NYS SOCIETY OF CPAs
NYSSCPA

September 29, 2017

IFRS Foundation
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UK

Submitted electronically at: www.ifrs.org

Re: Discussion Paper, *Disclosure Initiative—Principles of Disclosure*

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's International Accounting & Auditing Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Craig T. Goodman, Chair of the International Accounting & Auditing Committee, at (212) 324-7048, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Harold L. Deiters III
President

Attachment

NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

DISCUSSION PAPER, *DISCLOSURE INITIATIVE—PRINCIPLES OF DISCLOSURE*

September 29, 2017

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New York State Society of Certified Public Accountants

Comments on

Discussion Paper, *Disclosure Initiative—Principles of Disclosure*

The New York State Society of Certified Public Accountants (NYSSCPA) appreciates the opportunity to provide comments on the International Accounting Standards Board's (IASB or the Board) discussion paper Disclosure Initiative – Principles of Disclosure.

Overall, we support the Board's initiatives and their goal to improve communication in financial reporting. We commend the Board in identifying disclosure issues and working collaboratively with FASB Board members to develop new, or clarify existing, disclosure principles in IFRS Standards. We believe that by doing so, entities will be better able to apply judgments and communicate more effectively, improving the effectiveness of disclosures for the primary users of financial statements.

We have some observations and comments as follows:

- Wherever possible and feasible, we believe that the Board and U.S. standard setters should continue attempts to align or converge International Accounting Standards and United States Generally Accepted Accounting Principles (US GAAP), especially where there has been an expanded discussion and development of standards over a long period of time. An example would be with respect to the guidance of unusual or infrequently occurring items.

  The U.S. went through a period of continued refinement of these disclosures and finally agreed on what we believe is clear and appropriate guidance on these types of items. To the extent that the Board can create similar guidance leveraged from that experience and also assist with convergence, so much the better.

- Disclosure guidelines should be made mandatory for those items that are the most important and relevant to the understanding of the underlying financial statements of all organizations, with certain *core* disclosures being required, such as, but not limited to:
    - Background and nature of the business/organization
    - Basis of presentation
    - Sources of revenue
    - Significant accounting policies
    - A description of critical transactions
    - Risks and uncertainties
    - Subsequent events
    - Complex transactions such as investments in derivatives and hedges and fair value accounting

- In addition to core disclosure requirements there should be additional industry specific disclosures; for example construction contractors, brokers and dealers in securities, airlines, etc. Transaction specific disclosures may also be needed to understand a non-ordinary course of events transaction such as a business combination or termination of a line of business.

- Non-mandatory guidance would only further add confusion about what the mandatory reporting requirements are and increase diversity in practice and also lead to concerns over which disclosures were omitted and why. We believe that any "guidance" that is not mandatory would not be considered guidance. It would be seen as commentary or suggestions only.

- With respect to the location of information that resides outside of the financial statements but which is considered relevant to those financial statements, our view is that information that is relevant to the financial statements must be included within the financial statements in order for the complete financial statements to be available, consistent and meaningful for all users. Otherwise, the financial statements would not be an independent self-contained document.

- Non-IFRS information such as the use of the subtotals for "EBITDA" and "EBIT" is not necessary or a needed disclosure. Both items are fairly easy to determine based on current line item disclosures and other disclosures if relevant to the user of the financial statements.

- While similar in nature, the words "present" and "disclose" have different meanings and common usage which is well established in the United States. Issuers of financial statements "present" the financial statements and "disclose" within them, in the notes to financial statements. They do not "disclose" the financial statements.

- We are very concerned about the length of standards and long lists of prescriptive written disclosure requirements within. Our members have observed the difficulty that financial statement preparers have in completing a "checklist" process without seeming to understand the underlying principles of disclosures and risk concerns. In addition, there is greater and growing pressure to provide "documentation" to support all the underlying thinking that goes into the preparation of financial statements resulting in lengthy and cluttered financial statements that can prove confusing to financial statement users.

  IFRS beginnings were principles based, in contrast to what is thought of as the current rules-based US GAAP system. It is perhaps worth noting, from our viewpoint, that experienced practitioners tend to draw from fundamental concepts learned early on; that the use of critical thinking and judgment as to the relevant information which needs to be disclosed in financial statements (within the mandatory guidance) should be the overriding concept.