STAFF PAPER

July 2022

IASB® meeting

Project	**Disclosure Initiative: Targeted Standards-level Review of Disclosures**
Paper topic	Exploring next steps

CONTACT(S)	Deborah Bailey	dbailey@ifrs.org
	Santosh Sahani	ssahani@ifrs.org
	Stefano Tampubolon	stampubolon@ifrs.org
	Raghava Tirumala	rtirumala@ifrs.org

Purpose of the meeting

1. This paper analyses the possible courses of action available to the IASB to respond to the feedback on the Exposure Draft *Disclosure Requirements in IFRS Standards—A Pilot Approach*.
2. The accompanying paper—Agenda Paper 11A *Summary of feedback from ASAF on the possible courses of action*—summarises the feedback from the Accounting Standards Advisory Forum (ASAF) at its July 2022 meeting on the possible courses of action and the next steps.
3. The purpose of this meeting is for the IASB to discuss the possible courses of action considering the feedback provided by ASAF.
4. The IASB will decide the next steps at a future meeting.

Structure of the paper

5. This paper is structured as follows:
   (a) background (paragraphs 6–12);
   (b) work streams (paragraphs 13–16);

(c) proposed approach to developing disclosure requirements (paragraphs 17–25);

(d) proposed approach to drafting disclosure requirements (paragraphs 26–59);

(e) proposed amendments to IFRS 13 *Fair Value Measurement* (paragraphs 60–79); and

(f) proposed amendments to IAS 19 *Employee Benefits* (paragraphs 80–100).

Background

6. In March 2021, the IASB published the Exposure Draft which sets out a proposed new approach to developing and drafting disclosure requirements in IFRS Accounting Standards (the proposed Guidance or Guidance for the Board).

7. The IASB used the proposed Guidance to develop and draft the amendments to IFRS 13 and IAS 19 proposed in the Exposure Draft. The purpose of testing the proposed Guidance on these Accounting Standards was to help the IASB decide whether to use the proposed Guidance when developing and drafting disclosure requirements in future standard-setting activities.

8. The IASB selected IFRS 13 and IAS 19 because its research demonstrated that the disclosure requirements in the two test Accounting Standards contain issues stakeholders said contributed to the disclosure problem, and the two Accounting Standards would benefit from a review of the disclosure requirements. Furthermore, the findings from the Post-implementation Review (PIR) of IFRS 13 suggested that there might be scope for improving disclosures about fair value measurements.

9. The IASB expects that:

(a) the proposed disclosure requirements in IFRS 13 would help entities make more effective materiality judgements; and

(b) the proposed disclosure requirements in IAS 19 would help entities disclose more relevant information.

10. The comment period for the Exposure Draft closed on 12 January 2022. Stakeholders submitted 111 comment letters to the IASB. During the comment period, IASB members and staff also undertook fieldwork, including meetings with preparers and

outreach with users of financial statements. Fifty companies participated in fieldwork by applying the proposed disclosure requirements for one or both of IFRS 13 and IAS 19.

11. At its meeting in February 2022, the IASB discussed feedback from preparer fieldwork participants and outreach with users, and feedback provided in four comment letters from users of financial statements. At its meeting in May 2022, the IASB discussed feedback provided in the remaining 107 comment letters.

12. On 12 July 2022, the IASB met ASAF to explore next steps for the project. The accompanying paper—Agenda Paper 11A *Summary of feedback from ASAF on the possible courses of action*—summarises the feedback from ASAF on the possible courses of action and the potential next steps.

Work streams

13. The Exposure Draft could be divided into four parts for analysing possible courses of action and potential next steps:

    (a) Guidance for the Board—proposed approach to developing disclosure requirements in Accounting Standards;

    (b) Guidance for the Board—proposed approach to drafting the disclosure requirements;

    (c) proposed amendments to IFRS 13; and

    (d) proposed amendments to IAS 19.

14. Although there are some dependencies between the parts, the IASB could pursue each part as a separate work stream and decide the next steps.

15. The IASB could decide not to finalise the proposed amendments to the two test Accounting Standards even if the feedback on the Exposure Draft suggests that the Guidance for the Board, as proposed or with changes, could be used in future standard-setting activities.

16. If the IASB were to decide to finalise the proposed amendments to the two test Accounting Standards, the IASB would need to:

(a) analyse the feedback and redeliberate whether the disclosure proposals developed applying the proposed approach to developing disclosure requirements would indeed help entities:

(i) make effective materiality judgements in disclosing information about fair value measurements; and

(ii) provide more relevant information about employee benefits.

(b) consider the implications of any changes to the proposed approach to drafting on the disclosure proposals in the two Accounting Standards. For example, had the IASB proposed to use prescriptive, instead of less prescriptive, language when referring to items of information, the feedback from respondents on the disclosure proposals in the two Accounting Standards could have been different.

Proposed approach to developing disclosure requirements

Summary of the proposals

17. Paragraphs BC27–BC49 of the Basis for Conclusions on the Exposure Draft explain the methodology the IASB would apply in developing disclosure requirements, particularly in developing sufficiently specific disclosure objectives. The methodology would broadly involve the IASB:

(a) understanding the issues with information that users of financial statements currently receive;

(b) understanding the information needs of stakeholders;

(c) understanding what disclosures are required to support proposed recognition and measurement requirements;

(d) performing a cost-benefit analysis; and

(e) understanding and documenting the effects of disclosure proposals.

18. Furthermore, the IASB's IFRS Taxonomy team would work with the project teams while the IASB develops disclosure requirements in Accounting Standards.

Summary of feedback

19. Almost all respondents, including most users of financial statements, who commented agreed that the IASB should:

    (a) engage early with users of financial statements and other stakeholders when developing disclosure requirements in Accounting Standards;

    (b) integrate development of disclosure requirements with the rest of the accounting model; and

    (c) consider implications for digital reporting.

20. Respondents generally supported the IASB's proposal to develop and include in Accounting Standards disclosure objectives, especially specific disclosure objectives, explaining user information needs.

21. A few respondents suggested the IASB should adopt the proposed approach to developing disclosure requirements even if the IASB were not to proceed with the proposed approach to drafting disclosure requirements. Those respondents suggested the IASB include in the Guidance for the Board the methodology explained in the Basis for Conclusions on the Exposure Draft.

22. A few respondents said it appeared that the proposed disclosure requirements in IFRS 13 and IAS 19 were aimed at investors, to the exclusion of other primary users of financial statements such as lenders and other creditors. They cautioned the IASB to understand the information needs of all primary users, and balance those needs, when developing disclosure requirements.

23. A few respondents suggested the IASB define the boundary of information that an entity should disclose in the notes.

Possible courses of action

24. The widespread support for the proposed approach to developing disclosure requirements indicates a clear way-forward. The IASB could decide to finalise the methodology explained in paragraphs BC27–BC49 of the Basis for Conclusions on the Exposure Draft.

25. The IASB could also consider whether the methodology should include guidance on the boundary of information the IASB could require an entity to disclose in the notes.

Proposed approach to drafting disclosure requirements

Summary of the proposals

26. The proposed approach to drafting disclosure requirements aims to improve disclosures in financial statements by shifting entities from using a checklist approach to disclosing items of information specified in an Accounting Standard, to using judgement to identify and disclose information that meets disclosure objectives. The Exposure Draft proposes to achieve that shift by:

    (a) requiring entities to comply with overall disclosure objectives that describe the overall information needs of users of financial statements;

    (b) requiring entities to comply with specific disclosure objectives that describe the detailed information needs of users of financial statements;

    (c) supplementing specific disclosure objectives with explanations of what the information provided to meet those objectives is intended to help users of financial statements do; and

    (d) linking each specific disclosure objective with items of information an entity may, or in some cases is required to, disclose to satisfy the objective.

27. The Exposure Draft proposes that the IASB would use prescriptive language ‘shall’ to require entities to comply with disclosure objectives, and typically use the following less prescriptive language when referring to items of information: ‘while not mandatory, the following information may enable an entity to meet the disclosure objective’.

28. To comply with specific disclosure objectives, an entity should disclose information that meets the detailed information needs of users. To comply with the overall disclosure objectives, an entity should assess whether information disclosed by applying specific disclosure objectives meets the overall information needs of users.

29. The IASB also proposed that it will, to the extent possible, avoid making generic or overarching references to materiality in the disclosure sections of Accounting Standards. Avoiding such references would reinforce materiality as an overarching concept that applies across all Accounting Standards.

Summary of feedback from respondents other than users of financial statements

Disclosure problem and the proposed approach to drafting

30. A few respondents agreed that the proposed approach would help solve the disclosure problem. Paragraph BC1 of the Basis for Conclusions on the Exposure Draft describes the disclosure problem as not enough relevant information, too much irrelevant information, and ineffective communication of the information in financial statements.

31. However, most respondents thought the proposed approach would not solve the disclosure problem and entities would continue to apply a checklist approach to disclosing items of information specified in an Accounting Standard, even if those items are not drafted as requirements. Some thought the proposed approach would, at best, help reduce disclosure of irrelevant information. Respondents generally felt that a change of behaviours across the entire financial reporting eco-system is required to resolve the disclosure problem.

32. Some respondents thought that the root cause of the disclosure problem is that entities do not make effective materiality judgments when applying the disclosure requirements in an Accounting Standard. Instead of using the proposed approach to draft disclosure requirements, a few respondents suggested the IASB simply reinforce the need to apply materiality by including at the beginning of the disclosure section in every Accounting Standard a cross reference to paragraph 31 of IAS 1 *Presentation of Financial Statements*. Paragraph 31 of IAS 1 says that an entity:

    (a) need not provide a specific disclosure required by an Accounting Standard if the information resulting from that disclosure is not material; and

    (b) should also consider whether to provide additional disclosures when compliance with the specific requirements in an Accounting Standard is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Use of disclosure objectives

33. Respondents generally agreed with the use of disclosure objectives to describe user information needs. While they supported the use of prescriptive language in relation to specific disclosure objectives that describe precisely the detailed information needs of users, they were concerned about using prescriptive language in relation to the overall disclosure objectives. Some respondents suggested that overall disclosure objectives be drafted as context-setting paragraphs rather than as prescriptive requirements.

34. Respondents said that the overall disclosure objectives and some specific disclosure objectives in the proposed amendments to IFRS 13 and IAS 19 were generic and would not assist preparers in assessing user information needs. They requested more precise objectives, more precise explanations of what the information will help users do, application guidance and examples to help entities identify user information needs.

Items of information

35. Most respondents expressed the view that the IASB's proposal to use less prescriptive language when referring to items of information would likely make the disclosure requirements difficult to operationalise. They said that the language used in these proposals would create an undue burden for preparers in terms of the costs of implementing new processes and systems, involvement of senior staff, documentation of judgements and audit costs.

36. Also, many respondents said that the proposed approach would be unenforceable. They suggested that the increased exercise of judgement may lead to preparers, auditors, regulators, and users reaching different views about whether user information needs have been met, making it difficult for auditors and regulators to enforce disclosure requirements. Further, in some jurisdictions and industries, particularly within financial services, disclosures are highly regulated. Regulators

enforce preparers' compliance with those disclosure requirements using templates, which is contrary to the principles of the proposed approach.

37. Respondents were also concerned about:

(a) decreased comparability of information resulting from applying the proposals;

(b) the implications for digital reporting; and

(c) compatibility of the proposals with prescriptive requirements in financial reporting laws and regulations in certain jurisdictions.

Recommendations from respondents

38. Many respondents suggested the IASB develop a 'middle ground' approach to disclosures, whereby disclosure objectives would be accompanied by a prescriptive list of items of information that an entity should disclose to meet the objectives. However, a few respondents said that a middle ground approach will not solve the disclosure problem unless entities make effective materiality judgements in applying the disclosure requirements.

Summary of feedback from users of financial statements

39. Feedback from users was broadly consistent with the feedback that we heard from other respondents. Although some users supported the proposed approach, many raised concerns about removing or reducing prescriptive requirements to disclose specified items of information. In particular, they raised concerns about the effects of the proposed approach on comparability and digital reporting.

40. In addition, some users said that they do not consider immaterial information to be a problem and they are able to extract the information they need, even from very lengthy financial statements.

41. Some of the users that had concerns, suggested the IASB should use a combination of both disclosure objectives and minimum prescriptive items of information. They said this combination should help entities disclose more useful information, while still ensuring comparability.

Possible courses of action

42. While there is good support for drafting specific disclosure objectives as requirements, feedback suggests limited support for drafting overall disclosure objectives as requirements and little support for using non-prescriptive language when referring to items of information.

43. Given the mixed feedback on the proposed approach to drafting disclosure requirements, the following courses of action are available to the IASB:

    (a) finalise the approach to drafting disclosure requirements as proposed with limited changes (paragraphs 44–49);

    (b) terminate the project (paragraphs 50–54); or

    (c) develop a middle-ground approach to drafting disclosure requirements (paragraphs 55–59).

Finalise the proposed approach

44. The IASB could decide to finalise the proposed approach to drafting disclosure requirements mainly because of:

    (a) support for drafting specific disclosure objectives as requirements; and

    (b) no new information about the disclosure problem or the potential ways to solving the disclosure problem.

45. Feedback suggests that entities should be able to comply with specific disclosure objectives and provide relevant information, if those objectives describe with precision the detailed information needs of users.

46. While feedback suggests that stakeholders would prefer the IASB use prescriptive language when referring to items of information, the IASB could conclude that using prescriptive language may defeat the purpose of the proposed approach—to shift entities from using a checklist approach to disclosing items of information specified in an Accounting Standard, to using judgement to identify and disclose information that meets disclosure objectives.

47. There is some feedback that entities would use a checklist approach to disclosing items of information even if the IASB uses less prescriptive language when referring to those items. The IASB could conclude that:

(a) it would not be possible to use a checklist approach if items of information are drafted as examples of ways in which an entity could satisfy a disclosure objective; and

(b) the onus would be on auditors and regulators to discourage entities from using a checklist approach.

48. Alternatively, the IASB could conclude that using a checklist approach to disclosing items of information described as non-mandatory in an Accounting Standard may not be a bad practice as it would result in some comparable information across entities and would help reduce the cost of using judgement in complying with specific disclosure objectives. However, such conclusion would not address stakeholders' concerns summarised in paragraphs 35–36.

49. If the IASB were to decide to finalise the proposed approach, to resolve stakeholders' concerns, it could consider making limited changes to the drafting of:

(a) overall disclosure objectives; and

(b) explanations of what the information that meets the specific disclosure objectives is intended to help users do.

Terminate the project

50. The IASB could decide to finalise the proposed approach to developing disclosure requirements and discontinue the proposed approach to drafting mainly because:

(a) the feedback suggests that the proposed approach may not be effective in shifting entities from using a checklist approach to disclosing items of information specified in an Accounting Standard, to using judgement to identify and disclose information that meets disclosure objectives; and

(b) even if the IASB were to make changes to the proposed approach to resolve stakeholders' concerns—for example using prescriptive language when referring to items of information—feedback suggests that changing the proposed approach, or the way the IASB drafts the disclosure requirements, may not bring about the shift the IASB was aiming to achieve through the project.

51. Alternatively, the IASB could conclude that a checklist approach to disclosing items of information specified in an Accounting Standard is not a bad practice as it would result in comparable information across entities. Furthermore, with the increased use of digital reporting, users of financial statements would be able to extract, compare and analyse an item of information for multiple entities.

52. The IASB could also conclude that IAS 1 already highlights adequately the need to make materiality judgements in identifying and disclosing information that is useful to the users of financial statements (see paragraph 32). The incremental benefit of changing the way in which disclosure requirements are drafted may not outweigh the costs of redeliberating the proposed approach. A simple solution could be to amend all Accounting Standards to include a requirement at the beginning of the disclosure section that an entity should consider paragraph 31 of IAS 1 in applying the disclosure requirements. The onus would, therefore, mainly be on preparers, auditors and regulators in making and supporting effective materiality judgements.

53. Having said that, in deciding whether to terminate the project, the IASB could deliberate whether the requirement in paragraph 31 of IAS 1, especially about considering whether to provide additional disclosures, can be applied more effectively if Accounting Standards contained objectives that an entity should comply with. Feedback suggests that specific disclosure objectives that precisely describe detailed user information needs would help entities provide relevant information. The IASB could, therefore, decide to use specific disclosure objectives in future standard-setting activities.

54. If the IASB were to decide to terminate the project, the IASB would publish a project summary.

Develop a middle ground approach to drafting disclosure requirements

55. For reasons similar to those listed in paragraphs 44–45, the IASB could decide to develop a middle ground approach to drafting disclosure requirements with the aim of providing a better framework for entities to use judgement to identify and disclose useful information to users of financial statements. Based on the feedback, the IASB

could conclude that changing the way the IASB drafts disclosure requirements may not stop entities from applying a checklist approach to disclosing items of information specified in an Accounting Standard. The IASB could, however, provide a better framework for entities to apply paragraph 31 of IAS 1 (see paragraph 32).

56. Feedback suggests that specific disclosure objectives that precisely describe detailed user information needs would help entities provide relevant information. If a specific objective is accompanied by a list of items of information that an entity would normally disclose to satisfy the specific objective, an entity would be able to apply paragraph 31 of IAS 1 within the context of each specific objective. To further strengthen the application of paragraph 31 of IAS 1, the IASB could also decide to include a requirement at the beginning of the disclosure section that an entity should consider paragraph 31 of IAS 1 in applying the specific disclosure objectives.

57. The IASB could deliberate whether to include, in addition to the items of information that an entity would normally disclose, examples of other items of information that an entity could or might need to disclose to satisfy a specific objective. It may, however, be difficult to draw a distinction between items of information that an entity would normally disclose to satisfy a specific objective, and examples of other items of information.

58. To resolve stakeholders' concerns, the IASB could also decide to make limited changes to the drafting of overall disclosure objectives and explanations of what the information that meets the specific disclosure objectives is intended to help users do.

59. Figure 1 illustrates the structure of the disclosure section of an Accounting Standard developed applying one possible middle ground approach.

Proposed amendments to IFRS 13

60. The IASB developed the disclosure proposals in IFRS 13 to help entities make more effective materiality judgements. The disclosure proposals were developed following:

    (a) extensive outreach with users of financial statements who think the current disclosure requirements do not always result in an entity providing information about fair value measurements that are material to the entity's financial statements; and

    (b) findings of the PIR of IFRS 13 that identified some potential improvements to the disclosure requirements, especially around Level 2 fair value measurements.

61. IFRS 13 currently requires more disclosures about Level 3 fair value measurements than about other levels in the fair value hierarchy. To respond to the users' concerns and the findings of the PIR, the Exposure Draft proposes avoiding references to fair value hierarchy in the disclosure requirements to help entities:

    (a) eliminate insignificant detail—for example, information about immaterial Level 3 fair value measurements;

(b) disclose relevant information for material fair value measurements, even if it relates to fair value measurements other than those categorised within Level 3 of the fair value hierarchy.

62. With the disclosure proposals, the IASB expects entities to consider disclosing information about measurement uncertainty for material fair value measurements that are categorised within Level 2 but for which the categorisation is close to Level 3. The IASB expects this approach would not necessitate the provision of detailed information for items in Level 1, or most items in Level 2, of the fair value hierarchy.

63. Paragraphs BC64–BC73 of the Basis for Conclusions describe the IASB's rationale for avoiding reference to levels of the fair value hierarchy in the proposed specific disclosure objectives and items of information to meet those objectives.

Summary of the proposals

Assets and liabilities measured at fair value in the statement of financial position after initial recognition

64. In paragraphs 100–101 of the proposed amendments to IFRS 13, the IASB proposed an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to evaluate the entity's exposure to uncertainties associated with fair value measurements of classes of assets and liabilities measured at fair value in the statement of financial position after initial recognition. The information shall enable users of financial statements to understand:

(a) the significance of those classes of assets and liabilities for the entity's financial position and performance;

(b) how their fair value measurements have been determined; and

(c) how changes in those measurements could have affected the entity's financial statements at the end of the reporting period.

65. For assets and liabilities measured at fair value in the statement of financial position after initial recognition, the IASB proposed specific disclosure objectives and items of information to meet the specific disclosure objectives that require an entity to disclose information about the:

(a) assets and liabilities within each level of the fair value hierarchy (paragraphs 103–106 of the proposed amendments);

(b) measurement uncertainties associated with their fair value measurements (paragraphs 107–110 of the proposed amendments);

(c) reasonably possible alternative fair value measurements (paragraphs 111–113 of the proposed amendments); and

(d) reasons for changes in their fair value measurements (paragraphs 114–117 of the proposed amendments).

Assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes

66. In paragraph 118 of the proposed amendments to IFRS 13, the IASB proposed a specific disclosure objective and items of information to meet the specific disclosure objective that requires an entity to disclose information that enables users of financial statements to understand:

(a) the amount, nature, and other characteristics of each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed in the notes; and

(b) how the characteristics relate to the categorisation of those classes of assets and liabilities in the fair value hierarchy.

Summary of feedback from respondents other than users of financial statements

67. For assets and liabilities measured at fair value in the statement of financial position after initial recognition, many respondents agreed with the proposed overall disclosure objective. However, some respondents questioned whether the objective would result in the provision of more useful information than the current requirements because it is too generic and similar to the current disclosure objective in IFRS 13.

68. The specific disclosure objectives and items of information for assets and liabilities measured at fair value in the statement of financial position after initial recognition received a mixed response. A few respondents explicitly said these disclosure

objectives and items of information would result in more relevant information for users about movements and uncertainties in fair value measurements. However, many respondents who commented said these disclosures should be restricted to Level 3 measurements, or Level 2 measurements that are closer to Level 3, to avoid irrelevant disclosures. Respondents were also concerned that extending the scope to measurements outside of Level 3 would require significant process changes—and thus additional costs—to collate this additional information. Some respondents thus requested additional guidance from the IASB on what Level 2 fair value measurements would be closer to Level 3.

69. Some respondents expressed concern about the clarity of the specific disclosure objective for assets and liabilities within each level of the fair value hierarchy.

70. Some respondents disagreed with the proposal to replace sensitivity analyses for changes in significant unobservable inputs with reasonably possible alternative fair value measurements. These respondents said such a disclosure would be difficult and costly to prepare, provide less useful information than a sensitivity analysis, and undermine the credibility of an entity's fair value measurement.

71. For assets and liabilities not measured at fair value but for which fair value is disclosed in the notes, many respondents agreed with the proposed disclosure objective and items of information, while other respondents questioned the usefulness of such a disclosure.

Summary of feedback from users of financial statements

72. Most users who commented on the proposals generally agreed that the disclosure objectives have accurately captured their information needs. They agreed that disclosures need to focus more on items in Level 2 of the fair value hierarchy that are subject to uncertainty and share similar characteristics with those in Level 3.

73. Users had mixed views about the proposal to replace sensitivity analyses for changes in significant unobservable inputs with reasonably possible alternative fair value measurements. A few said sensitivity analyses are a critical piece of information and should be required, whereas a few others said their use can be limited. One user said

that a range of reasonably possible alternative fair value measurements is important and helpful information.

74. Some users agreed that a reconciliation from opening to closing fair value measurements is useful information and that—as proposed in the Exposure Draft—this should continue to be a mandatory requirement for Level 3 fair value measurements. A few also thought the IASB should require disclosure of a reconciliation for Level 2 fair value measurements.

Possible courses of action

75. Whether the IASB decides to finalise the approach to drafting disclosure requirements as proposed with limited changes, terminate the project, or develop a middle ground approach, it should decide whether to:

(a) finalise the proposed amendments to IFRS 13 with any changes to respond to the feedback; or

(b) not proceed with any further work on the disclosure requirements in IFRS 13.

Finalise the proposed amendments to IFRS 13

76. The proposed amendments to IFRS 13 were developed based on feedback from users of financial statements and the findings of the PIR of IFRS 13. Consequently, finalising the proposed amendments would respond to that feedback and those findings. Feedback on the Exposure Draft suggests that the disclosure proposals would help entities make effective materiality judgements in disclosing information about fair value measurements, although there have been concerns about the cost of collecting information.

77. Given the mixed response to individual proposals in the Exposure Draft for IFRS 13, the IASB could redeliberate each proposal separately when deciding whether to further develop the proposed amendments to IFRS 13. For example, to respond to feedback, the IASB could deliberate whether:

(a) to clearly specify, within the Accounting Standard itself, that certain disclosure requirements would apply only to Level 3 measurements and Level 2 measurements closer to Level 3;

(b) to provide guidance on which Level 2 measurements are closer to Level 3; and

(c) to retain the requirement to disclose sensitivity analyses, instead of requiring entities to disclose reasonably possible alternative fair value measurements.

78. If the IASB were to decide to finalise the disclosure proposals, it should:

(a) perform outreach with stakeholders to gain an understanding of the likely effects of the changes to the proposals; and

(b) consider the implications of any changes to the proposed approach to drafting disclosure requirements (see paragraph 16(b)).

Not proceed with any further work on IFRS 13 disclosure requirements

79. The IASB could decide not to proceed with any further work on IFRS 13 disclosure requirements on the basis that:

(a) the proposed amendments to IFRS 13 were developed to test the proposed Guidance and the feedback helped the IASB understand how disclosure requirements developed and drafted applying the proposed Guidance would be applied in practice.

(b) some stakeholders would prefer that the Guidance be applied prospectively to future Accounting Standards, should it be implemented. Therefore, the IASB could decide to apply the proposed Guidance only to new Accounting Standards to assess the effects of applying prescriptive objectives before amending existing Accounting Standards.

(c) providing guidance on which Level 2 measurements are close to Level 3 may be impossible without affecting how entities currently assess the significance of unobservable inputs. During the PIR, most respondents said they found the assessment of significance challenging and suggested the IASB provide further guidance. The IASB learnt about different ways in which entities are consistently assessing significance and concluded it would not be able to develop useful and principles-based guidance. To respond to the feedback on the Exposure Draft, if the IASB were to decide to help entities identify which Level 2 measurements are close to Level 3, the IASB may have to first study the current practices of assessing significance and streamline how entities make the assessment.

(d) feedback suggests that the cost of collecting information, especially for Level 2 measurements close to Level 3 may exceed the potential benefits.

(e) amending the disclosure requirements in IFRS 13 would result in a divergence from US GAAP. The fair value measurement project was a joint project with the US national standard-setter, the Financial Accounting Standards Board (FASB). The boards worked together to ensure that fair value has the same meaning in IFRS Accounting Standards and US GAAP and that the respective fair value measurement and disclosure requirements are the same (except for minor differences in wording and style). Respondents were concerned that the benefits of this collaboration would be lost.

Proposed amendments to IAS 19

80. The IASB developed disclosure proposals in IAS 19 to help entities provide more relevant information and communicate information more effectively. The disclosure proposals were developed following extensive outreach with users of financial statements who said they:

(a) receive insufficient information to assess future cash flows associated with employee benefits; and

(b) often struggle to reconcile the numbers disclosed in the notes with the numbers in the primary financial statements.

Summary of the proposals

Defined benefit plans

81. In paragraphs 147A–147C of the proposed amendments to IAS 19, the IASB proposed an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to:

(a) assess the effect of defined benefit plans on the entity's financial position, financial performance, and cash flows; and

(b) evaluate the risks and uncertainties associated with the entity's defined benefit plans.

82. The IASB proposed specific disclosure objectives that require an entity to disclose information about:

(a) amounts in the primary financial statements relating to defined benefit plans (paragraphs 147D–147F of the proposed amendments);

(b) the nature of, and risks associated with, defined benefit plans (paragraphs 147G–147I of the proposed amendments);

(c) expected future cash flows relating to defined benefit plans (paragraphs 147J–147M and A2–A7 of the proposed amendments);

(d) future payments to members of defined benefit plans that are closed to new members (paragraphs 147N–147P of the proposed amendments);

(e) measurement uncertainties associated with the defined benefit obligation (paragraphs 147Q–147S of the proposed amendments); and

(f) reasons for changes in the amounts recognised in the statement of financial position for defined benefit plans (paragraphs 147T–147W of the proposed amendments).

Defined contribution plans

83. In paragraph 54A of the proposed amendments, the IASB proposed an overall disclosure objective that requires an entity to disclose information that enables users of financial statements to understand the effect of defined contribution plans on the entity's financial performance and cash flows.

Multi-employer plans and defined benefit plans that share risks between entities under common control

84. The IASB proposed that an entity comply with the overall disclosure objective for defined contribution plans if the entity classifies its multi-employer plan as a defined contribution plan (paragraph 54A of the proposed amendments).

85. The IASB proposed that an entity comply with the overall disclosure objective for defined contribution plans and the specific disclosure objective about the nature of, and risks associated with, defined benefit plans if the entity:

    (a) accounts for a multi-employer defined benefit plan as if it were a defined contribution plan (paragraph 148A of the proposed amendments); or

    (b) participates in a defined benefit plan that shares risks between entities under common control and accounts for the contribution payable for the period in accordance with paragraph 41 of IAS 19 (paragraph 149A of the proposed amendments).

86. The IASB proposed that an entity comply with the overall disclosure objective and specific disclosure objectives for defined benefit plans if the entity:

    (a) accounts for a multi-employer defined benefit plan as a defined benefit plan (paragraph 148C of the proposed amendments); or

    (b) participates in a defined benefit plan that shares risks between entities under common control and accounts for an allocation of the net defined benefit cost in accordance with paragraph 41 of IAS 19 (paragraph 149C of the proposed amendments).

Other types of employee benefit plans

87. The IASB proposed overall disclosure objectives that require an entity to disclose information that enables users of financial statements to understand:

    (a) the effect of short-term employee benefits on the entity's financial performance and cash flows (paragraph 25A of the proposed amendments);

    (b) the nature of other long-term employee benefits and the effect of those benefits on the entity's financial position, financial performance, and cash flows (paragraph 158A of the proposed amendments); and

    (c) the nature of termination benefits and the effect of those benefits on the entity's financial position, financial performance, and cash flows (paragraph 171A of the proposed amendments).

Summary of feedback from respondents other than users of financial statements

88. A few respondents supported the objective-based approach in the IAS 19 proposals rather than prescriptive disclosure requirements and said that the IAS 19 proposals would enable entities to identify information that users need.

89. In relation to defined benefit plans:

    (a) a few respondents agreed with the proposed overall disclosure objective. However, some respondents said the overall disclosure objective is too broad to identify user information needs and help an entity precisely determine what information would satisfy those needs.

    (b) some respondents said the disclosures resulting from applying the proposed overall disclosure objective together with the proposed specific disclosure objectives would not be significantly more useful than those resulting from applying the current requirements of IAS 19.

    (c) respondents generally supported the specific disclosure objectives with some concerns about whether the specific disclosure objective that requires disclosure of the nature of, and risks associated with, defined benefit plans is precise enough to help an entity identify and disclose more relevant information.

    (d) a few respondents suggested the IASB combine the specific disclosure objective that requires disclosure of amounts in the primary financial statements and the specific disclosure objective that requires disclosure of reasons for changes in the amounts recognised in the statements of financial position.

    (e) most respondents did not agree with the specific disclosure objective that requires disclosure of future payments to members of defined benefit plans that are closed to new members.

    (f) in relation to the items of information, respondents did not support the proposed disclosure of:

        (i) deferred tax assets or liabilities arising from defined benefit plans;

(ii) the expected return on the plan assets; and

(iii) alternative actuarial assumptions reasonably possible at the end of the reporting period that could have significantly changed the defined benefit obligation.

90. In relation to defined contribution plans, some respondents agreed with the proposed overall disclosure objective. A few respondents disagreed with the proposal and suggested retaining current IAS 19 disclosure requirements.

91. In relation to multi-employer plans and defined benefit plans that share risks between entities under common control, a few respondents agreed with the proposals. Some respondents expressed concerns about combining the overall disclosure objective for defined contribution plans with the specific disclosure objective for defined benefit plans. They suggested the IASB either develop guidance to help an entity satisfy the proposed objectives or develop separate disclosure objectives for multi-employer plans and defined benefit plans that share risks between entities under common control.

92. In relation to other types of employee benefit plans, some respondents agreed with the proposed overall disclosure objective. A few respondents said the proposed objective is generic and suggested the IASB develop items of information to meet the proposed objective.

Summary of feedback from users of financial statements

93. Most users who commented on the IAS 19 proposals generally agreed that the disclosure objectives have captured their information needs. These users appreciated the increased focus on future cash flows associated with defined benefit plans.

94. Many users who commented disagreed with the removal of sensitivity analysis as a mandatory item of information. They viewed the analysis as key to understanding the risk exposures associated with defined benefit pension plans and comparing them between entities.

Possible courses of action

95. Whether the IASB decides to finalise the approach to drafting disclosure requirements as proposed with limited changes, terminate the project, or develop a middle ground approach, it should decide whether to:

    (a) finalise the proposed amendments to IAS 19 with any changes to respond to the feedback; or

    (b) not proceed with any further work on the disclosure requirements in IAS 19.

Finalise the proposed amendments to IAS 19

96. The proposed amendments to IAS 19 were developed based on feedback from users of financial statements. Consequently, finalising the proposed amendments would respond to that feedback. Feedback on the Exposure Draft suggests that applying the disclosure proposals would result in:

    (a) disclosure of more relevant information, for example, future cash flows associated with defined benefit plans; and

    (b) better communication of information, for example, executive summary together with a reconciliation of net defined benefit liability that allow users to reconcile numbers in the notes with the numbers in the primary financial statements.

97. Given the mixed response to individual proposals in the Exposure Draft for IAS 19, the IASB could redeliberate each proposal separately when deciding whether to further develop the proposed amendments to IAS 19. For example, to respond to feedback, the IASB could deliberate whether:

    (a) to require entities to disclose expected return on plan assets;

    (b) to require entities to disclose information about future payments to members of defined benefit plans that are closed to new members;

    (c) to retain the requirement to disclose sensitivity analyses, instead of requiring entities to disclose reasonably possible alternative actuarial assumptions; and

    (d) there is a need for disclosure objectives for defined contribution plans.

98. If the IASB were to decide to finalise the disclosure proposals, it should:

(a) perform outreach with stakeholders to gain an understanding of the likely effects of the changes to the proposals; and

(b) consider the implications of any changes to the proposed approach to drafting disclosure requirements (see paragraph 16(b)).

Not proceed with any further work on IAS 19 disclosure requirements

99. The IASB could decide not to proceed with any further work on IAS 19 disclosure requirements:

(a) for reasons similar to those in paragraphs 79(a)–(b); and

(b) on the basis that feedback suggests that disclosures resulting from applying the proposed overall disclosure objective together with the proposed specific disclosure objectives would not be significantly more useful than those resulting from applying the current requirements of IAS 19. Therefore, the cost of further developing the disclosure proposals may outweigh the potential benefits.

100. The IASB could conclude that applying the current disclosure requirements in IAS 19 already results in an entity indirectly providing information that helps assess future cash flows associated with defined benefit plans. For example, paragraph 141(f) of IAS 19 currently requires an entity to disclose contributions to the plan, showing separately those by the employer and by plan participants, as part of the reconciliation of the net defined benefit liability (asset). By assessing historical trend information of the contributions to the plan, users of financial statements should be able to make assessments of future cash flows associated with defined benefit plans.

Questions for the IASB	
1)	Does the IASB have any questions or comments on the analysis in this paper?
2)	Are there any other courses of action the IASB would like to pursue?
3)	Does the IASB need any further analysis to be able to decide the next steps?