



THE 13th ANNUAL AOSSG MEETING

Joining hands in regional cooperation and the development of IFRS

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IASB ED 'Disclosure Requirements in IFRS Standards (A Pilot Approach)'

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AOSSG Presentation and Disclosure Working Group

- Leader: Korea
- Members: Australia, Bangladesh, China, Hong Kong, Indonesia, Japan, Kazakhstan, Mongolia, New Zealand, Pakistan, Saudi Arabia, Singapore and Sri Lanka

Background

DP issued
(March 2017)

Project
launched
(March 2018)

ED published
(March 2021)

- IASB issued DP ‘Disclosure Initiative–Principles of Disclosures’
- IASB identified the following disclosure problems
 - ✓ not enough relevant information
 - ✓ too much irrelevant information
 - ✓ ineffective communication
- IASB decided to:
 - ✓ develop guidance to use when developing and drafting disclosure requirements
 - ✓ test the guidance to one or two IFRS Standards
- Proposed Guidance
- Proposed amendments to IFRS 13
- Proposed amendments to IAS 19
- Comment deadline: **12 January 2022**

king R&D WG's Schedule's Group's

Action item	Due date
P&D WG members send comments to the WG leader	22 Dec 2021
The WG leader circulates the WG members' comments to all AOSSG members	27 Dec 2021
All AOSSG members send comments to the WG leader	4 Jan 2022
WG leader sends the final AOSSG comments to the secretariat	7 Jan 2022
The Secretariat sends the final AOSSG comments to the IASB	12 Jan 2022

Proposed Guidance

Purpose

The Guidance explains how the IASB will modify disclosure requirements in IFRS Standards

Contents

Overall disclosure objectives

- **Overall information needs** of users
- Information provided by complying with the **specific disclosure objectives meets** those overall information needs of users

Specific disclosure objectives

- **Detailed information needs** of users
- **All material information** that meets those detailed information needs of users
- Entities are required to apply **judgement** effectively

Items of information

- Every item is explicitly **linked** to one or more specific disclosure objectives
- **Mandatory** items / **non-mandatory** items
- Entities may need to disclose **additional** information

Proposed Guidance



Creation
of the
Guidance

Do you think that the Guidance is necessary?

Structure
of the
Guidance

Do you think that it is appropriate for the Guidance to be composed of:

- overall disclosure objectives;
- specific disclosure objectives; and
- items of information?

Proposed Guidance



'checklist'
practice

Do you think that the new approach will change the practice?

Useful
informatio
n

Do you think that the new approach will lead to providing decision-useful information?

Proposed Guidance



Operational and enforceable

Do you think that the new approach will be operational and enforceable?

Cost and benefit

Do you think that the benefit of the new approach will outweigh the cost of it?

Proposed amendments to IFRS 13

※ This slide only addresses the structure for recurring fair value measurements.

Overall disclosure objectives

- The entity's exposure to uncertainties associated with fair value measurements

Specific disclosure objectives

Amount, nature
and other char-
acteristics

Significant
techniques and
inputs

Alternative FV
measurements

Significant rea-
sons for
changes

Items of information

- Each item of information is linked to a specific disclosure objective
- Mandatory or non-mandatory

Proposed amendments to IFRS 13

Specific disclosure objective 1

- The amount, nature and other characteristics of each class of assets and liabilities
- How the characteristics relate to the categorization of those classes of assets and liabilities in the fair value hierarchy



Users said that the nature of items measured at fair value is sometimes not clear from their one-line description in a table, and that further explanations are needed.

Proposed amendments to IFRS 13

Current practice

Items	Level 1	Level 2	Level 3
FVTPL instruments	50	100	150
Equity instruments	20	50	50
Debt instruments	30	50	100

Proposed amendments to IFRS 13

Expected disclosures under proposed amendments

Items	Level 1	Level 2	Level 3
Fair value through profit or loss	50	100	150
Equity instrument	20	50	50
Real estate industry		50	20
Oil and gas industry	20		30
Debt instrument	30	50	100
Residential mortgage-backed securities ¹⁾		20	40
sovereign debt securities	10		
Corporate bonds	20	30	60

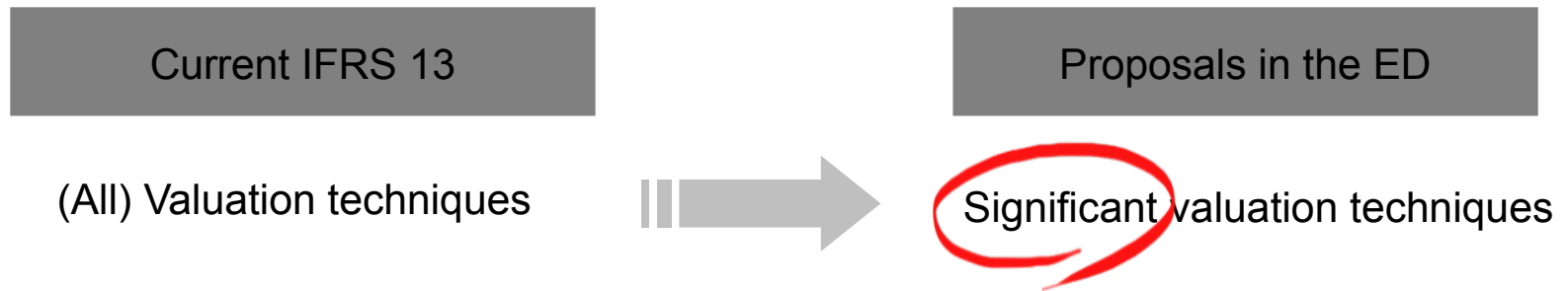
1) The fair value of residential mortgage-backed securities is based on quoted market prices, purchase commitments and bid information from market participants. The prices are adjusted as necessary to reflect the specific characteristics of such securities.

Proposed amendments to IFRS 13

Specific disclosure objective 2

- The significant techniques and inputs used in determining the fair value measurements for each class of assets and liabilities

Proposed amendments to IFRS 13



Proposed amendments to IFRS 13

(Unit: CU)			
Items	BV	Valuation technique	Level 3 Inputs
Instrument A	500	Discounted cash flow model	<ul style="list-style-type: none">Discount rateTerminal growth rate
Instrument B	50	Black-Sholes model	<ul style="list-style-type: none">Volatility of the underlying asset
Instrument C	10	Hull-White model	<ul style="list-style-type: none">Volatility of the underlying assetCorrelation coefficient



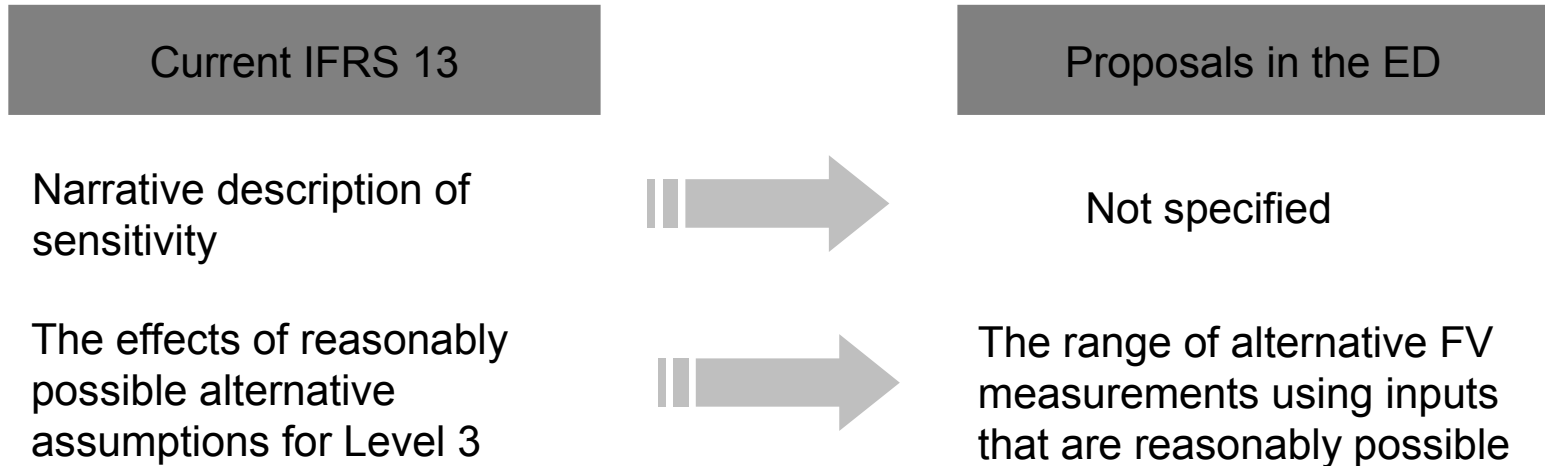
What is the criteria for assessing whether a valuation technique is significant?

Proposed amendments to IFRS 13

Specific disclosure objective 3

- The alternative fair value measurements for each class of assets and liabilities using inputs that were reasonably possible at the end of the reporting period

Proposed amendments to IFRS 13



- Preparers said that the costs involved in preparing detailed sensitivity analysis exceed the benefits.
- Users said that information about the overall possible range of FV measurements is more useful than detailed sensitivity analysis.

Proposed amendments to IFRS 13

Current practice

The sensitivity analysis for the instruments categorized as Level 3 is as follows.

(Unit: CU)				
Item	Current year		Prior year	
	Increase	Decrease	Increase	Decrease
FVTPL Instrument(*)	100	50	150	25

(*) Changes were calculated by increasing or decreasing discount rate (-1%p ~ 1%p) and growth rate(0%p ~1%p).

Proposed amendments to IFRS 13

Current practice

Valuation techniques, significant yet unobservable inputs and the effects of reasonably possible alternative assumptions for Level 3 instruments are as follows.

(Unit: CU)					
Item	Valuation technique	BV	Significant Level 3 inputs	Range	Effects
FVTPL instrument	Option pricing model	100	Volatility of the underlying asset	3% ~ 5%	FV measurements increase or decrease
			Correlation coefficient	10% ~ 30%	

Proposed amendments to IFRS 13

Expected disclosures
under proposed amendments

(...) As at 31 Dec 20X9, the alternative fair values were determined by assuming a **change (increase or decrease) of 10% for the probability of default and loss severity and a change of 4% for the prepayment rate**. On the basis of applying these alternative assumptions simultaneously, there would be an **increase** in fair values by up to **CU 5.6 million** or a **decrease** in fair values by up to **6.9 million**.

Proposed amendments to IFRS 13

Specific disclosure objective 4

- The significant reasons for changes in the fair value measurements of each class of assets liabilities from the beginning of the reporting period to the end of that period

Proposed amendments to IFRS 13

Current IFRS 13

(All) Reasons for changes in FV measurements for Level 3



Proposals in the ED

Significant reasons for changes in FV measurements
(mandatory for Level 3 in a tabular format and non-mandatory for Level 1 and 2)



- Users said that understanding the reasons for changes in the amount of fair value measurements are useful.
- However, preparers were concerned that preparing detailed information about the reasons for such changes could be costly.
- The IASB expects that only significant reasons for changes would be disclosed.

Proposed amendments to IFRS 13

Current practice

The reasons for changes for Level 3 instruments are as follows.

Items	Instrument A	Instrument B
Opening balance	100	200
Total gains or losses in PL	200	10
Purchases	300	10
Sales	(10)	(10)
Transfers into Level 3	5	200
Transfers out of Level 3	(5)	300
Other	10	10
Closing balance	600	720

Proposed amendments to IFRS 13

Expected disclosures
under proposed amendments

Items	Instrument A	Items	Instrument B
Opening balance	100	Opening balance	200
Total gains or losses in PL	200	Transfers into Level 3	200
Purchases	300	Transfers out of Level 3	300
Other	0	Other	20
Closing balance	600	Closing balance	720



Proposed amendments to IFRS 13



Useful
informatio
n

Do you agree that the **overall disclosure objectives** result in the provision of useful information?

User's
needs

Do you agree that the **specific disclosures objectives** capture detailed user's information needs?

Proposed amendments to IFRS 13



Material
information

Do you agree that the specific disclosure objectives result in the provision of material information and the elimination of immaterial information?

Cost and
benefit

Do you agree that the benefits of the specific disclosure objectives justify the costs of satisfying them?

Proposed amendments to IFRS 13



Mandatory
and
Non-
mandatory

Do you agree with the items of information that are mandatory and the items of information that are non-mandatory?

Proposed amendments to IAS 19

※ This slide only addresses the proposed amendments to DB plans.

Overall disclosure objectives

- Effects of defined benefit plans on the entity's financial statements
- Risks and uncertainties associated with the entity's defined benefit plans

Specific disclosure objectives

Amounts in PFS

Nature and risks

Expected future CF

DB plans closed to new members

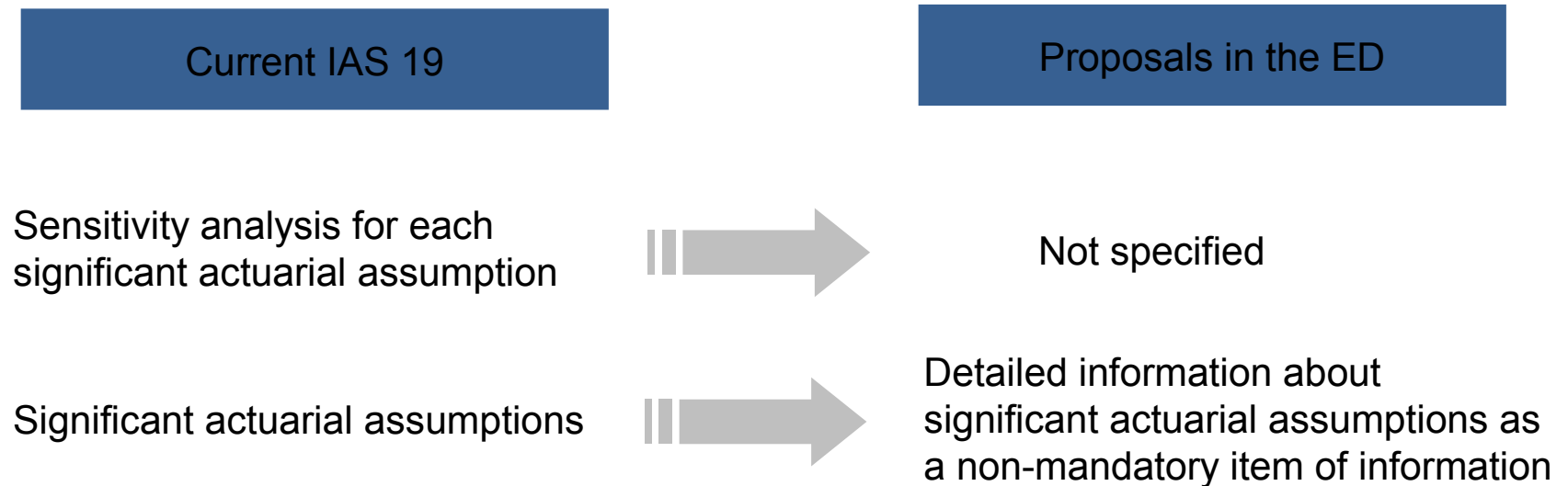
Measurement uncertainties

Significant reasons for changes

Items of information

- Each item of information is linked to a specific disclosure objective
- Mandatory or non-mandatory

Proposed amendments to IAS 19



Proposed amendments to IAS 19

Current practice

Sensitivity analysis

The effects of changes in significant actuarial assumptions on the present value of the DB obligation are as follows.

(Unit: CU)				
Items	Current year		Prior year	
	Increase by 1%p	Decrease by 1%p	Increase by 1%p	Decrease by 1%p
Discount rate	(10)	20	(15)	25
Wage increase rate	30	(40)	45	(55)

Proposed amendments to IAS 19

Current practice

The Information about significant actuarial assumptions are as follows.

Items	Current year	Prior year	Reference
Discount rate	2%	2.5%	AA0 corporate bond yield
Future wage increase rate	3%	4%	Average rate for the past 5 years

Proposed amendments to IAS 19

Proposals in the ED

- the significant demographic and financial actuarial assumptions used to determine the defined benefit obligation
- the entity's approach to determining the actuarial assumptions used, such as how the inflation rate was assessed, or the model used to determine longevity assumptions
- the reasons why actuarial assumptions significantly changed during the reporting period
- alternative actuarial assumptions reasonably possible at the end of the reporting period that could have significantly changed the defined benefit obligation
- a description of how measurement uncertainty has affected measurement of the defined benefit obligation



Proposed amendments to IAS 19



Useful
information

Do you agree that the overall disclosure objectives result in the provision of useful information?

User's
needs

Do you agree that the specific disclosures objectives capture detailed user's information needs?

Proposed amendments to IAS 19



Material
information

Do you agree that the specific disclosure objectives result in the provision of material information and the elimination of immaterial information?

Cost and
benefit

Do you agree that the benefits of the specific disclosure objectives justify the costs of satisfying them?

Proposed amendments to IAS 19



Mandatory
and
Non-
mandatory

Do you agree with the items of information that are mandatory and the items of information that are non-mandatory?

[Appendix] Main differences between the current requirements and the proposals in the ED

IFRS 13 and proposals in the ED

※ This slide only addresses the items of information relating to recurring fair value measurements.

Current IFRS 13	Proposals in the ED
Appropriate classes of assets and liabilities are determined based on the nature, characteristics and risks	Description of the nature, risks and other characteristics of the classes of assets and liabilities in each level of the FV hierarchy
Valuation techniques	Significant valuation techniques
Valuation processes	Not specified
Narrative description of sensitivity	Not specified

IFRS 13 and proposals in the ED

※ This slide only addresses the items of information relating to recurring fair value measurements.

Current IFRS 13

The effects of reasonably possible alternative assumptions for Level 3

Reasons for changes in FV measurements for Level 3

Proposals in the ED

The range of alternative FV measurements using inputs that are reasonably possible

Significant reasons for changes in FV measurements
(mandatory for Level 3 and non-mandatory for Level 1 and 2)



IAS 19 and proposals in the ED

※ This slide only addresses the proposed amendments to DB plans.

Current IAS 19

Proposals in the ED

The amounts in the F/S arising from the DB plans



The amounts of the DB plans, identifying the components (ex. Current service cost, net interest on the net DB liability)

Not specified



Information about future payments to members of DB plans that are closed to new members

Sensitivity analysis for each significant actuarial assumption



Not specified

IAS 19 and proposals in the ED

※ This slide only addresses the proposed amendments to DB plans.

Current IAS 19

Proposals in the ED

Significant actuarial assumptions



Detailed information about significant actuarial assumptions as a non-mandatory item of information

Reconciliation for the components of the net DB liability



Tabular reconciliation of the significant reasons for changes in the net DB liability