

Our newsletter for the investment community

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IASB Investor Update highlights market-relevant accounting topics that could affect the companies that investors follow. It also shares with investors information on the International Accounting Standard Board[®] standard-setting activities and insights from our ongoing dialogue with the investment community. We invite investors seeking further detail on accounting proposals and current requirements to contact us.

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Editor's welcome

As we swing into summer here in London we are keeping busy engaging with investors on a range of projects, including those supporting our Better Communication in Financial Reporting theme, and we are also meeting with many investors to introduce them to the newest IFRS[®] Standard—IFRS 17 *Insurance Contracts*.

Our meetings with investors on IFRS 17 have reminded us how much they cherish consistent and comparable information—a theme that is universal across the projects we discuss with investors. In some cases, the meetings reminded investors that the status quo (insurance accounting under IFRS 4) does not require companies to use consistent accounting for insurance contracts. Instead, insurance contracts are accounted for differently across jurisdictions, and may even be accounted for differently within the same company. All the investors we met were enthusiastic at the prospect of eliminating this critical shortcoming.

Another key lesson learned from our meetings on IFRS 17 related to transparency around judgements and estimates. Although the Standard requires new disclosures about the measurement of insurance contract balances in the balance sheet, helping investors understand that there will also be required disclosures about significant judgements and estimates (eg discount rates, yield curves) is what provided many with a greater degree of confidence that this change will enhance comparability. We expect to continue to engage with investors in the coming years on IFRS 17, and would encourage those of you who are interested to find out more about this project [here](#).

Keeping with the topic of consistency and comparability, in this issue we spotlight the Discussion Paper *Disclosure Initiative—Principles of Disclosure*. You may not instantly associate this project with the theme of comparability, but we believe the project's aims of enhancing disclosure effectiveness through communication principles can ultimately make life easier for investors when drawing comparisons across corporate financial reports.

We appreciate your interest in the *Investor Update* and look forward to hearing from you soon.

All the best,
Fred

In this issue:

- Spotlight—overview of the Discussion Paper *Principles of Disclosure*
- In profile—Geoff Robinson, Executive Director, UBS Investment Bank
- We need your views
- Stay up to date

Spotlight—overview of the Discussion Paper *Principles of Disclosure*

Background—the ‘Disclosure Problem’

‘Quality versus quantity’ is an expression we frequently hear from investors discussing the topic of disclosures. The Board has observed there are three main concerns about information disclosed in financial statements:

- not enough relevant information;
- irrelevant information or disclosure overload; and
- poor communication of disclosures.

To continue its work on addressing these concerns, the Board published the Discussion Paper *Disclosure Initiative—Principles of Disclosure* (DP) in March 2017, which discusses clarifying existing disclosure principles and developing new disclosure principles that can be used to improve communication of information in financial statements.

Objective and content of the Discussion Paper

The DP describes, and seeks stakeholders’ views about:

- disclosure issues identified by the Board through previous outreach;
- approaches to address these issues; and
- additional disclosure issues to address in this project.

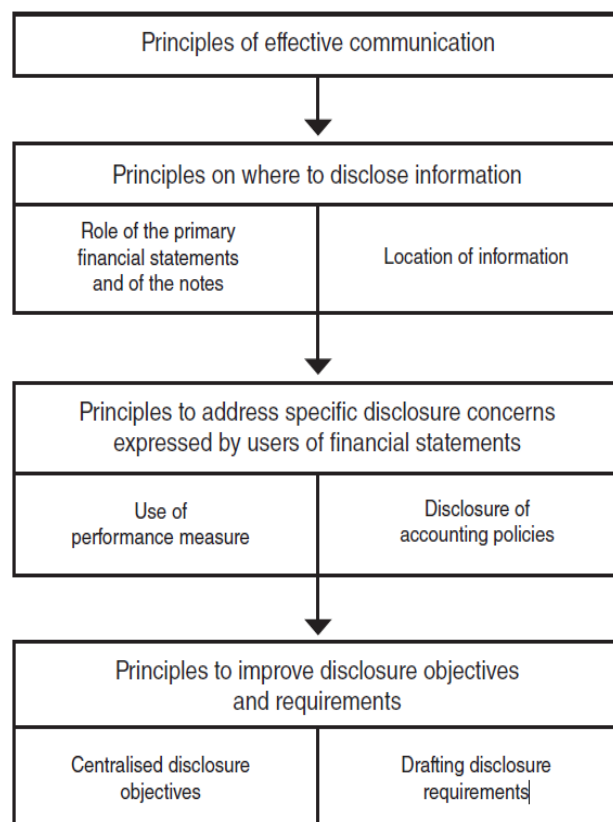
While the DP discusses many aspects of disclosures and their requirements, we believe key areas for investors include discussions on the following topics:

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

Content of the Discussion Paper —A high level overview

The chart below provides an overview of all sections of the DP:

Content of the Discussion Paper



Does this relate to ‘non-GAAP’ earnings?

Yes, which is why we expect to actively engage with investors on this issue in the coming months.

How can investors provide feedback?

We are currently holding outreach meetings, conference calls, and other activities with investors to collect their views on these topics.

Please click [here](#) to visit the project page, where you can follow the latest developments and view the Discussion Paper.

The deadline for submitting responses is 2 October 2017.

In Profile



In every issue we feature IFRS events, or interviews with key stakeholders or Board members. In this issue we interview Geoff Robinson, Executive Director at UBS Investment Bank in the Fundamental Equity Analytics team, and member of the Capital Markets Advisory Committee (CMAC).

IASB investor team: Based on your experience analysing financial statements and helping investors build better Excel models, what improvements to financial reporting would you prioritise?

Geoff: I am keenly interested in the improvements that the Primary Financial Statements project is pursuing, in terms of trying to deal with flexibility versus comparability in presentation. While on one level I find it is a bit like being caught between a rock and a hard place, on another level I think that if there is enough disclosure and transparency, then I can make adjustments that help in making appropriate comparisons.

For example, one frustration I commonly experience is with the presentation of depreciation and amortisation (D&A) expenses as one single figure. I sometimes struggle to get to this figure when the expenses are embedded in cost of sales and selling, general and admin (S,G&A) expenses. Without a proper breakdown of D&A in these items, it can lead to problems in the modelling, such as in a Discounted Cash Flow (DCF) valuation, where for a capital-intensive business an analyst will want to accurately forecast future capital expenditures (capex) that are consistent with a company's reinvestment requirements. It goes back to small changes that make a big difference. Seeing separate depreciation and amortisation line items in an income statement is a rare occurrence, but when I see it I breathe a sigh of relief.

A bit of a time-saver for me, but a help for the wider community of investors, would be to always present the income from JV and Associates after the tax line in the consolidated income statement. This is an after-tax item, so I don't believe it makes sense when companies choose to present it before interest and tax (EBIT).

I also think that preparing for big changes with enhanced pro-forma information would be appreciated by investors. IFRS 15 is an interesting example of this issue; where we found in our research that much of the published guidance from companies was just boilerplate, which is frustrating. I could say IFRS 15 is

my biggest worry over the next 12 months, but this would be unfounded on the grounds that the reason to be worried is that we just don't know. I understand the Standard, I like what it is trying to do, and I appreciate the frustrations on preparer side, but I wish I could work with some numbers ahead of time.

IASB investor team: What are some of the most significant advances in financial modelling (equity or debt analysis and forecasting) using Excel that you've observed during your career?

Geoff: Since about 1998 Excel hasn't really changed much in itself, other than the appearance and a few things. But I think that my way of building models has changed for the better as I've grown up. To my mind, a model is definitely not a calculator—it is a simulator. Early in my career I thought I would find the precise answer for everybody by telling them a share price was going to be \$8 dollars. I better appreciate the difficulty of this now and prefer to set up models to help think through scenarios by running simulations or sensitivity analyses. A neat trick is using a very simple tool in Excel called the camera. It allows you to take a picture of a spreadsheet that's 8 sheets away and display it on your model's inputs page. With this you can cleverly do some quick sensitivity analysis between a base case scenario and other scenarios and instantly see the numbers change. That's been a helpful evolution in my modelling.

IASB investor team: Non-GAAP numbers are usually a 'hot topic', what are interesting tips/advice that you share with investors about using this type of information?

Geoff: My headline would be, 'non-GAAP is nice, but calculate your own'. When I see non-GAAP in a set of accounts I'll acknowledge it, and have a look at it, but I will still calculate my own version of it. I can see how different investors would potentially disagree about what's recurring and non-recurring, or what's core versus non-core. But, I don't think we should be disagreeing on whether stock-based compensation is a cost or not a cost. To me, that is something you should not be adding back because your employees are then working for free. Although there's a huge diversity there because it is unregulated in terms of what your treatment might be, I still like the fact that non-GAAP is out there, and because I don't think you can put a leash on it, I ultimately believe what's needed is a sufficient amount of disclosure to allow investors to construct their own non-GAAP metric(s). That would be wonderful.

The IASB Investor team thanks Geoff for taking the time to share his views with us and our readers.

More information about Geoff's background can be found on the CMAC members' page [here](#).

We Need Your Views

The Board sets Standards to help you, the investor, make decisions about companies, but we can't do this without your views. Your participation helps us understand whether potential changes to the Standards will provide you with the information necessary for investment analysis. Below are the projects for which we are currently seeking investor views. For a full list of topics please visit the [Work Plan](#).

The Board seeks input for its review of IFRS 13 *Fair Value Measurement* (IFRS 13) the accounting standard on how to measure fair value

We wish to speak to investors about their experience of using information disclosed about fair value measurements in financial statements. We would like to speak to users with experience of financial and non-financial industries, as well as with different types of items measured at fair value, including:

- financial assets and liabilities;
- investment properties;
- assets and liabilities acquired in business combinations; and
- biological assets.

The Board will use the input received to determine whether the Standard is working as expected, and if any changes or additional guidance are required.

More details about IFRS 13 and the review

The Board has issued a request for stakeholders to comment on their experience with IFRS 13, which explains how companies should calculate the 'fair value' of their assets and liabilities. This request is part of the Board's Post-implementation Review (PIR) of IFRS 13. The purpose of a PIR is to evaluate whether the Standard is working as the Board intended, and its effect on how information about fair value measurements is used.

IFRS 13 defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements.

The Board is focusing the PIR on the following areas:

- **making disclosures more effective.** This is a key area of review, in particular for fair value measurements that require significant judgement (so-called 'Level 3 measurements'). Although information about Level 3 measurements is important to users of financial statements, the disclosures have often been generic and too aggregated, thus reducing the usefulness of information.

- **prioritising the use of quoted prices in an active market or the unit of account** with regard to investments and cash-generating units required to be measured at fair value. The Board is seeking additional information to supplement the work it did on the subject since the publication of IFRS 13.
- **applying the highest and best use concept** when measuring non-financial assets, particularly property and biological assets, at fair value. In this area, the Board is seeking to understand related issues and their pervasiveness.
- **using judgement** when determining whether a market is an active market, and identifying significant unobservable inputs in the fair value measurement. In this area, the Board is looking to assess the challenges faced and whether further support could be helpful.

Stakeholders also indicated that additional guidance could be useful for the fair value measurement of **biological assets and unquoted equity instruments** when markets are inactive, or when there are no markets.

The Request for Information: Post-implementation Review—IFRS 13 *Fair Value Measurement* document is available [here](#).

The deadline for submitting responses is 22 September 2017.

Principles of Disclosure Discussion Paper

On 30 March 2017 the Board published a Discussion Paper that suggests principles to make disclosures in financial statements more effective. The Discussion Paper *Disclosure Initiative—Principles of Disclosure* seeks public feedback on disclosure issues the Board has identified through outreach as well as on its preliminary proposals to resolve these issues. Ultimately, the Discussion Paper could lead to amendments to IAS 1 *Presentation of Financial Statements*, the Standard covering general disclosure requirements, or the development of a new general disclosure Standard.

Click [here](#) to comment on the proposal. **The consultation on the Discussion Paper is open for comments until 2 October 2017.** The Discussion Paper *Disclosure Initiative—Principles of Disclosure*, is available [here](#).

A brief overview of the Discussion Paper can be found in the Spotlight article on page 2, and a Snapshot document is available [here](#).

Stay up to date

Announcements

The International Accounting Standards Board (Board) issued IFRS 17 Insurance Contracts. This first truly international IFRS Standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. Read more about the new Standard [here](#). The Project Summary, Effects Analysis, Feedback Statement and a Fact Sheet are available on the project page [here](#). Click [here](#) for a video in which Chairman of the Board Hans Hoogervorst introduces the Standard.

Nick Anderson to become a member of the Board. Mr Anderson has 30 years of practical experience, mainly as a buy-side investor using and supporting the development of high-quality financial reporting. He joins from Janus Henderson Investors in the UK, where he served as Global Equity Portfolio Manager and Head of Equity Research. Mr Anderson was a member of the UK Accounting Standards Board from 2007 to 2013 and a founding member of the Corporate Reporting Users' Forum (CRUF). Read the press release [here](#).

Ann Tarca to become a member of the Board. Professor Tarca joins the Board from the University of Western Australia's Business School, where she has been an accounting teacher and researcher since 1996 and a Professor since 2011. She qualified as a Chartered Accountant in 1985 and has a PhD in Accounting from the University of Western Australia. Professor Tarca served as a member of the Australian Accounting Standards Board (AASB) from 2014 to 2017 and was Research Director of the AASB from February 2017. She was an academic fellow of the IFRS Foundation from 2011 to 2012. Read the press release [here](#).

The Trustees appointed Dr Jianqiao Lu to the Board. Dr Lu will join the Board from the Chinese Ministry of Finance, where he is Director of the Accounting Regulatory Department and responsible for Chinese accounting standard-setting. Read more about Dr Lu's appointment [here](#).

Speeches and events

The Capital Markets Advisory Committee held its annual joint meeting with the Global Preparers' Forum at the Board's offices in London on [15 & 16 June](#). A summary of the meeting will be made available in the coming weeks.

Webcast on the Principles of Disclosure project. In this webcast Gary Kabureck, member of the Board, and staff introduce the Discussion Paper *Disclosure Initiative—Principles of Disclosure*. The Discussion Paper was published by the Board in March 2017, and is the latest instalment in the Board's Disclosure Initiative, which was established in 2013. View the webcast [here](#).

Reading material for investors

The May and June IASB updates were published. The *IASB Update* is a staff summary of the tentative decisions reached by the Board in its public meetings. Read the 2017 IASB Updates [here](#).

Summaries of investor feedback

Below are examples of how investor views on current projects were provided to the Board. For more information, please click [here](#).

Date	Summary of Investor Feedback Document
April 2017	Amendments to IFRS 3 and IFRS 11—previously held interest—analysis of feedback on the proposed amendments
January 2017	Post-implementation Review of IFRS 13: Phase 1 outreach feedback Post-implementation Review of IFRS 13: Matrix of areas of experience with IFRS 13 shared by stakeholders
November 2016	Primary Financial Statements: Result of outreach on scope of project
April 2016	2015 Agenda Consultation: Overview of investor feedback
March 2016	Amendment to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts: Investor feedback Conceptual Framework: Summary of investor feedback
January 2016	Fair Value Measurement—Unit of Account: investor feedback Present Value Measurement—Discount Rates Research: Investor feedback

Register for investor alerts

Click [here](#) to register for investor email alerts to stay up to date with accounting changes, investor-focused activities and other IFRS Foundation events.