

STAFF PAPER

June 2020

IASB® Meeting

Project	Disclosure Initiative: Targeted Standards-level Review of Disclosures		
Paper topic	Due process steps and permission to begin the balloting process		
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB® *Update*.

This Agenda Paper was initially prepared for the Board's March 2020 meeting as Agenda Paper 11A. However, it was not discussed at that meeting. This Agenda Paper is identical to Agenda Paper 11A for the March 2020 Board meeting, except for paragraph 15 which has been amended to reflect updated project timelines.

Purpose and structure of this paper

1. The purpose of this paper is to:
 - (a) set out the due process steps taken to date;
 - (b) recommend 180 days as the comment period for the Exposure Draft;
 - (c) request permission for the staff to begin the balloting process for the Exposure Draft;
 - (d) ask the Board to confirm that it is satisfied that it has complied with the applicable due process requirements; and
 - (e) share with the Board our planned structure for the Exposure Draft.
2. This paper is structured as follows:
 - (a) Previous due process decisions (paragraphs 3-5)
 - (b) Summary of due process steps (paragraphs 6-11)
 - (c) Comment period (paragraphs 12-16)

- (d) Confirmation of the due process steps and dissents (paragraphs 17-18)
- (e) Planned structure of the Exposure Draft (paragraph 19)
- (f) Appendix A—Due process steps taken in developing the Exposure Draft for the Targeted Standards-level Review of Disclosures project
- (g) Appendix B—Public meetings of the Board and consultative groups that discussed the Targeted Standards-level Review of Disclosures project
- (h) Appendix C—Summary of the likely effects of the project proposals

Previous due process decisions

3. In March 2017, the Board published the *Disclosure Initiative—Principles of Disclosure* Discussion Paper (‘Discussion Paper’). The Discussion Paper identified three concerns about information disclosed in financial statements (collectively referred to as the ‘disclosure problem’):
 - (a) not enough relevant information;
 - (b) irrelevant information; and
 - (c) ineffective communication of the information provided.
4. Almost all respondents to the Discussion Paper said that the way the Board develops and drafts disclosure sections of IFRS Standards is one contributor to the disclosure problem. In response to this feedback, at its March 2018 meeting, the Board added the *Disclosure Initiative—Targeted Standards-level Review of Disclosures* project to its work plan. The aim of this project is to improve the way the Board develops and drafts disclosure sections of IFRS Standards so that applying them provides information that is more useful to users of the financial statements.
5. Specifically, at the March 2018 meeting, the Board decided to:
 - (a) develop guidance for the Board to use when developing and drafting disclosure sections of IFRS Standards in future (‘draft Guidance for the Board’). The Board developed this draft Guidance at its May, June and July 2018 meetings.

- (b) identify one or two Standards on which to test the draft Guidance for the Board. The Board selected IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement* at its July 2018 meeting.
- (c) test the draft Guidance developed in (a) by applying it to the Standards identified in (b). The Board made technical decisions on disclosures in IAS 19 and IFRS 13 ('test Standards') at its meetings between July 2019 and February 2020.
- (d) prepare an Exposure Draft of amendments to the test Standards(s). Such an Exposure Draft would include, in the Basis for Conclusions, details about the draft Guidance for the Board to give stakeholders the opportunity to comment on all aspects of the project.

Summary of due process steps

- 6. In accordance with paragraph 6.6 of the IFRS Foundation *Due Process Handbook*, the following paragraphs summarise the due process steps undertaken in the project. Appendix A provides a more detailed account of these steps.
- 7. In reaching its tentative decisions, the Board held a total of 13 public meetings between May 2018 and February 2020. At these meetings, the Board developed the draft Guidance for the Board and discussed issues relating to the existing disclosure sections of IAS 19 and IFRS 13. These issues included those identified through outreach with users of financial statements (see paragraph 10) and those identified through discussions with other stakeholders and the IFRS Taxonomy team.
- 8. In addition to public meetings of the Board, the project was also discussed on 8 separate occasions with the Board's standing consultative groups—the Capital Markets Advisory Committee (CMAC), the Global Preparers Forum (GPF), the Accounting Standards Advisory Forum (ASAF), and the IFRS Taxonomy Consultative Group (ITCG). These meetings included discussion of various aspects in the draft Guidance for the Board and disclosure issues relating to IAS 19 and IFRS 13.

9. Appendix B includes a full list of Board meetings and meetings with consultative groups.
10. Furthermore, Board members and staff performed extensive outreach with users of financial statements between November 2018 and April 2019. A total of 21 outreach meetings with 35 users were conducted. Discussions were held with individual or small groups of investors to enable the Board to understand in detail users' information needs relating to IAS 19 and IFRS 13. The feedback received at these meetings enabled the Board to develop detailed specific disclosure objectives on the test Standards.
11. The Due Process Oversight Committee and the IFRS Advisory Council were informed of the progress of the project through technical updates on a regular basis.

Comment period

12. Paragraph 6.7 of the IFRS Foundation *Due Process Handbook* states that the Board normally allows a minimum period of 120 days for comment on an Exposure Draft.
13. The proposals in this project affect disclosure requirements of the test Standards. They do not affect the recognition and measurement requirements. Therefore, it could be argued that a comment period of 120 days would be sufficient to enable stakeholders to comment on the proposals.
14. However, we think that the comment period should be longer than 120 days because:
 - (a) the project deals with a new approach to developing and drafting disclosure sections of IFRS Standards. This approach is likely to have significant consequences for the way that preparers, auditors, regulators, and other stakeholders approach disclosure of information. In order to provide valuable feedback, these stakeholders would need sufficient time to adequately assess the practical consequences of the draft Guidance for the Board and the proposed amendments to the test Standards.

- (b) it would allow staff more time to perform additional consultation activities that would inform the Board about the implications of objective-based disclosure requirements. We anticipate such activities including:
 - (i) performing field work with preparers on the proposals in the test Standards.
 - (ii) working with auditors and regulators to assess the practical enforceability of the proposals.
 - (iii) performing research and outreach activities on the implementation of the more objectives-based disclosure requirements of recently issued IFRS Standards.

15. In light of the above, we recommend that the Board allows a comment period of 180 days for the Targeted Standards-level Review of Disclosures Exposure Draft. If, as currently planned¹, the Board publishes the Exposure Draft in March 2021, the comment period will finish in September 2021.

16. The Board also intends to consult with stakeholders on a number of other projects in 2020 through 2021 (including, Goodwill and Impairment, Rate-regulated Activities, 2020 Agenda Consultation, Management Commentary, Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12). Allowing a comment period longer than the minimum comment period would give stakeholders more flexibility to manage their schedule and resources.

Confirmation of the due process steps and dissents

17. This paper demonstrates that the Board has completed all the required due process steps, and some of the optional steps, necessary to issue an Exposure Draft. The remaining due process steps will be completed before issuing the Exposure Draft (see Appendix A). Consequently, we are requesting permission to begin the balloting process.

¹ At the April 2020 Board Meeting, the Board considered how it can assist stakeholders during the covid-19 pandemic and decided to delay the publication dates of some forthcoming major consultations. As part of that discussion, the Board decided to delay the publication of the Exposure Draft to March 2021.

18. In accordance with paragraph 6.9 of the *Due Process Handbook*, we are asking whether any Board member intends to dissent from the Exposure Draft.

Planned structure of the Exposure Draft

19. At the January 2020 Board Meeting, Board Members asked how the Exposure Draft would be structured given the unique nature of this project. Our tentative plan is for the Exposure Draft package to contain the:
- (a) **Amendments:** this will include:
 - (i) questions for respondents (including questions about the draft Guidance for the Board—see paragraph 19(c)).
 - (ii) the Board’s proposed amendments to the disclosure sections of IAS 19 and IFRS 13.
 - (iii) any consequential amendments to other Standards.
 - (b) **Illustrative Examples:** similar to examples discussed over the course of the Board’s technical discussions on IAS 19 and IFRS 13.
 - (c) **Basis for Conclusions:** this will include:
 - (i) project history and the need for change.
 - (ii) draft Guidance for the Board.
 - (iii) basis for conclusions on amendments to the disclosure sections of IAS 19 and IFRS 13.
 - (iv) effects analysis.
 - (d) **Project Summary:** this is not part of the due process documents; however, we think it is critical to effectively and concisely communicate the project objectives to stakeholders and help them to provide the most useful feedback. For example, we will highlight in this document the importance of giving feedback on the proposed amendments to IAS 19 and IFRS 13, and more generally, on how the approach in the draft Guidance for the Board might help to address the disclosure problem.

Questions for the Board

1. **Comment Period:** Does the Board agree with the staff recommendation to allow 180 days for comment on the Exposure Draft?
2. **Permission to ballot:** Is the Board satisfied that it has complied with the applicable due process steps and that it should begin the balloting process for the Exposure Draft?
3. **Dissents:** Does any Board member intend to dissent from the proposals in the Exposure Draft?
4. **Structure of Exposure Draft:** Does the Board have any comments on the planned structure of the Exposure Draft in paragraph 19?

Appendix A—Due process steps taken in developing the Exposure Draft for the Targeted Standards-level Review of Disclosures project

Step	Required/ Optional	Actions
Board meetings are held in public, with papers available for observers. All decisions are made in public sessions	Required	The Board discussed the project at a total of 13 public meetings from May 2018 to February 2020. Refer to Appendix B for a list of these meetings.
Consultation with the Trustees and the Advisory Council	Required	The Trustees and Advisory Council received regular updates on the project as part of the discussions of the Board’s technical activities.
Consultative groups used, if formed	Optional	The Board did not establish a formal consultative group for the project. Instead, the Board used its standing consultative groups to provide feedback and advice on the project.
Fieldwork is undertaken to analyse proposals	Optional	Our outreach with stakeholders included discussion about the likely benefits and costs of the project proposals. Additional consultation activities to analyse the proposals will be performed during the comment period of the Exposure Draft— paragraph 14(b) of this paper describes our plan for the scope of such additional activities.
Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects	Optional	Between July 2019 and February 2020, the Board finalised major tentative technical decisions relating to the project. These meetings were followed by IASB podcasts summarising the key decisions taken. We plan further podcasts and webcasts as we get closer to the publication of the Exposure Draft.
Online survey to generate evidence in support of or against a particular approach	Optional	The Board and staff have performed extensive stakeholder outreach, particularly with users of financial statements, during the development of the project proposals. Formal online surveys were not considered necessary; however, we used online survey tools during outreach events, such as IFRS conferences and a joint meeting with CMAC and GPF.

Outreach meetings with a broad range of stakeholders, with special effort to consult investors	Optional	<p>Board members and staff have, since June 2018, conducted outreach with various stakeholder groups. These meetings included:</p> <ul style="list-style-type: none"> public meetings with the Board’s various standing consultative groups. Refer to Appendix B for a list of these meetings. a total of 21 non-public meetings with 35 users (11 buy-side analysts, 20 sell-side analysts and 4 credit rating agency analysts) to understand various issues and their information needs on disclosures relating to IAS 19 and IFRS 13. <p>Input gathered from these meetings was used in developing the project proposals.</p>
Public discussions with representative groups	Optional	
The IASB hosts regional discussion forums, where possible, with national standard-setters	Optional	
Round-table meetings between external participants and members of the IASB	Optional	
Analysis of likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs	Required	<p>Appendix C provides a summary of the likely effects of the proposals.</p> <p>A more detailed analysis of the likely effects will be included in the Basis for Conclusions on the Exposure Draft.</p>
Finalisation		
Due process steps reviewed by the IASB	Required	This paper asks the Board to review the due process steps for the project.
The Exposure Draft has an appropriate comment period	Required	This paper seeks the Board’s approval for a comment period of 180 days. The proposed comment period is beyond the minimum period specified in paragraph 6.7 of the IFRS Foundation <i>Due Process Handbook</i> , and therefore, no special approval is required from the DPOC.
Drafting		
Drafting quality assurance steps are adequate—The Translations team has been included in the review process	Required	The translations team will review drafts during the balloting process of the Exposure Draft.
Drafting quality assurance steps—The IFRS Taxonomy team has been included in the review process.	Required	The project team includes members of the IFRS Taxonomy team. The project team also worked with the IFRS Taxonomy team to understand potential implications, for the IFRS Taxonomy and electronic reporting, of the approach in the draft Guidance for the Board. This included discussions with the

		<p>IFRS Taxonomy Consultative Group in June 2019.</p> <p>The IFRS Taxonomy team will also review drafts during the balloting process of the Exposure Draft.</p>
<p>Drafting quality assurance steps are adequate—The Editorial team has been included in the review process. In addition, external reviewers are used to review drafts for editorial review and the comments collected are considered by the IASB</p>	Optional	<p>The editorial team will be involved in the review of the Exposure Draft throughout the drafting process. We also plan to use external reviewers during the balloting process of the Exposure Draft.</p>
<p>Drafting quality assurance steps are adequate—Drafts for editorial review have been made available to International Forum of Accounting Standard-Setters (IFASS) and the comments have been collected and considered by the IASB</p>	Optional	<p>A draft of the Exposure Draft will be made available on the IFASS SharePoint site.</p>
<p>Drafting quality assurance steps are adequate—Review draft has been posted on the project website</p>	Optional	<p>We have no plans to post a review draft on the project website.</p>
Publication		
<p>Exposure Draft published</p>	Required	<p>The Exposure Draft will be made available on the project website and in hardcopy when published.</p>
<p>Press release to announce publication of the Exposure Draft</p>	Required	<p>A press release will be published on our website with the Exposure Draft.</p>
<p>Snapshot document to explain the rationale and basic concepts included in the Exposure Draft</p>	Optional	<p>A project summary explaining key elements of the Exposure Draft will be published alongside the Exposure Draft.</p>

Appendix B—Public meetings of the Board and consultative groups that discussed the Targeted Standards-level Review of Disclosures project

IASB meetings

Date	Topic
May 2018	<ul style="list-style-type: none"> • Guidance for the Board—Disclosure objectives
June 2018 (with FASB)	<ul style="list-style-type: none"> • Update on the status of the project
June 2018	<ul style="list-style-type: none"> • Guidance for the Board—Developing disclosure requirements • Standards to select to test the Guidance for the Board
July 2018	<ul style="list-style-type: none"> • Guidance for the Board—Drafting disclosure requirements • Standards to select to test the Guidance for the Board
September 2018	<ul style="list-style-type: none"> • Overview of the Guidance for the Board
October 2018	<ul style="list-style-type: none"> • Update on the status of the project
May 2019	<ul style="list-style-type: none"> • Summary of outreach activities • Outreach feedback on disclosures about IAS 19 <i>Employee Benefits</i> • Outreach feedback on disclosures about IFRS 13 <i>Fair Value Measurement</i>
July 2019 (with FASB)	<ul style="list-style-type: none"> • Outreach feedback on employee benefits and fair value measurement disclosures
July 2019	<ul style="list-style-type: none"> • Disclosure objectives to be included in IAS 19 for defined benefit plans • Disclosure objectives to be included in IAS 19 for employee benefits other than defined benefit plans
September 2019	<ul style="list-style-type: none"> • Disclosure objectives to be included in IFRS 13
November 2019	<ul style="list-style-type: none"> • Use of language when drafting disclosure sections of IFRS Standards • Items of information to meet disclosure objectives to be included in IAS 19 • Items of information to meet disclosure objectives to be included in IFRS 13
January 2020	<ul style="list-style-type: none"> • Amending proposals for the disclosure objective to be included in IAS 19 about expected future cash flows for defined benefit plans • Comparison between the Board’s tentative decisions, and the existing disclosure requirements, in IAS 19
February 2020	<ul style="list-style-type: none"> • Amending proposals for the disclosure objective to be included in IFRS 13 about drivers of change in fair value measurements • Lessons learned from testing the Guidance for the Board to date

Standing consultative group meetings

Date	Group	Topic
June 2018	Joint Global Preparers Forum and Capital Markets Advisory Committee	<ul style="list-style-type: none"> Standards to select to test the Guidance for the Board
July 2018	Accounting Standards Advisory Forum	<ul style="list-style-type: none"> Overview of the Guidance for the Board Standards to select to test the Guidance for the Board
March 2019	Capital Markets Advisory Committee	<ul style="list-style-type: none"> User outreach feedback on employee benefits and fair value measurement disclosures
March 2019	Global Preparers Forum	<ul style="list-style-type: none"> User outreach feedback on employee benefits and fair value measurement disclosures
April 2019	Accounting Standards Advisory Forum	<ul style="list-style-type: none"> User outreach feedback on employee benefits and fair value measurement disclosures
June 2019	Joint Global Preparers Forum and Capital Markets Advisory Committee	<ul style="list-style-type: none"> Example disclosures to satisfy user information needs on employee benefits and fair value measurement
June 2019	IFRS Taxonomy Consultative Group	<ul style="list-style-type: none"> Interaction between electronic reporting and the Targeted Standards-level Review of Disclosures project
March 2020	Global Preparers Forum	<ul style="list-style-type: none"> Update on the status of the project

Appendix C—Summary of the likely effects of the project proposals

- C1. In developing the Guidance for the Board and in applying that Guidance to IAS 19 and IFRS 13, the Board has considered its possible effects. This appendix provides a preliminary summary of the likely effects. A more detailed analysis of the likely effects will accompany the Exposure Draft.

What is the problem the project is addressing?

- C2. The Board has identified three concerns about information disclosed in general purpose financial statements (collectively referred to as the ‘disclosure problem’). These are:
- (a) not enough relevant information;
 - (b) irrelevant information; and
 - (c) ineffective communication of the information provided.
- C3. In response to feedback from the *Disclosure Initiative—Principles of Disclosure* Discussion Paper, the Board added a project to its work plan on Targeted Standards-level Review of Disclosures.
- C4. The project focuses on improving the way the Board develops and drafts disclosure sections of IFRS Standard so that applying them provides information that is more useful to users of the financial statements.
- C5. The Board decided to:
- (a) develop guidance for itself to use when developing and drafting disclosure sections of IFRS Standards (‘Guidance for the Board’); and
 - (b) undertake a targeted standards-level review of the disclosure sections of IAS 19 *Employee Benefits* and IFRS 13 *Fair Value Measurement* to (i) test and improve the Guidance for the Board, and to (ii) improve the usefulness of disclosures in financial statements applying these test Standards.

What are the main changes resulting from the project proposals?

- C6. This project will result in changes in:
- (a) the way the Board develops and drafts disclosure sections of IFRS Standards (paragraphs C7-C15); and
 - (b) the disclosure sections of IAS 19 and IFRS 13 (paragraphs C16-C19).

The way the Board develops and drafts disclosure sections of IFRS Standards

- C7. The Guidance for the Board is not a Standard. However, because the Board will apply this Guidance in developing and drafting disclosures in IFRS Standards, it will have an effect on disclosure requirements in any new or revised Standards. The Guidance for the Board will not cause immediate changes to existing Standards. Instead, the Board is only applying its Guidance on IAS 19 and IFRS 13 so as to:
- (a) be responsive to feedback about the Board’s role in the disclosure problem by taking steps to improve the way that disclosure sections in Standards are drafted in the short-term; and
 - (b) retain flexibility to contribute in the best way possible as the iterative process of addressing the disclosure problem develops over time.
- C8. The Guidance for the Board is intended to aid the Board in developing disclosure requirements that lead to decision useful information. Stakeholder feedback on the practical consequences of applying the Guidance to IAS 19 and IFRS 13 will help the Board to fine tune and improve its Guidance over time.
- C9. Agenda papers presented to the Board in developing the Exposure Draft have considered the effects that the Guidance for the Board could have on:
- (a) entities and other stakeholders (paragraphs C10-C13).
 - (b) electronic reporting (paragraphs C14-C15).

Likely effects of the Guidance for the Board on entities and other stakeholders

- C10. These effects include:
- (a) using specific disclosure objectives—which an entity would be explicitly required to comply with—to explain why particular disclosures are useful to users of financial statements. We believe that, by providing clear communication of *why* information is most important to users of financial statements, entities will apply more effective judgement on whether the objective has been met for a material transaction, other event or condition.
 - (b) combining the specific disclosure objectives with examples of information to meet those objectives—which in most instances would not be mandatory. We believe that (i) retaining items of information will help to achieve comparability between entities for which similar information is material; and (ii) associating these items with less prescriptive language will shift the focus from the ‘checklist approach’ often used today.
 - (c) retaining high-level, catch-all disclosure objectives—which an entity would be explicitly required to comply with—will prompt entities to provide additional, entity-specific information that is not directly captured by the specific disclosure objectives.
- C11. Feedback indicates that entities often approach disclosures in financial statements as compliance exercise, rather than as a means of effective communication with users of financial statements. Consequently, we expect that the effects described in paragraph C10 will be a change in practice for many entities. This is because entities would be required to use judgement when deciding what information is relevant to users of financial statements and how best to communicate that information.
- C12. We also think the Board’s proposals will have significant effects for auditors and regulators. Similar to the effects for entities described above, we think the Board’s proposals will mean that auditors and regulators will have to apply more judgement with regard to financial statement disclosure. These stakeholders might be concerned that an objective-based

approach to providing disclosures would be more difficult to audit and regulate. This is because today, auditors and regulators are often assessing compliance with a requirement to disclose an item of information i.e. a matter of fact. Conversely, assessing whether compliance with an objective has been achieved is a matter of judgement.

- C13. We think the approach in the Guidance for the Board finds an appropriate balance between two factors that users of financial statements have consistently identified as critical to them—entity-specific information and comparability—as described in paragraph C10. Nonetheless, some users of financial statements may be concerned that the additional flexibility afforded to entities might mean that they lose information they usually receive or that such flexibility may make the financial statements less comparable.

Likely effects of the Guidance for the Board on electronic reporting

- C14. The approach in the Guidance for the Board could make it more difficult for users of financial statements to extract and analyse tagged data across entities. This is because entities may provide information to meet the objectives in different ways. In addition, the approach may increase the need for entities who report electronically to create their own extensions.
- C15. New IFRS Taxonomy elements resulting from the examples of information to meet the objectives should reduce the need for entities to create their own extensions. Nonetheless, where extensions are created, users will still be able to compare the information across entities by using the IFRS Taxonomy element for the associated specific disclosure objective.

The disclosure sections of IAS 19 and IFRS 13

- C16. Users of financial statements have told us that disclosures by entities about employee benefit liabilities and fair value measurements often demonstrate all aspects of the disclosure problem. That is, they often do not contain enough relevant information, contain too much irrelevant information, and demonstrate ineffective communication.

- C17. This project proposes changes to the disclosure sections of IAS 19 and IFRS 13. The Board is not specifically intending to increase or decrease the volume of the overall set of disclosures provided in financial statements on these topics. Instead, the Board expects that its proposals will change the way that many entities approach disclosing information, thereby leading to more relevant disclosures for users of financial statements on these topics.
- C18. We think the proposed amendments to the disclosure section of IAS 19, if finalised, will improve the ability of users to obtain a better understanding of the financial reporting for employee benefits by:
- (a) improving information about the impact of an entity’s defined benefit obligation on its future cash flows.
 - (b) improving the way entities communicate the amounts in the primary financial statements arising from defined benefit plans.
 - (c) improving information about the measurement uncertainties in determining the defined benefit obligation.
 - (d) providing relevant information—and eliminating boilerplate information often provided today—about the risks arising from defined benefit plans.
 - (e) eliminating detailed and less decision-useful information about the maturity profile of the defined benefit obligation and the sensitivity analysis of the defined benefit obligation.
 - (f) reporting relevant information for material employee benefit plans other than defined benefit plans.
- C19. We think the proposed amendments to the disclosure section of IFRS 13, if finalised, will improve the ability of entities to better apply materiality judgements to fair value measurements. The proposed amendments should help entities focus on disclosure of material fair value measurements rather than immaterial fair value measurements. Furthermore, the proposed amendments should eliminate less decision-useful information about valuation processes and about items not measured at fair value but for

which fair value is disclosed. Consequently, we think these proposed amendments will improve the quality of information provided to users of financial statements about fair value measurements.

What are the expected benefits of application?

- C20. The project aims to help users of financial statements to receive more relevant information that is communicated effectively. This project does this by improving the way the Board develops and drafts disclosure sections of IFRS Standards so entities have a better basis for exercising judgement about the information to include in their financial statements.
- C21. In particular, the project aims to:
- (a) provide entities with the flexibility to communicate in a manner that reflects their own facts and circumstances and the information needs of primary users, while still ensuring some level of comparability across entities.
 - (b) address concerns that lack of clear specific disclosure objectives and long lists of prescriptive disclosure requirements contribute to the disclosure problem.

What are the expected costs of application?

- C22. Some entities have said that it is easier to use a checklist approach than to apply judgement because:
- (a) of time pressures in preparing their financial statements; and
 - (b) following a mechanical process means that their judgement is less likely to be challenged by auditors, regulators and other stakeholders.
- C23. Consequently, most entities will likely incur significant costs to apply the proposed amendments, particularly in the first year. For a few entities, the Board's proposals could be very similar to their current process for determining disclosures in financial statements and such entities may incur limited costs. We think this will apply to entities that have already taken

steps to improve the communication in their financial statements—such as those entities featured in the Board’s [October 2017 Better Communication in Financial Reporting Case Studies](#).

- C24. We think most of the costs for entities would relate to initial implementation of the process and behaviour changes that the proposed amendments would require.

- C25. Other costs include those necessary for the adoption and continuing application of the proposed amendments to the disclosure sections of IAS 19 and IFRS 13. These costs will depend on the complexity of an entity’s employee benefits and fair value arrangements and the options in these Standards that the entity currently elects to apply. We think the most substantial cost will relate to the resource needed to apply judgement. Furthermore, we think other incremental costs should be minimal because in order to comply with the existing requirements of IAS 19 and IFRS 13, entities already need to obtain much of the information that the specific proposals in the Exposure Draft would require.

- C26. Subsequent to initial implementation, we think the proposals will help to reduce the burden of preparing disclosures in financial statements, for example, by helping entities to eliminate irrelevant information from their financial statements.

- C27. Furthermore, the project proposals affect disclosure requirements and do not affect recognition and measurement. Consequently, the proposed amendments are likely to have fewer significant system implications for preparers than projects that affect recognition and measurement.

- C28. We expect the proposals to ultimately save costs to users of financial statements by enabling them to spend less time obtaining the information needed for their analysis. In other words, we expect the proposals to significantly improve all aspects of the disclosure problem—that is, lead to more relevant information in financial statements, reduce irrelevant information and improve the communication effectiveness of the information that is provided.