

JOINT OUTREACH EVENT

IASB DISCUSSION PAPER DISCLOSURE INITIATIVE - PRINCIPLES OF DISCLOSURE

SUMMARY REPORT

WARSAW

12 SEPTEMBER 2017

Introduction

EFRAG together with the Polish Accounting Standards Committee (PASC), Accountants' Association in Poland, and National Chamber of Statutory Auditors, organised an outreach event in Warsaw on 12 September 2017 covering the IASB's Discussion Paper DP/2017/1 *Disclosure Initiative – Principles of Disclosure* (the 'IASB DP'). This report has been prepared for the convenience of European constituents.

The joint outreach event was one of a series organised across Europe following the publication of the IASB DP. The purpose of the outreach event was to:

- stimulate debate in Europe;
- obtain input from constituents, in particular from those that did not intend to submit a comment letter to EFRAG or the IASB, and to understand their main concerns; and
- learn whether the tentative views as set out in EFRAG's draft comment letter were shared by European constituents.

Joanna Dadacz (Chairman of PASC) and Tomasz Konieczny (PwC, Member of PASC) opened the outreach event and welcomed the speakers and participants.

At the event, Rachel Knubley (Associate Director IASB) introduced the key elements of the IASB DP. Subsequently, Andrew Watchman (Chairman of EFRAG TEG) summarised EFRAG's tentative views on the IASB DP.

Thereafter Prof. Radosław Ignatowski (Member of PASC) gave the preliminary views of the PASC on the discussion paper.

This was followed by a round table panel discussion led by Tomasz Konieczny.

The presentation slides and key elements mentioned can be found on EFRAG's Website ([here](#)).

Summary of observations

Participants at the event generally expressed a preference for more standardisation of the information provided in financial statements, which they stated would lead to greater comparability. In particular, participants requested:

- Structured primary financial statements with more flexibility with regards to the notes to financial statements;
- Standardised performance measures in the statement of financial performance to increase comparability;
- Prescriptive disclosure requirements which would help entities decide whether they have complied with IFRS Standards; and
- Financial statements that reflect the business model of the entity and are consistent with the rest of the annual report.

Discussion on the IASB DP

Main comments received

“Structured and standardised primary financial statements”

“Flexibility in the notes to financial statements”

Main comments received

“Limited support for EBITDA as an anchor number in the statement of financial performance”

“More structure and standardisation on the use of performance measures”

Key topic 1 - Structuring parts of the financial statements

Participants called for more standardisation and structure to the primary financial statements to increase comparability and the ease of analysis of different entities. However, some flexibility on the structure of the notes is also important.

One respondent commented that too much information is not good for decision-making and that different stakeholders require different depths of information.

Another stated that the misuse of labelling of line items in financial statements could impact decisions users of the financial statements make and therefore this is an area that the IASB could address.

There was overall support for templates by industry/ business model to capture information better and to improve comparability.

Key topic 2 – Alternative performance measures in the statement of financial performance (EBITDA)

Overall participants were in favour of more structure and standardisation on the use of performance measures. Better guidelines would improve the usefulness of the performance measures.

One participant recently analysed financial statements and noted that EBITDA was rarely used as a performance measure in the statement of financial performance. Entities rather used a type of operating performance measure in the statement of financial performance. The participant called for more structure on the use of performance measures.

Another participant noted that it was too late to use EBITDA as an indicator of performance of an entity. The introduction of IFRS 15 *Revenue from Contracts with Customers* would make EBITDA less comparable, undermining its usefulness as a performance measure.

Lastly a participant stated that changes in IFRS Standards have an impact on EBITDA and therefore this could distort the use of it as a performance measure. It is also not a useful measure of performance for all stakeholders. Hence, a different performance measure may be needed as an anchor point for analysis.

Main comments received

“Support for prescriptive disclosure requirements”

Key topic 3 – Wording of disclosure requirements in IFRS Standards

Clear and specific disclosure requirements were favoured above requirements that allowed more flexibility because such requirements need less judgement and make it easier for entities to know that they have complied with the requirements of IFRS Standards. Participants also suggested that it would be useful to develop a detailed disclosure framework listing all disclosure requirements instead of having disclosures in different IFRS Standards.

An auditor participant noted a materiality-based framework detailing all required disclosures was preferred and questioned how you would improve better behaviour among all stakeholders involved.

Another auditor stated that it would be difficult to implement and enforce if disclosure requirements were written as “entities should consider disclosing”.

Main comments received

“Financial statements should reflect the business model applied by the entity”

Other matters

- A participant from a regulator noted that financial statements should reflect the business model that an entity applies and it should be consistent with the non-financial information disclosed in the rest of the annual report.
- A participant stated that we should not view a ‘compliance mind-set’ as a bad thing. It is important for entities that it is clear what requirements they need to meet in order to comply with IFRS Standards. These requirements must be simple and direct.
- A participant stated that the main consumers of financial statements continue to be humans (rather than machines) and therefore the disclosure requirements need to be drawn up with this in mind.
- One respondent expected more high level principles for determining which disclosures are the most relevant rather than having them in different IFRS Standards.

Closing remarks

Tomasz Konieczny noted that there is a difficult road ahead to find solutions to the current disclosure problem. Generally there was a unified view expressed on the topics that was covered at the event. He thanked the speakers and participants and closed the event.