

Call for research proposals: application of disclosure requirements in the financial instruments and revenue Standards

The IFRS Foundation invites academic proposals for research projects relating to the application of the disclosure requirements in IFRS 15 *Revenue from Contracts with Customers* or the application of the disclosure requirements in IFRS 7 *Financial Instruments: Disclosures* by entities applying IFRS 9 *Financial Instruments*.

The aim of the research is to inform the Disclosure Initiative projects of the International Accounting Standard Board (Board), specifically to inform the [Targeted Standards-level Review of Disclosures project](#). The research will contribute to the work of the Board by providing evidence that is relevant to current standard-setting projects and the post-implementation reviews of IFRS 9 and IFRS 15. The required focus of the research is outlined in Section A.

The requirements for the research proposals are provided in Section B. Successful applicants will receive £5,000 per proposal to contribute to the costs of their research. Grant funding cannot be used to pay university overheads. Proposals should be submitted by email to Ana Simpson (asimpson@ifrs.org) by 31 March 2021.

Proposals could focus on only one Standard—IFRS 9 or IFRS 15—or on both.

Section A—Required focus of a research proposal

A1—Aim of the research

The aim of the research is to provide evidence about the quality of disclosure provided by (a) entities applying IFRS 9 (and applying the disclosure requirements of IFRS 7); and (b) entities applying IFRS 15.

Both IFRS 7 and IFRS 15 include disclosure objectives and lists of items that an entity is required to disclose. The Board seeks evidence about how entities that apply these Standards meet the disclosure requirements and, specifically, about the practical effects of the disclosure objectives on entities' disclosures.

Sections A2–A4 provide some background to the research and explain how disclosure objectives relate to disclosure requirements.

A2—Background

Disclosure requirements in IFRS Standards often contain lists of information that entities are required to disclose ('an entity shall disclose [item xx]'). We understand that, in practice, entities often apply these requirements like 'checklists' when preparing their financial statements.

Some more recent Standards, including IFRS 7 and IFRS 15, include disclosure objectives in addition to lists of specific required information.

We would like to understand the extent of compliance with the disclosure objectives in IFRS 7 and IFRS 15. We would also like to understand the practical effect of the objectives on entities' disclosures—are entities disclosing additional or different information beyond that specifically identified in these Standards as a result of applying the disclosure objectives?

Specific research questions could address whether entities:

- disclose information to satisfy the disclosure objective beyond that specifically identified in the Standard using the words 'an entity shall disclose [item xx]')?'
- fail to disclose information beyond that identified in the Standard using the words 'an entity shall disclose [item xx]' that is needed to satisfy the disclosure objectives?'
- omit the information specified by a paragraph framed as 'an entity shall disclose [item xx]' because the objective has helped them to apply judgement and conclude that some items are not material?'
- disclose excessive detail or immaterial information that the application of the objective should cause them to omit?'

A3—Example of focus area for IFRS 9 and IFRS 7

Paragraph 35B of IFRS 7 requires the following:

- 35B The credit risk disclosures made in accordance with paragraphs 35F–35N shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:
- (a) information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses;
 - (b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and
 - (c) information about an entity's credit risk exposure (ie the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.

Using this example, the research questions listed above focus on the effect, if any, that the objective in paragraph 35B has on company disclosures. Are entities doing anything differently as a result of this paragraph—if so, what? For example, are they providing any additional or different information to that specified in paragraphs 35F–35N because they are also applying paragraph 35B?

A4—Example of focus area for IFRS 15

In this example the requirements are not framed as an objective in the Standard, however, they can be treated as such because they describe an overarching need of users for information that entities are required to consider when applying the disclosure requirements that follow.

Paragraphs 114—115 of IFRS 15 require the following:

- 114 An entity shall disaggregate [revenue](#) recognised from [contracts](#) with [customers](#) into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity shall apply the guidance in [paragraphs B87–B89](#) when selecting the categories to use to disaggregate revenue.
- 115 In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated [revenue](#) (in accordance with [paragraph 114](#)) and revenue information that is disclosed for each reportable segment, if the entity applies [IFRS 8 Operating Segments](#).

Using this example, relevant research questions are: what effect, if any, do the objectives in paragraphs 114 and 115 have on an entity’s disclosures? Are entities doing anything differently as a result of applying these paragraphs—if so, what? For example, are they providing a level of disaggregation in their revenue disclosures that achieves the ‘objective’ in paragraph 114 (ie a level that depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors)?

Section B—Requirements for research proposals

B1

Proposals may address IFRS 9/IFRS 7 **or** IFRS 15, or both topics. Proposals should be written so they are understandable to academics and non-academics.

B2

Researchers may use any research method that the researchers consider suitable to achieve the objectives of the research project.

B3

Proposals must not exceed 10 pages (12-point font, 1.5-point line spacing) (excluding team member CVs and reference list) and must contain the following headings and sections:

- **Aim/objective/research question/s**—explain the aim of the research, the research questions to be explored and why they are important.
- **Relevant prior literature**—briefly explain the prior literature relevant to the proposal. Include a reference list (maximum two pages).
- **Data and method**—outline the method to be used, including descriptions of sample selection, data collection and data analysis.

- **Expected outcome/contribution to the Board**—explain how the expected findings may be useful for the Board’s standard-setting projects and post-implementation reviews.
- **Research team details**—include a CV for each team member (maximum two pages per person; include only research papers relevant to the proposal).
- **Reference list**—not to exceed two pages.

Timeline

Successful applicants will be notified by 30 April 2021. A preliminary meeting between the academics and IFRS Foundation staff will be held online in May 2021 to discuss the research proposals. Interim progress reports will be due 31 August 2021 and will be discussed with IFRS Foundation staff in an online meeting in September 2021. Final reports will be due 31 January 2022. Grant funding will be made available in May and in September 2021 (subject to submission of a satisfactory progress report).

Other conditions

The IFRS Foundation will retain copyright of the interim and final reports provided by the researchers. If the researchers use the material contained in these reports in subsequent publications, the copyright of the IFRS Foundation must be acknowledged and the funding of the IFRS Foundation must be recognised.

Funded projects must ensure that the research is carried out in accordance with all relevant legislation and codes of practice (including but not limited to those related to data protection), regulatory requirements and ethical guidelines and principles.