



# สภาวิชาชีพบัญชี ในพระบรมราชูปถัมภ์

FEDERATION OF ACCOUNTING PROFESSIONS  
UNDER THE ROYAL PATRONAGE OF HIS MAJESTY THE KING

October 16, 2017

Mr. Hans Hoogervorst  
Chairman  
International Accounting Standards Board (IASB)  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Mr. Hoogervorst,

## **Comment letter on Discussion Paper DP/2017/1 Disclosure Initiative-Principles of Disclosure**

The Federation of Accounting Professions of Thailand would like to show our appreciation on the opportunity to provide an information on *Discussion Paper DP/2017/1 Disclosure Initiative-Principles of Disclosure*. Overall, we support the development of a general disclosure standard principle that could create better understanding regard to the financial information disclosure. Nevertheless, we draw attention to some issues, such as the inclusion of non-IFRS information in the financial statement, the presentation of information that is under IFRS standards outside the financial statement, and the development of guidance on the disclosure formatting, that might have practical issues.

Please find our responses to the specific questions raised in *Discussion Paper DP/2017/1 Disclosure Initiative-Principles of Disclosure* in an attachment. We believe that this information will contribute positively to the IASB's due process. Should you need more information, please kindly contact the Federation of Accounting Professions of Thailand.

The Federation of Accounting Professions avails itself of this opportunity to the International Accounting Standards Board the assurances of its highest consideration.

Yours sincerely,

Associate Professor Dr. Somchai Supattarakul  
Chairman of Thai Accounting Standards Board  
Federation of Accounting Professions of Thailand  
Bangkok, Thailand



## Discussion Paper DP/2017/1 Disclosure Initiative-Principles of Disclosure

### Section 1—Overview of the ‘disclosure problem’ and the objective of this project

#### Question 1

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

- (a) Do you agree with this description of the disclosure problem and its causes? Why or why not? Do you think there are other factors contributing to the disclosure problem?
- (b) Do you agree that the development of disclosure principles in a general disclosure standard (ie either in amendments to IAS 1 or in a new general disclosure standard) would address the disclosure problem? Why or why not?

#### FAP:

- a) FAP agrees with the description of the disclosure problems and its causes in the Discussion Paper (DP). The effective communication of information provided in financial statements is highly important. Therefore, the main problem is the ineffective communication which makes the disclosure hard to understand or mislead and then may result in the inappropriate decision-making of the financial statements users. In addition, the disclosure of irrelevant information is also the key matter to be concerned because it resulted in disclosure overload.
- b) The development of disclosure principles in a general disclosure standard should be able to reduce the insufficient disclosure of relevant information. However, as mentioned in DP, the main cause of disclosure problem is about the applying of judgement which is often behavioural. Therefore, the setting of disclosure principles in a general disclosure standard might not be able to totally reduce the disclosure of irrelevant information and also cannot totally improve the effectiveness of information communication. Because such two problems depend on the behavioural judgment of financial statements preparer, auditors and regulators. In our view, the general disclosure standard should be clearly identified the disclosure principles and also to remove any disclosure requirements that are redundant. Nevertheless, we consider that the disclosure objectives and requirements in IFRS Standards should be located in a set of Standards rather than a single Standard. Since it should be based on the determination of each line item.

#### Question 2

Sections 2–7 discuss specific disclosure issues that have been identified by the Board and provide the Board’s preliminary views on how to address these issues.

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

#### FAP: None



**Section 2—Principles of effective communication**

**Question 3**

The Board's preliminary view is that a set of principles of effective communication that entities should apply when preparing the financial statements as described in paragraph 2.6 should be developed. The Board has not reached a view on whether the principles of effective communication should be prescribed in a general disclosure standard or described in non-mandatory guidance.

The Board is also of the preliminary view that it should develop non-mandatory guidance on the use of formatting in the financial statements that builds on the guidance outlined in paragraphs 2.20–2.22.

- (a) Do you agree that the Board should develop principles of effective communication that entities should apply when preparing the financial statements? Why or why not?
- (b) Do you agree with the principles listed in paragraph 2.6? Why or why not? If not, what alternative(s) do you suggest, and why?
- (c) Do you think that principles of effective communication that entities should apply when preparing the financial statements should be prescribed in a general disclosure standard or issued as non-mandatory guidance?
- (d) Do you think that non-mandatory guidance on the use of formatting in the financial statements should be developed? Why or why not?

If you support the issuance of non-mandatory guidance in Question 3(c) and/or (d), please specify the form of non-mandatory guidance you suggest (see paragraph 2.13(a)–(c)) and give your reasoning.

**FAP :**

- a) FAP agrees that the principles of effective communication should be developed. Because the communication of an entity's information to its stakeholders or financial statements users is highly important. These principles should aim to direct the disclosure of relevant information for decision-making in the simply and non-complex manner.
- b) FAP agrees with the principles listed in paragraph 2.6. However, please note that if the principles are non-mandatory, the principle (f) which stated about the comparability among entities may not be reach. Because the entities in the same industry may choose to voluntarily adopt this principles of disclosure or otherwise.
- c) In our opinion, the principles of effective communication should be mandatory by inclusion in a general disclosure standard rather than issuing as non-mandatory guidance. The principles will be easily accessible if it's includes in a general disclosure standard, while it might be overlooked if it's non-mandatory guidance. In addition, inclusion in general disclosure standard will encourage the comparability of disclosure among entities.
- d) In our view, the guidance on the use of formatting in the financial statements should be developed as non-mandatory guidance or illustrative example accompanying a standard, but not forming part of a general disclosure standard. Because the disclosure format depends on entity-specific factors and the type of information to be disclosed.



**Section 3—Roles of the primary financial statements and the notes**

**Question 4**

The Board's preliminary views are that a general disclosure standard should:

- specify that the 'primary financial statements' are the statements of financial position, financial performance, changes in equity and cash flows;
- describe the role of primary financial statements and the implications of that role as set out in paragraphs 3.22 and 3.24;
- describe the role of the notes as set out in paragraph 3.28, as well as provide examples of further explanatory and supplementary information, as referred to in paragraphs 3.26–3.27; and
- include the guidance on the content of the notes proposed in paragraphs 7.3–7.7 of the Conceptual Framework Exposure Draft, as described in paragraph 3.7.

In addition, the Board's preliminary views are that:

- it should not prescribe the meaning of 'present' as presented in the primary financial statements and the meaning of 'disclose' as disclosed in the notes; and
- if it uses the terms 'present' and 'disclose' when describing where to provide information in the financial statements when subsequently drafting IFRS Standards, it should also specify the intended location as either 'in the primary financial statements' or 'in the notes'.

Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what do you suggest instead, and why?

**FAP :**

We generally agree with the Board's definition and implied roles of the primary financial statements as it's generally consistent with current practices. However, with the implied role of primary FS as described in 3.24(a) that information in the primary financial statements is more prominent than information in the notes, we are concerned that this may convey the message that the information in the notes are relatively less important (or less relevant) in comparison to the primary financial statements. We believe that the information in the notes provide equally important information and further details about the reporting entity's financial position, financial performances etc.



#### Section 4—Location of information

##### Question 5

The Board’s preliminary view is that a general disclosure standard should include a principle that an entity can provide information that is necessary to comply with IFRS Standards outside financial statements if the information meets the requirements in paragraphs 4.9(a)–(c).

- (a) Do you agree with the Board’s preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?
- (b) Can you provide any examples of specific scenarios, other than those currently included in IFRS Standards (see paragraphs 4.3–4.4), for which you think an entity should or should not be able to provide information necessary to comply with IFRS Standards outside the financial statements? Why? Would those scenarios meet the criteria in paragraphs 4.9 (a)- (c)?

##### FAP :

Firstly, we believe that all required information under IFRS should be within the same set as the financial statements. However, we may agree with the Board’s view on that an entity can provide information that is necessary to comply with IFRS Standards outside financial statements (for example in annual report as described in paragraph 4.9(a) of the DP) only when there is also is available to users of the financial statements on the same terms as the financial statements and at the same time. Nevertheless, we believe that this might not be applicable in Thailand context because typically the annual report is due for completion approximately 2 months after the annual financial statements’ due for submission, especially for listed companies.

We do not agree with the requirement described in 4.9 (b) that “the location of the information makes the annual report as a whole more understandable” as the understandability of the annual report is not a part of the objectives of the financial reporting standards.

In addition, if the cross-referencing to annual report is mandate, we believe that the Board should consider to provide the definition of annual report as specified in 4.9(a) of the DP as the term “annual report” may be interpreted differently in various jurisdictions.



**Question 6**

The Board's preliminary view is that a general disclosure standard:

- should not prohibit an entity from including information in its financial statements that it has identified as 'non-IFRS information', or by a similar labelling, to distinguish it from information necessary to comply with IFRS Standards; but
- should include requirements about how an entity provides such information as described in paragraphs 4.38(a)–(c).

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative(s) do you suggest, and why?

**FAP :**

We agree that a general disclosure standard should not prohibit an entity from including other information in its financial statements as the preparer might find that it's useful to the financial statements users and also we recognise that the non-IFRS information may be required by local regulations or regulators. However providing non-IFRS information could be misleading and confusing. We, therefore, agree with 4.38 (a) that it should be clearly remarked as non-IFRS information and whether they are audited or unaudited information. However, in addition to the requirement in 4.38 (b) to explain why the information is useful and has been included in the financial statements, it should also require that the entity must provide reconciliation or sufficient description if those non-IFRS information disclosed appear to be different from IFRS financial information. Even though we are concerned that the additional information are not in line with IFRS viewpoint and it could impair the fair presentation of the IFRS FS overall, we recognised that this may be required by local regulations as mentioned above. As providing non-IFRS information could mislead and confusing, if IASB would like to implement such preliminary view, we believe that the IASB should also develop principles around the fair presentation of "additional" information that it should not be misleading, except its mandate by local laws and regulations.

**Question 7**

The Board did not discuss whether any specific information—for example, information that is inconsistent with IFRS Standards—should be required to be identified as described in paragraphs 4.38(a)–(c) or should be prohibited from being included in the financial statements.

Do you think the Board should prohibit the inclusion of any specific types of additional information in the financial statements? If so, which additional information, and why?

**FAP :**

We view that the information that cannot be reconciled to IFRS information must be prohibited from being included in the financial statements.



**Section 5—Use of performance measures in the financial statements**

**Question 8**

The Board's preliminary views are that it should:

- clarify that the following subtotals in the statement(s) of financial performance comply with IFRS Standards if such subtotals are presented in accordance with paragraphs 85–85B of IAS 1:
    - the presentation of an EBITDA subtotal if an entity uses the nature of expense method; and
    - the presentation of an EBIT subtotal under both a nature of expense method and a function of expense method.
  - develop definitions of, and requirements for, the presentation of unusual or infrequently occurring items in the statement(s) of financial performance, as described in paragraphs 5.26–5.28.
- (a) Do you agree with the Board's preliminary views? Why or why not? If you do not agree, what alternative action do you suggest, and why?
- (b) Should the Board prohibit the use of other terms to describe unusual and infrequently occurring items, for example, those discussed in paragraph 5.27?
- (c) Are there any other issues or requirements that the Board should consider in addition to those stated in paragraph 5.28 when developing requirements for the presentation of unusual or infrequently occurring items in the statement(s) of financial performance?

The feedback on Question 8 will be considered as part of the Board's Primary Financial Statements project.

**FAP :**

- (a) We agree with the Board's preliminary views because there are many ways to present information in accordance with paragraphs 85–85B of IAS 1. The clarified presentation will prevent users from misunderstanding of the financial statements. However, IASB should develop the definition of EBITDA and EBIT in IAS1 for reference.
- (b) We believe that the Board should encourage entities to use the term 'unusual or infrequently occurring items' and it should not prohibit the use of other terms to describe unusual and infrequently occurring items due to the fact that in some circumstances, using other terms may be more understandable for the users of financial statements.
- (c) We agree with the explanation of unusual and infrequently occurring items because this will enable users of financial statements to have clear understanding of the items. In addition, it should disclose the explanation why items are classified as unusual and infrequently occurring. However, the Board should give more example to describe the unusual and infrequently occurring items such as how frequency of the occurrence of the items that will be considered infrequently occurring item or what size of the items that are classified as unusual or infrequently occurring.



**Question 9**

The Board's preliminary view is that a general disclosure standard should describe how performance measures can be fairly presented in financial statements, as described in paragraph 5.34.

Do you agree with the Board's preliminary view? Why or why not? If you do not agree, what alternative action do you suggest, and why?

**FAP :**

We agree with the Board's preliminary view of a general disclosure standard as this will help users of financial statements understand the nature and financial impact of the entities and it is easier to compare the performance measures among entities.

**Section 6—Disclosure of accounting policies**

**Question 10**

The Board's preliminary views are that:

- a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16; and
  - the following guidance on the location of accounting policy disclosures should be included either in a general disclosure standard or in non-mandatory guidance (or in a combination of both):
    - the alternatives for locating accounting policy disclosures, as described in paragraphs 6.22–6.24; and
    - the presumption that entities disclose information about significant judgements and assumptions adjacent to disclosures about related accounting policies, unless another organisation is more appropriate.
- (a) Do you agree with the Board's preliminary view that a general disclosure standard should include requirements on determining which accounting policies to disclose as described in paragraph 6.16? Why or why not? If you do not agree, what alternative proposal(s) do you suggest, and why?
- (b) Do you agree with the Board's preliminary view on developing guidance on the location of accounting policy disclosures? Why or why not? Do you think this guidance should be included in a general disclosure standard or non-mandatory guidance (or in a combination of both)? Why?

If you support the issuance of non-mandatory guidance in Question 10(b), please specify the form of non-mandatory guidance you suggest (listed in paragraphs 2.13(a)–(c)) and give your reasoning.



**FAP :**

- (a) We agree that a general disclosure standard should include requirements on determining which accounting policies to disclose because this will help users focus on significant accounting policies and judgment that are necessary for an understanding of the financial statements.
- (b) We agree with the Board's preliminary views to develop guidance on the location of accounting policy disclosure because there are currently various styles for the location of accounting policy disclosure. However, we should consider developing the easier understanding disclosure format for financial statements users. In addition, guidance should be included in a combination of both general disclosure standard and non-mandatory guidance, especially for the meaning and example of disclosure in order to give more information and understanding to financial statements users. We suggest non-mandatory guidance in the form of illustrative examples or implementation guidance as stated in 2.13 (a) because it is easier to be accessed by financial statements users.

**Section 7—Centralised disclosure objectives**

**Question 11**

The Board's preliminary view is that it should develop a central set of disclosure objectives (centralised disclosure objectives) that consider the objective of financial statements and the role of the notes.

Centralised disclosure objectives could be used by the Board as a basis for developing disclosure objectives and requirements in Standards that are more unified and better linked to the overall objective of financial statements.

Do you agree that the Board should develop centralised disclosure objectives? Why or why not? If you do not agree, what alternative do you suggest, and why?

**FAP:**

We agreed with the Board's preliminary view to develop centralized disclosure objectives. The development will help entity identifying what information and at what extent should and should not be disclosed. More importantly, only useful information will be disclosed in compliance with the objective of financial statements, rather than a disclosure checklist which likely causing information overload and financial statements users' difficulties to focus on the key information.



**Question 12**

The Board has identified, but not formed any preliminary views about, the following two methods that could be used for developing centralised disclosure objectives and therefore used as the basis for developing and organising disclosure objectives and requirements in Standards:

- focusing on the different types of information disclosed about an entity's assets, liabilities, equity, income and expenses (Method A); or
- focusing on information about an entity's activities to better reflect how users commonly assess the prospects for future net cash inflows to an entity and management's stewardship of that entity's resources (Method B).

(a) Which of these methods do you support, and why?

(b) Can you think of any other methods that could be used? If you support a different method, please describe your method and explain why you think it might be preferable to the methods described in this section.

Methods A and B are in the early stages of development and have not been discussed in detail by the Board. We will consider the feedback received on this Discussion Paper about how centralised disclosure objectives might best be developed before developing them further.

**FAP:**

Method B, in our view, will provide more useful information to financial statements users as it focuses on entity's activities in preference of the checklist disclosure. Having such view, Method B may have complications in developing and applying. The development may not be cost effective as the resources and time invested can be expected to be extensive. The Board will have to comprehend each aspects conditional to businesses and high judgement will be exercised when applying; thus, the guidance must be thorough. The application may lead to inconsistency of information between entities and industries. Therefore, we are in favour of Method A.

**Question 13**

Do you think that the Board should consider locating all disclosure objectives and requirements in IFRS Standards within a single Standard, or set of Standards, for disclosures? Why or why not?

**FAP:**

From our view in Question 12, we consider that the disclosure objectives and requirements should be located in a set of Standards as it should be based on the determination of each line item rather than a single Standard where consideration and revision will be clustered together.



**Section 8—New Zealand Accounting Standards Board staff’s approach to drafting disclosure requirements in IFRS Standards**

**Question 14**

This section describes an approach that has been suggested by the NZASB staff for drafting disclosure objectives and requirements in IFRS Standards.

- (a) Do you have any comments on the NZASB staff’s approach to drafting disclosure objectives and requirements in IFRS Standards described in this section (the main features of the approach are summarised in paragraph 8.2 of this section)?
- (b) Do you think that the development of such an approach would encourage more effective disclosures?
- (c) Do you think the Board should consider the NZASB staff’s approach (or aspects of the approach) in its Standards-level Review of Disclosures project? Why or why not?

Note that the Board is seeking feedback on the NZASB staff’s overall approach, rather than feedback on the detailed drafting of the paragraphs on the use of judgement in the NZASB staff’s example 1 or the detailed drafting of the specific disclosure requirements and objectives included in the NZASB staff’s examples 2 and 3. In addition, the Board is not seeking feedback on where specific disclosure objectives and requirements should be located in IFRS Standards (except as specifically requested in Question 13).

**FAP:**

- a) We do not have any comments on the approach.
- b) We agree that the development of the approach would encourage more effective disclosures. The two-tier approach would bring about identification of required and additional disclosure information.
- c) We view that the Board should consider the approach in its project. From our answer in b), the approach would encourage more effective disclosures. Adopting the approach would be a prime starting point. The time utilised in the development will be lesser and the overload disclosure issues built up today will be able to resolve sooner than later.



**Question 15**

Some stakeholders say that the way that disclosures are drafted in IFRS Standards might contribute to the 'disclosure problem', as described in Section 1. Some cite in particular the absence of clear disclosure objectives and the presence of long lists of prescriptively written disclosure requirements in Standards (see paragraph 8.4).

Nevertheless, other stakeholders observe that specific disclosure requirements might be simpler to use than applying judgement when determining how to meet disclosure objectives.

Do you think the way the Board currently drafts IFRS Standards contributes to the disclosure problem? Please give your reasoning. If you think the current drafting contributes to the disclosure problem, please provide examples of where drafting in Standards could be improved and why.

**FAP:**

We view that the NZASB approach is a good layout rather than a simple checklist which assuming one-size-fits-all. However, the Board has to be thoughtful when adopting the approach in developing standards, precisely formed the objectives of the disclosures for others to understand and easily applied, especially for the preparers who may tend to bias for less than minimum disclosure.