

## **IASB makes progress on improving the effectiveness of disclosure in financial reporting**

**The International Accounting Standards Board (IASB), responsible for International Financial Reporting Standards (IFRS) required for use by more than 100 countries, today issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports.**

Improving the effectiveness of disclosure is widely considered to be one of the most important and challenging tasks in financial reporting. Many respondents to the IASB's Agenda Consultation completed in 2012 asked the IASB to review its Standards to explore ways to improve the disclosure requirements. The IASB is responding to this challenge through its Disclosure Initiative - a portfolio of projects that includes targeted actions as well as a broad and ambitious review of disclosure requirements.

The amendments to IAS 1 issued today are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendments mark the completion of the five, narrow-focus improvements to disclosure requirements that the IASB had identified following its 2013 Discussion Forum. The IASB is working closely with national and regional accounting standard-setters, drawing on work they have undertaken in their jurisdictions and on specific projects

As part of the Disclosure Initiative, the IASB today also published for public comment an Exposure Draft of proposed amendments to IAS 7 *Statement of Cash Flows*. That proposal responds to requests from investors for improved disclosures about an entity's financing activities and its cash and cash equivalents balances.

Hans Hoogervorst, Chairman of the IASB said:

“There is a real appetite for improving disclosure in financial reporting. While problems with disclosures cannot be solved by the IASB alone, we do have an important part to play. Today's announcement shows that we intend to deliver on this challenge.”

The amendments to IAS 1 can be applied immediately, and become mandatory for annual periods beginning on or after 1 January 2016.

Comments on the proposed amendments to IAS 7 should be sent to the IASB by 17 April 2015. The Exposure Draft, which for the first time includes a description of proposed associated changes to the *IFRS Taxonomy*<sup>™</sup>, can be accessed from the '[Open for comment](#)' section of the IFRS website.

For more information about the Disclosure Initiative and its progress, visit <http://go.ifrs.org/Disclosure-Initiative>

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**Notes to editors:**

**About the Disclosure Initiative**

The IASB is undertaking a broad-based initiative to explore how disclosure in financial reporting can be improved. The Disclosure Initiative has been informed by the Financial Reporting Disclosure Discussion Forum which took place in January 2013 and which was summarised in the [Feedback Statement](#) issued in May 2013. The progress of the Disclosure Initiative which is made up of a number of implementation and research projects described by the IASB's 10-point plan is set out below.

**Actions completed**

The final Standard *Disclosure Initiative* (Amendments to IAS 1) includes the following completed actions:

- Amended guidance on materiality in IAS 1 to clarify that:
  - Immaterial information can detract from useful information.

- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.
- Amended guidance on the order of the notes, including accounting policies to:
  - Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
  - Clarify that entities have flexibility about where they disclose accounting policies in the financial statements.
- Use of less prescriptive wording for disclosure requirements when developing new Standards.
  - This is now ongoing.

### **Actions in progress**

- Today's publication of the Exposure Draft *Disclosure Initiative* (Proposed amendments to IAS 7) which proposes requirements to improve disclosures about debt.
- Development of either general application guidance or educational material on materiality (see the [materiality project page](#)).
- The IASB has discussed the definition and application of materiality throughout 2014.
  - The IASB plans to publish a draft Practice Statement on materiality in mid-2015.
  - A discussion of the definition of materiality will be included in the *Principles of Disclosure* Discussion Paper (see next point).
- A fundamental review of IAS 1, IAS 7 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* with the goal to replace those Standards (see the [Principles of Disclosure project page](#)).
  - The IASB has been discussing issues to be included in a Discussion Paper *Principles of Disclosure* throughout 2014.
  - The Discussion Paper is planned for release in mid-2015.
  - The FRC (UK) and the OIC (Italy) are undertaking work on two parts of this work.
  - The DRSC (Germany) has made a staff member available to work with the IASB staff.
- A general review of disclosure requirements in existing Standards.
  - The review has started. Some of the work is being undertaken in conjunction with staff of the New Zealand External Reporting Board.

For more information about the Disclosure Initiative please visit the [project page](#).

### **About the International Accounting Standards Board**

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting Standards that provide high quality, transparent and comparable information in general purpose financial statements.

In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 14 full-time members drawn from across the world and a variety of professional backgrounds. Board members are appointed by, and accountable to, the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.