Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

Mouvement des Entreprises de France MEDEF

The IASB

30 Cannon Street,

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Dear Mr. Hoogervorst,

Discussion Paper and comment letters—Disclosure Initiative—Principles of Disclosure

Principles of Disclosure

We welcome the opportunity to comment on this discussion paper as we are very interested in any initiatives that can be taken concerning this important topic of disclosure overload.

In fact, financial statements, and especially notes, have over a number of years become increasingly burdensome for preparers without any clear benefits for users, who have more and more difficulty in identifying the information that is really relevant and specific to the entities they analyse.

We therefore warmly welcomed the recent declarations of the IASB regarding the priority it gives to improving and streamlining the financial statements.

The whole financial community is also aware of the problem, and many initiatives have already been taken: EFRAG has launched many proactive projects on this topic and some regulators, such AMF in France, have also published some guidance intended to improve the relevance and understandability of financial statements. The Board's current project has been under way since mid 2013. We are therefore quite disappointed by the discussion paper that is proposed today by the IASB since we believe it does not go far enough in addressing the problem of the overload and is too thinly spread over several separate subjects, some of which are projects in their own right.

We therefore believe that the IASB should:

1. Start by addressing the role of the notes and financial statements in the context of the broader set of reporting obligations, including those which are outside the remit of the IASB.
2. Place more focus on the issue of disclosure overload and carry out a critical review of individual standards in the very near future. As a contribution to this ACTEO will endeavour to carry out

its own review of some current standards in order to propose a different approach to drafting and content.

3. Identify and clearly distinguish the different issues that must be addressed, even though they are undeniably linked, and strive to deal with these in order of priority, so that resources and effort are not diluted.

If you would like any further information or explanation of our response, please do not hesitate to contact us.

Yours sincerely,

ACTEO	AFEP	MEDEF
Patrice MARTEAU	François SOULMAGNON	Agnès LEPINAY
Chairman	Director General	Director of economic and financial affairs

Question 1

Paragraphs 1.5–1.8 of the IASB DP describe the disclosure problem and provide an explanation of its causes.

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?

Do you agree that the development of disclosure principles in a general disclosure standard (i.e. either in amendments to IAS 1 or in a new general disclosure standard) would address the disclosure problem? Why or why not?

Question 2

Are there any other disclosure issues that the IASB has not identified in this Discussion Paper (sections 2–7) that you think should be addressed as part of the Principles of Disclosure project? What are they and why do you think they should be addressed?

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 that the financial statements, and more specifically the notes, have today reached a volume and a complexity that greatly impair their use and understanding, for both internal and external users. As an example of this, one of our members has seen its filed annual report and accounts expand from some 274 pages in 2013 to over 560 pages in 2015. Admittedly some of the increase is due to non-IFRS requirements, but the notes to the accounts have lengthened considerably. Other companies, including those subject to heritage GAAP of high quality, saw the notes to their financial statements expand by over 50% upon the adoption of IFRS in 2005.

It is clear that today only a handful of experts can understand and use all of the notes. It is also true that the information that might be relevant, since it is specific to the company and adapted to the specific circumstances of the period, is often overwhelmed by a mass of information which is much less relevant.

The Board is of the opinion that the source of the problem is first and foremost an issue of behaviour on the part of preparers, auditors and regulators who consider the notes merely as a compliance exercise and who apply a systematic and mechanical checklist approach rather than apply judgement.

We think that this conclusion has been reached too quickly and without thorough analysis:

- Every newly published standard contributes a significant set of new disclosure requirements and their "prescriptive" formulation leaves little room for judgement. In addition, we have the impression that in certain standards elements of disclosure have been inserted to compensate for perceived problems of accounting principles (for example, information required in IFRS 7 paragraphs 13B to 13E because of divergences between IFRS and USGAAP related to offsetting, and the information on the rental cost of short-term or low-value assets to compensate for their non-recognition) or others appear to be there more to enable users to validate the accounting rather than to provide useful information.

- Each new "crisis" also brings its share of new information requirements which often persist years after the end of their usefulness (for example, the Enron incident contributed to the requirements of IFRS 12 and some of the detail of IAS 19, and the 2008 financial crisis led to some aspects of IFRS 7 and also IFRS 12);

- Legislators and regulators also ask for more detailed information, year after year and impose additional disclosures in the IFRS financial statements (see the European Accounting Directive, for example, with its requirement for information on audit fees, average staff numbers, and, in the near future, country by country reporting etc.)

Preparers alone should not be expected to bear the full burden and responsibility for sorting through the requirements and applying judgement to provide useful and relevant information. As long as individual standards do not change, preparers will always be taking risks if they do not provide information they deem immaterial or irrelevant but that that could be demanded later by other interested parties. Moreover, the process of constructing notes and gathering information is time-consuming, complex and fairly rigid. Given the volume of current requirements, it cannot reasonably be expected of an entity to question each year the relevance of the information it should provide and to adapt its reporting schedules accordingly. It should not be forgotten that in order to judge whether information is material in quantitative terms, the entity must first collect it. This can often be more difficult than one might expect. Some information that can be seen as “easy to collect” can require a lot of preparatory work from entities. For example, to collect separately the information concerning the lease cost of short-term contracts will require a revisiting of charts of accounts with many issues of roll-out inside groups.

It is also absolutely necessary for the whole financial community to have a clear and consistent understanding of the respective objectives of the financial statements and the related notes in the broader framework of financial reporting. Indeed, without these objectives, it is difficult to define which kind of information should be included in notes (either mandatory or optional). At this point the question of the scope of the IASB’s mandate and the boundaries of the information it is entitled to impose in the notes also arises.

We therefore believe that to address the problems identified effectively, the IASB must prioritise and organise its work:

1. It must define the respective roles of the financial statements and the related notes in the context of the broader financial disclosure framework for which the IASB is not responsible. The Board can decide only for the sub-set for which it is wholly responsible but has a role of advisor for the rest.

2. It must rework each standard to reduce the information required, and elaborate a clear formulation of the requirements in such a way that the preparers would not be left alone to face the difficulty of choosing the information to be provided. Even though preparers are ultimately responsible for their financial statements, it would be iniquitous for the IASB to continue to impose a great mass of essential and "nice to have" information on a mandatory basis and to leave the preparer to struggle with sorting the essential from the rest through the filter of materiality. It would be much more effective if the IASB were as a first step to circumscribe better what is absolutely essential. The Board could provide a description of the areas that the disclosures are intended to address and provide examples of appropriate disclosures.

3. It must not dilute its focus and effort. For example:
   - ✓ the issue of non-GAAP measures and performance indicators should be dealt only within the project "Presentation of Financial Statements"
   - ✓ the Board should build on what already exists in terms of good practice for communication in the financial statements, such as for example, the recommendations of regulators such as the AMF in France.

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.

We are not opposed to the proposed principles of effective communication as we believe they are based on common sense. In fact, very similar principles have been formulated in France by the AMF (French regulator) and already implemented (all or in part) by many preparers. We therefore encourage the IASB not to devote much more time to the search for innovation on this topic and instead to build on the work that has already been carried out by other stakeholders.

If the IASB wishes to communicate these principles to encourage their use in practice, we believe that they should not be incorporated into a standard or other document of mandatory status, but rather into educational guidance for preparers. [See our proposal for a Guide for the notes in our response to Q13].

However, if the IASB wishes to communicate these principles to encourage their use in practice, we believe that only the first three (i.e., paragraph 2.6 (a) to (c)) could be integrated into either the new Conceptual Framework or IAS 1 as general principles for efficient financial communication. In fact, some of the other principles deal with notions that should be either subject to further discussion (such as, for example, Cross referencing and the annual report), are highly subjective and difficult to implement (§ 2.6 (f)) or are prone to unexpected consequences (paragraph 2.6(g) applied in the context of IXBRL, for example).

We are uncertain about the usefulness and relevance of the proposals about formatting in a context where entities are called upon to exercise more judgement to produce relevant information. We think that the insight provided in table 2.1 is sufficiently familiar to, and understood by, preparers. We believe that the IASB should not spend any time on these aspects and, on the contrary, avoid suggesting that certain formats are more appropriate than others. In particular, we are concerned about the publication of such a guide in the context of a forthcoming requirement for electronic reporting in Europe and the uncertainty about the extensions that will be allowed in the IFRS taxonomy. If "entity-specific" extensions were not allowed, then only the formats recommended by the IASB would be available under iXBRL. Moreover, we understand that some formats cannot be translated easily or at all into iXBRL, such as graphs, for example.

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?

1. Definition of primary financial statements

We were somewhat surprised to find this discussion of the definition of the "primary financial statements" in a document which is supposed to deal mainly with the issue of the disclosure overload, and all the more so since it appears:

- Just before the publication of the new Conceptual Framework, which also deals with this subject but apparently with different conclusions about the status of the Cash-flow Statement, and
- Just before the publication of the discussion document related to the presentation of the financial statements.

We think that this section creates confusion and does not fit into the present discussion paper. We also believe that the mandatory use of the Statement of Cash-Flows for financial institutions requires an in-depth discussion, and this can only be carried out within the framework of the project "presentation of the financial statements".

We think that the absence of a precise definition of the so-called primary financial statements is not an obstacle to the debate on the relative role of the notes which should be the main subject of this discussion paper. In fact, what is important is to clearly circumscribe the financial statements as a whole (the primary financial statements and the related notes as a set) and distinguish these from the broader field of financial reporting. An objective can then be defined for this smaller set. The question of what the primary financial statements comprise is, of course, important, but a separate project is dealing with this.

2. Respective roles of financial statements and related notes.

We agree that the financial statements should provide a succinct overview of the performance and financial position of an entity and should be used to identify areas that users might wish to investigate further. We therefore agree with the objectives as presented in paragraph 3.22.

As far as the role of the notes is concerned, while we agree with the role of the notes as described in paragraph 3.26, it seems to us that the vagueness of paragraphs 3.27 and 3.28 (b) clearly illustrates the difficulty of setting an objective for the notes without encroaching on areas which are not within the scope of the IASB's mandate.

Although the Conceptual Framework defines the objective of "general purpose financial reporting" it does not fix its perimeter. Moreover, the Framework does not set any objectives for the set of primary financial statements and the notes within the broader set of general financial reporting.
In addition, as explained in OB6 of the conceptual framework, it is not possible to give all relevant information in financial reporting and therefore other sources of information must be used by interested parties. The difficulty thus seems to be to find the right balance between providing understandable and relevant notes and financial statements without impinging on other aspects of financial communication (outside the remit of IFRS).

We recognise, of course, that our response is influenced by our legal environment in which much information is already required outside IFRS, but this is not necessarily the case for all jurisdictions. The IASB must therefore find a solution suitable for different environments (cf our comments on the use of cross references in response to Q5, for example).

The main questions raised are the following:

1. Should the notes serve only to detail and explain the primary financial statements as explained in paragraphs 3.26 and 3.28 (a)?,
2. Or should the notes be considered to be a vector of financial communication with no clear limits concerning the information that could or should be included?

Irrespective of the answer to these two questions, what information to provide relating to risk and off-balance-sheet items is a particularly difficult and delicate issue.

If the first approach is preferred, the main information required in the notes would serve only to disaggregate the information provided in the primary statements, to provide information on the assumptions used, the areas of judgement and the approaches the financial statements are based upon, and to explain the link between the different statements and the different reporting periods (by way of reconciliations, for example). One might therefore question the validity of requiring in the notes other types of information such as exposure to various risks, forward-looking information or alternative measures. Indeed, if the objective is to explain clearly how some of the data was arrived at (such as, for example, assumptions and matters of judgement) in order to facilitate a better understanding of the financial statements, then in our view the provision of information to help users to compute alternative measures should never be an objective. Financial statements have been prepared and approved in compliance with IFRS and no information in the notes should give the impression that they can be called into question. Calling the financial statements into question in such a way will have the undesirable consequence of also casting doubt on the authority of the body of IFRS.

Even if the Board concludes that the notes must go further than this first objective and that more information should be provided, we would encourage the IASB to consider carefully what it can reasonably ask for and how to address risk and off-balance-sheet items.

We think that the principal reflection should be directed at the following:

- **The presentation of certain risks:** Although we recognise the usefulness of information about risks, we think that the IASB should circumscribe the scope of the information required and decide what types of risk it is reasonable to require to be dealt within the notes.
  The objective pursued must be clear (for example, it could be to identify specifically uncertainty about amounts recognised in the financial statements caused by the need for assumptions and use of judgement in evaluating those amounts, and it should not be to allow the accounts to be verified by the user nor to provide alternative measures)

  In addition, since a large volume of information about risk is required by other rule-makers in other areas of financial reporting, the IASB should find a way of avoiding requiring entities to provide information which is very similar to, but still different from, information required by other bodies. The provision of different information or in a different format about the same matter in different parts of financial reporting leads to confusion and doubt.

Although the IASB is obviously not the only interested party in this issue, it would be helpful if it were to:

- describe the objective to be achieved but without being prescriptive about the content or the format. This would allow preparers to use the same information in all parts of their reporting package, and could be achieved by, for example, allowing the preparers to base the disclosure on the most rigid requirements of regulators or legislators in their jurisdiction, and
- consider the extent to which information about risks could be published later than the rest of the package, thus allowing duplication to be avoided and permitting the use of cross-referencing to the relevant document. Actually, although we do not deny the great usefulness of information about risks and forward-looking information, we do however believe that it is better placed in the management report within the discussion of the various risks and other matters that may affect the whole entity. In addition, beyond the management report, some jurisdictions impose a risk section in the annual report. We do understand, however, that not all entities are subject to these same obligations and that the IASB might therefore wish to impose the provision of such information if not otherwise required. This information could then be included in the notes by cross-references but perhaps with different publication deadlines, without compromising the compliance with IFRS. [See our proposals about the category B in our response to Q5]

- **Information about off-balance-sheet items**: There is no dedicated standard for this information at present and thus there is no set objective for this type of information. We think that the IASB could reflect on the objective to be pursued, the information that could reasonably be required and the interaction between this and other elements of financial reporting.

3. The terms “present” and “disclose”

We do not agree with the proposal and believe that a clear definition providing a distinction between the terms would avoid all doubt.

The DP states in paragraph 3.31, the current use of these two terms in the standards is overall fairly uniform and consistent, with ‘present’ usually describing the provision of information in the primary financial statements and ‘disclose’ usually describing to the provision of information in the notes. In addition, the ‘Disclosure Initiative’ and the ‘Disclosure Standard’ projects are commonly understood to refer to the information provided in the notes. In this context, definitions should be fairly easy to achieve and make universally understood. The use of the terms in existing literature should not be a barrier to this, as current usage is well understood and the definitions could include a warning that the use of the terms in earlier standards should be read in the context of that standard. Adopting definitions going forward will help eliminate superfluous verbiage in future standards and amendments.

If, on the contrary, the Board believes that current usage is too inconsistent and confusing, then it is even more desirable to define these terms and make their use consistent and uniform.

Question 5

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)?

Once again we think that a necessary pre-requisite is to define the role of the financial statements (including the notes) as a whole in order to identify the boundary between these and other areas of reporting. This would permit, inter alia, better understanding of how cross-referencing can be used. Today, we note that cross references are rarely used for the following principal reasons:

- Few IFRS standards explicitly allow this possibility at present and it is therefore understood that in the absence of specific authorisation cross referencing is thus prohibited.

- Documents that also include items required by IFRS are rarely published at the same time as the financial statements and notes. Some issuers therefore prepare complete and fully compliant sets of financial statements for their Board of Directors and for the purpose of the audit and then in a second step may re-allocate some of the information from the notes throughout the annual reporting package, using cross references from the financial statements as a tool for this.

Although the use of cross references is not widespread, it may, however, be useful to identify all the information required by the IASB today for which cross references could be used. This would, in our view, raise questions about the scope of the IASB's requirements and help define a hierarchy of the information required and a detailed policy for the use of cross references.

We believe that not all the information relating to the management of risks, the economic outlook, forward-looking information etc., is directly necessary for the understanding of financial statements. Since this information is required elsewhere by other stakeholders, including national or European regulations, it does not appear justified that the IASB also imposes these disclosures in the financial statements.

For example, the IASB may find it useful to distinguish three categories of disclosures:

- Category A: the strict minimum information, essential for reading and understanding financial statements and for which use of cross references should be very restricted to ensure that financial statements remain understandable and relevant in a standalone format This would nonetheless be subject to materiality considerations (cf the Tier 1 disclosures of the NZASB staff’s approach as described in paragraph 8.2 B i)).

- Category B: additional mandatory information whose separate and/ or subsequent publication does not impair the reading and understanding of the accounts and which could be provided, for example, in a management report. Cross referencing would therefore be mandatory and clearly identified. This possibility to delay the publication would only be available as long as the information is also required by another body.

- Category C: additional optional information

As mentioned in our response to Q1 above, the first task of the IASB should be to determine whether it is desirable or necessary for users to have a complete, self-contained set of financial statements and notes which provide all the essential information for most users' purposes (Category A above) in one package for convenience, and then to identify what comprises such a package. We think that there are different views on this: some prefer to have all the mandatory information in one package, even at the expense of duplication, as this avoids the need to go hunting for related information in other parts of the same document or in other documents; others prefer to have the essential in a concise package and are prepared to look for other relevant related information elsewhere, if necessary, since the clarity of the 'core' package is a principal consideration. Whatever the Board's conclusion, we think the Board should allow entities a degree of freedom to tailor their reporting packages to the perceived needs of their users.

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 the IASB 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. We also agree that the IASB should include requirements about how an entity provides such information.

1 / Although we understand the idea of the IASB in creating categories in order to better define their treatment, we have difficulty understanding both categories B and C. Examples would be welcome, especially to explain the notion of ”inconsistent with IFRS standards” which can often be interpreted very broadly.

2/ While we understand the motivation behind the requirements proposed in paragraph 4.38, we believe that it will be very challenging to demonstrate that the category C information is faithfully represented as it has been prepared precisely on different (inconsistent?) basis from IFRS.
Moreover, the requirement of paragraph 4.38 (b) for a list of items is excessive and may be very confusing for users of financial statements.

3/ We believe that the Board should specifically deal with the issue of proforma information and explain to what extent it may, or may not, be included in financial statements.
As an example of an instance where the use of proforma would be helpful to users we would cite the case of the transition to IFRS 16. Where groups have opted for the “limited retrospective application without comparatives” the provision of two years’ worth of proforma information on the same basis would be very useful to analysts. Of course, such information is not “IFRS-compliant” but we think it should not be prohibited provided that the entity explains how it has been arrived at and why it is useful. This appears to be permitted by IAS 1.112(c) and clarification by the Board would be useful.

4/ We believe that in these discussions, it is necessary to discuss specifically the treatment of non-GAAP indicators and measures. Perhaps the IASB should be less restrictive about their integration into the financial statements as this would encourage examination of their definition and calculation more closely and thoroughly, and give them more legitimacy when used outside the financial statements.

Actually, in order to enhance the relevance of financial statements it may be necessary to permit the inclusion of all elements which can improve the consistency between financial statements and the rest of the financial communications package. This may require acceptance of “non-GAAP” measures at least in the notes, if not in the financial statements, provided that some reasonable criteria and conditions for this are applied. This would allow for the assurance of consistency between the two and impose a greater rigour in the use of such measures even outside the financial statements.

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.

We are very surprised by these discussions, which, in our opinion, are not directly related to the problem of disclosure overload and which are currently the subject of discussions by the Board within another related project, the Primary Financial Statements project. We have ourselves been thinking about the presentation of performance indicators presented to the face of the statement(s) of financial performance and we are following the work of the Board very closely.
We are therefore very reluctant to conclude so early on this topic, at the risk of pre-empting future discussions.
However, we do not agree that the Board should attempt to define the notions of "unusual or infrequently occurring", although the Board might require the entity to define such terms if they are used, in the same way as the Board proposes to regulate the use of management performance indicators. We are much more comfortable with the Board's preliminary decision concerning the presentation of a management performance indicator in the income statement. We hope to be able to comment on the tentative decisions in the near future, perhaps even before the publication of a Discussion Paper.

Question 9
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?

We agree with that the preliminary view stated in paragraph 5.30, that the Board should not prohibit specific types of performance measures from being disclosed in the notes but that additional requirements should be developed to ensure that such performance measures are not misleading.
Concerning the requirements proposed in paragraph 5.34, we broadly agree with all of them, except perhaps with the first one. As long as the other requirements have been respected, we see no reason to impose a hierarchy in the communication of indicators.

Question 10
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 understand that some may consider the reading of paragraphs describing accounting policies to be rather tedious and that it may be difficult to isolate the elements that are specific to an entity. However, it is worth noting that:

- Standards often change and there is no readily accessible trace of the old versions of the standards that are no longer applicable, but description of the policies will always be needed in the future to enable users to understand old financial statements.
  A relatively complete version of accounting principles may not be necessary over the current period but could be very useful at a later date. It is therefore useful to have a fairly detailed description of the accounting principles, even for the generic policies.

- Some stakeholders have already provided good practice guidance for the presentation of accounting principles and many entities are already applying them. For example, presentation options as proposed in paragraph 6.22 (b) and (c) are now quite frequently employed.

We therefore believe that the IASB should not devote too much time to this aspect, which will not address the general issue of the notes overload, and the Board should not be overly prescriptive in this respect. It could however, in a non-mandatory guide, emphasise the value of highlighting the relevant and specific elements of accounting principles but without attempting to create categories and a hierarchy of the presentation.

Question 11
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 agree that it is necessary to develop a central set of disclosure objectives. We think priority should be given to:

- The definition of the respective roles of the financial statements and the related, in contrast to the broader domain of financial reporting,
- An (re) emphasis on the application of materiality in the preparation of the notes.

But such a generic objective is not sufficient on its own, and the main effort must be directed at the level of individual standards.

Question 12

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.

As we are in favour of a review of each individual standard and of the idea that the notes serve to provide detail and explanation of the amount presented in financial statements, we support approach A.
Moreover, we believe that such approach would not and should not prevent entities from organising and disclosing information in a way that better fits with their activities and should not prevent the IASB from adopting a cross-cutting analysis to avoid inconsistencies and duplication between each standard.
We believe that some of the advantages presented for the method B in paragraph 7.32 could also be obtained with method A:

- Even under approach A, entities could disclose information in a manner aligned with the way they think about their activities (paragraph 7.32(a)), by, for example, combining information on pensions and stock options in the same note devoted to the benefits granted to employees.

- Even under approach A, the Board will need to be disciplined and avoid repetition and inconsistencies (paragraphs 7.32(c) and (d)) by adding to the review of individual standards an element of a cross-cutting review. For example, information about liquidity is currently required in both IAS 7 and IFRS 7. The Board should therefore examine the whole of the requirements of these two standards to assess that all of the information required is sufficient to achieve the desired liquidity information objective (to be defined) and that there is no duplication.

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 would propose the following structure for disclosures:

- **Use of IAS 1 to:**
  - Provide the definition of the respective roles of the financial statements and the related notes.
  - Develop the principle of materiality as applied to the notes.
  - Present other disclosure principles, such as the use of cross references, the disclosure of non-IFRS information ……

- **Use of each individual standard to:**
  - Require a minimum of disclosure specific to the related transactions or items (Our category A in Q5), subject to consideration of materiality.
  - Provide some examples of useful additional disclosures that an entity may provide (Our category B in Q5).

- Develop **non-mandatory guidance** dedicated to disclosures and better communication that would include:
  - Best practices and proposed principles for better communication within financial statements.
  - Examples of best practice and proposed additional disclosures (our category C in Q5)

This would be a document that could be reviewed more regularly than individual standards, thus offering greater flexibility for more responsiveness to changes in the environment, and avoiding maintaining perpetually information that could have been relevant in response to a particular event but which would become obsolete.