosures, including the provision of entity-specific accounting policies. We support the inclusion of requirements that describe the proposed category 1 and 2 accounting policies. However, we do not support the inclusion of category 3 accounting policies relating to items, transactions or events that are not material to financial statements. Although proposed as optional, inclusion of a category 3 is unnecessary and could detract from one of the primary objectives of the disclosures initiative, to reduce complexity in financial reporting.

A technology based solution could address many of the issues raised in section 6 of the Discussion Paper relating to the location of accounting policies, estimates and judgements in the notes. For example, a technology based solution could allow accounting policies, estimates and judgements to be displayed as a separate note or as part of a note that includes the relevant information. Until a suitable technology based solution can be developed, we suggest issuance of non-mandatory guidance as part of general disclosure standard.

<u>Question 11</u>

The Board's preliminary view is that it should develop a central set of disclosure objectives (centralised 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?

We support the IASB's preliminary view that it should develop centralised disclosure objectives as proposed. As suggested in the Discussion Paper, this approach will assist entities understand the basis for disclosure objectives and requirements in IFRS and assist with developing targeted disclosures that meet user needs.

We are however unclear about the view expressed that centralised disclosure objectives, possibly through inclusion in a general disclosure standard, will also assist the IASB develop more focused disclosure requirements in IFRS. Informing the IASB's standard-setting activities, including disclosure requirements, is addressed through the Conceptual Framework. We note that the Exposure Draft for the soon to be released Conceptual Framework included a proposal for a section to address presentation and disclosure objectives and principles. However, a subsequent tentative IASB agenda decision has been made to not distinguish between "presentation" and "disclosure" in the Conceptual Framework. We suggest the IASB reconsider this tentative agenda decision, as it may be more appropriate to include high level disclosure objectives and principles that inform the standard-setting activities of the IASB in the Conceptual Framework.

<u>Question 12</u>

The Board has identified, but not formed any preliminary views about, the following two methods that could be used for developing centralised 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 that 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.

Methods 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 centralised disclosure objectives might best be developed before developing them further.

In addition to proposed Methods A and B for developing centralised disclosure objectives, the Discussion Paper also suggests a third alternative where it might be possible to combine Methods A and B into a hybrid method.

Many of the advantages of Method B highlighted in paragraph 7.32 of the Discussion Paper suggest that Method B may be the more suitable option to address the problems with current disclosures. These include:

- Better alignment with the focus entities have on their activities, and a user preference for disclosures based on activities of an entity
- A focus on an entity's prospects for future cash flows and management stewardship
- Highlight relationships between different disclosures
- Help prevent repetition and inconsistencies across similar disclosure objectives
- More likelihood of encouraging behavioural change.

We believe there is also a need for disclosures about information relating to an entity's assets, liabilities, equity, income and expenses as proposed under Method A. For example, information about whether operating assets are purchased or leased would be useful and such information may not be considered for disclosure under Method B.

We appreciate that Method B proposes to introduce a significant degree of judgement and interpretation that could be difficult to enforce. On the other hand, it can also be held that the current approach espoused by Method A has contributed to the disclosure problem.

To achieve a balance that allows some enforceability whilst also allowing preparers to exercise judgement, and since there are benefits to the approaches to centralised disclosure objectives under both Method A and B, we suggest the IASB consider a hybrid method in developing the proposals further.

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?

We support the proposal to include centralised disclosure objectives in a general disclosure standard. Specific disclosure requirements that are based on centralised disclosure objectives should continue to be included within individual standards. This approach will allow the IASB to tailor disclosures to meet the objectives of each standard, whilst also ensuring they are aligned with the disclosure objectives.

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 section (the main features of the approach are summarised 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 Disclosures 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 the 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).

We are supportive of the approach proposed to develop overall disclosure objectives in each standard with more specific disclosure sub-objectives for each type of information addressed within that standard.

Paragraphs 8.9 and 8.10 of the Discussion Paper propose a link between disclosure sub-objectives in each standard to the centralised disclosure objectives discussed in section 7. Although not specifically stated in section 8, in addition to establishing a link to disclosure sub-objectives in each standard, we presume a link will also be established between the centralised disclosure objectives and the primary disclosure objectives in each standard.

We believe there is merit in further exploring the two-tiered approach to disclosure requirements within each standard developed by the NZASB. As suggested, this approach will provide entities with the flexibility to exercise judgement in providing the appropriate level of information that meets the overall disclosure objective whilst also meeting the information needs of users in a targeted manner. The audit profession and regulators will also have a role in ensuring the success of this approach to disclosures.

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.

We agree with stakeholder views that disclosures as currently drafted in IFRS standards contribute to the disclosure problem. When viewed as a whole the IFRS framework remains a principles based framework but disclosures contained within these remain largely prescriptive and to some degree, undermine the principles based approach to IFRS. We believe the IASB should take a holistic approach to addressing the disclosure problem and we have expressed our views on this in the cover letter and in response to the previous questions.