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## IASB Abacus Research Forum 2024 University of Sydney

Clarity and conciseness of  
financial narrative disclosures

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# Overview of comments

- Overall context
- Comments on paper

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## Overall context – management commentary project

- ED published May 2021
- Project paused in 2022, awaiting the outcome of the ISSB’s Request for Information Consultation on Agenda Priorities
  - In April 2024, in the light of the feedback on that Consultation, the ISSB decided not to add to its work plan a research project on integration in reporting at this time
- In June 2024, the IASB decided to finalise the project.
  - In making that decision, the IASB noted that the revised Practice Statement would provide a stepping-stone towards greater integration in reporting in the future.
  - Expect to issue final Practice Statement in first half of 2025
- [IFRS - Management Commentary](#)

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## Overall context – clarity and conciseness

- derived from characteristic of understandability in the IASB *Conceptual Framework for Financial Reporting*
  - some phenomena are inherently complex and cannot be made easy to understand. Excluding information about those phenomena from financial reports might make the information in those financial reports easier to understand. However, those reports would be incomplete and therefore possibly misleading.
  - financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

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## Overall context – clarity

- use plain language, and avoid jargon and unnecessary technical terminology
  - some information might be communicated to investors and creditors most clearly using industry-specific or other specialist terms if these terms are defined clearly and used consistently

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## Overall context – conciseness

- avoid generic information, sometimes called ‘boilerplate’, that is not specific to the entity
- avoid duplication of information within management commentary, or unnecessary duplication of information also provided in the related financial statements
- use simple, clear language and short, clearly structured sentences and paragraphs. derived from characteristic of understandability in the IASB *Conceptual Framework for Financial Reporting*
- Perfectly concise management commentary would include only material information.
  - Any immaterial information included in management commentary shall be provided in a way that avoids obscuring material information.

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## Comments on paper

- Effective communication of information in general purpose financial reports is important to IASB, we welcome research in this area
- Need research that provides relevant information *in that context*
  - sections of the annual report vary in need for highly technical language
  - words of three or more syllables include revenue, liability, equity, expenses, leases, financial, insurance
  - complex word list includes international, counterparty, derivative, leases, ventures, worldwide
  - IASB is not the only player, new requirements from regulators or initiatives from professional bodies etc also play a part

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