

November 7, 2012

Ms. Leslie Seidman, Chairman Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: Discussion Paper - Invitation to Comment on Disclosure Framework

Dear Ms. Seidman:

The Financial Reporting Committee (FRC), Small Business Financial and Regulatory Affairs Committee (SBFRC) and the eXtensible Business Reporting Language (XBRL) Committee of the Institute of Management Accountants (IMA) are writing to share their views on the Financial Accounting Standards Board's (FASB) Discussion Paper – Invitation to Comment on Disclosure Framework (DP). Descriptions of these Committees can be found in Attachment A of this letter and additional information can be found at www.imanet.org under the Advocacy section.

We are very supportive of the Board's efforts on this project and agree with the overall objective to improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users. We believe the ever-increasing disclosure requirements that have evolved over the years have resulted in a model that lacks clarity. We further believe that this lack of clarity stems, in part, from the lack of a clear disclosure framework, which has led to piece-meal development of disclosure requirements that do not necessarily represent the disclosures that are the most important to investors. Rather, they almost appear to address any information that might be useful to any user. We also agree with the FASB's conclusion to focus this project on footnote disclosures.

However, we do not believe the model in the DP would streamline disclosures. To the contrary, we believe the decision model would result in a dramatic increase in disclosures, primarily forward-looking and risk factor-type disclosures. This arises due to the decision model's emphasis on disclosures that would be required if the underlying item *could potentially* impact future cash flows. In this letter, we address our significant observations and recommendations. In Attachment B, we provide observations and recommendations related to the chapters in the DP. While we believe that the FASB's current project must focus on the content of footnotes, IMA's XBRL Committee has observations related to a comprehensive future project regarding external reporting that are included in Attachment C.



Significant Observations and Recommendations

- We believe the FASB should undertake this project in coordination with the Securities and Exchange Commission (SEC) to achieve a better integrated financial disclosure model for companies subject to SEC reporting regulations.
- 2. The decision question model contained in DP (subject to other observations provided below) should be applied by the FASB in determining the appropriate required disclosures for each topic. We do not believe disclosures can be effectively determined if the model is applied solely at the individual company level, although we do support companies having some level of flexibility in applying the model to their circumstances.
- 3. We support a decision model that results in some minimum level of suggested or required disclosure menus for each topic and believe that such a model deserves more study. Openended disclosure models are not operational in the legal and regulatory environment in the United States (US).
- 4. We agree that the two extreme alternatives presented in the DP for achieving disclosure selectivity (paragraph 3.8) are not operational for the reasons discussed in the DP. The FASB should focus on the alternatives between those two extremes.
- 5. We believe interim disclosures should follow the SEC interim reporting framework, which views interim financial statements and related disclosures as an integral component of the annual reporting model, and should be scaled accordingly.
- 6. We suggest that as part of its due diligence on this topic, the FASB review recently issued or proposed standards against the ultimate decision question framework, and hold roundtables or other feedback venues to assess whether the overall objectives can be met before deciding to proceed to a formal exposure draft. That study should more specifically penetrate how information provided in disclosures is utilized by investors in projecting cash flows.

Coordination with the SEC

As noted above, we agree with the overall objective of the DP to improve the effectiveness of disclosures in notes to financial statements by clearly communicating the information that is most important to users. Inherent in that objective is the need to develop a disclosure framework that provides objectives (goals) and streamlines and simplifies the footnote disclosure model. Also, a substantial portion of the FASB's reporting constituents are subject to SEC public reporting requirements. Thus, we believe the overall objective of the DP can best be accomplished by coordinating the project with the SEC to achieve a more integrated, streamlined and less redundant disclosure framework.

In that regard, as noted above we do not believe the model in the DP would streamline disclosures. To the contrary, we believe the decision model could result in a dramatic increase in disclosures, primarily forward-looking and risk factor-type disclosures. This arises due to the decision model's emphasis on disclosures that would be required if the underlying item *could potentially* impact future cash flows. This results in forward-looking and risk-type disclosures that are better suited for (and currently covered by) Management Discussion & Analysis (MDA), including results of operations, financial condition and liquidity and the forward looking and risk



factor sections, all of which are afforded legal safe harbor. We believe that scoping these forward looking/risk factor-type disclosures into the footnotes is not operational. Not only would it result in untenable legal exposure for companies in the US, it could present numerous auditing issues due to the forward-looking hypothetical nature of the disclosures.

Thus, we believe the FASB and SEC should work together to align on a framework that defines footnote disclosures (which would be the FASB's purview) and MDA (which would be the SEC's purview). In general, we believe the FASB's purview should be limited to and focused on historical, factual financial information that provides additional data supporting information included in or directly relevant to the basic financial statements. This scope is narrower than what would result from the application of the decision model in the DP. Such a scope also narrows the information to data that is both verifiable and auditable.

We believe the SEC's purview should be focused on analysis-related disclosures. This would entail analysis of historical financial results, cash flows and financial condition/liquidity, including analysis of both actual results and forward-looking sensitivity (the "what if's" and "why's"). Such disclosure would include discussion of trends, risks and opportunities. It is important that these forward-looking and risk factor type disclosures are under SEC purview so they are covered by safe harbor provisions provided by US securities regulations, and so they can be disclosed and discussed through the eyes of management. We would acknowledge this approach would result in certain existing footnote disclosures likely moving to MDA (e.g., pension and OPEB sensitivity disclosures). However, these types of disclosures, to the extent significant, can easily be assimilated into the significant accounting policies section. Other past disclosure requirements where a coordinated approach may have been beneficial include, for example, the contractual obligations tables and interest rate risk.

We realize that many of the entities following US GAAP are not subject to SEC reporting requirements. We believe the above discussed approach can also work effectively for those entities. To the extent analysis-related disclosures are relevant for these entities, the FASB could work with its new Private Company Council (PCC) to develop a more scaled disclosure model.

Application of the Decision Model by the FASB

We believe the decision question model contained in the document (subject to other observations provided below) should be applied by the FASB in determining the appropriate required disclosures for each topic. We do not believe the model can be applied in an open-ended manner by each individual company. We are conceptually aligned with the development of disclosures that can be scaled to only include information that is relevant to a particular company's circumstances. However, we do not believe a decision question model can be applied either entirely or primarily at the preparer level in the US, due to the underlying regulatory, legal and audit environment. We believe an open-ended decision model applied at the preparer level would be overly subjective. Given the subjectivity of an open-ended model, particularly with the benefit of 20/20 hindsight, we believe this approach could result in untenable second guessing at the preparer and auditor level, and extreme penalties for non-disclosure of virtually any unforeseen



item or event. Accordingly, we believe the decision framework needs to result in a finite list of suggested or required disclosures for each accounting/disclosure topic and encourage more study toward such a framework. Requiring companies to apply the framework against any item that *could potentially* impact future cash flow considerations related to a topic or item is not operational and will not achieve the objective of improving the effectiveness of disclosures. (See additional perspective on this issue in the **Disclosure Menu vs. Open-ended Model** section below.)

We have the following additional observations/recommendations for the FASB to consider relative to its application of the decision model to determine a common menu of minimum suggested or required disclosures.

- A decision model only applied at the company level, absent any suggested or required menu of required disclosures by the FASB, is incompatible with the consistent application of an extensible FASB US GAAP XBRL taxonomy. We believe the decision model needs to be applied by the FASB to facilitate consistently structured disclosures in XBRL format.
- We believe the decision question model should be applied at the accounting and/or disclosure topic level, not the financial statement line item level, similar to today's model. Standards are written on a topical basis, not by financial statement line item. Disclosures should follow the same model.
- We believe companies could apply judgment to determine which of the suggested or required disclosures to provide, based primarily on materiality. However, we also acknowledge that the current legal and regulatory environment in the US may result in a bias to over-disclose.

Disclosure Menu vs. Open-ended Model

We are very concerned about the disclosure scope and threshold in the DP. We believe the application of the potential structure of the decision process and related decision questions outlined will significantly increase footnote disclosure requirements. Rather than improving disclosure effectiveness, this would result in footnotes that become less relevant due to sheer volume. This concern is driven by the requirements in the decision model to disclose any item if the underlying item *could potentially* impact future cash flows. Under this framework, virtually any future item or event could potentially impact cash flows. This concern is exacerbated by the existence of the "catch all" disclosure requirements (for any other items not specifically included in required disclosure) that could potentially impact cash flows, which could subject virtually any future item or event to the footnote disclosure framework. Taken literally (and as an extreme illustrative example of the potential consequences), we wonder if the decision model framework and resulting disclosure threshold would require, for example, footnote discussion of geopolitical and other factors that could impact oil production in the Middle East. After all, such factors could potentially disrupt oil shipments and as a result have cash flow impact on revenues, result in uncollectible assets, drive increased input and transportation costs resulting in higher cost of sales, cause disruption to energy, currency and interest-related derivative positions, etc. As another example, the decision model framework could be seen to call for disclosure of patents owned by a company with descriptions and perhaps values.



To address the above concern, we would limit the scope, or provide boundaries for the FASB's footnote disclosure model. More specifically, we recommend that the FASB subject disclosure requirements to robust user relevance, as well as cost and complexity criteria. Questions similar to the questions in the Discussion Paper on Private Company Decision Making Framework regarding relevance to users and cost and complexity are appropriate to ask in the context of the Disclosure Framework. Taking from paragraph 1.2 of that DP, the framework used by the FASB must result in disclosure requirements that provide relevant information to users of financial statements at a reasonable cost. While we recognize that defining relevance is a daunting task given the varied users of financial statements, we strongly believe that this is a critical element in providing an effective disclosure framework. Further, we recommend:

- limiting the scope of this project to footnote disclosure (after aligning with SEC on purview question addressed above).
- as noted above in Coordination with the SEC, focusing the FASB's required disclosure efforts on historical financial reporting, and
- working with the SEC to have the appropriate level of financial and sensitivity analysis in the MDA section of the financial reporting package.

We acknowledge that there is much an investor might like to know that goes beyond historical financial reporting. However, historical financial statements and footnotes are just one data element utilized by investors. We fundamentally believe that the primary financial statements and footnotes should focus on the "what." The "what if" and "why" should be addressed in the MDA. We believe that a failure to scale back the disclosure scope and threshold will result in companies and auditors adopting full compliance with all requirements, regardless of relevance. As noted earlier, to the extent "what if's" and "why's" are important to a non-SEC registrant, the FASB could work with the PCC to develop a scaled disclosure model.

Alternatives for Achieving Disclosure Selectivity

We agree with the view expressed in the DP that the two extreme alternatives for achieving disclosure selectivity (paragraph 3.8) are not operational for the reasons discussed in the DP. We believe the alternatives between the two extremes that are discussed in paragraph 3.11 deserve further study. Within those alternatives, we believe options a. and b. would likely not to be operational for the same reasons as the extreme alternatives in paragraph 3.8. We believe either option c. or d. have the most merit. Both of these options (either a minimum and expanded set of disclosures or a tier of disclosure requirements) may require the FASB to establish bright lines or clear criteria to help companies determine the extent of required disclosures. The reality of our current environment is that clear criteria and bright lines help companies navigate legal and auditing concerns, as documented in the recent study, "Rules-Based Accounting Standards and Litigation" by Dain C. Donelson, John M. McInnis, and Richard D. Mergenthaler.



Interim Disclosures

We strongly believe that interim disclosures should follow the existing SEC interim reporting framework. This framework is built on the well-understood concept that interim financial statements and footnotes are an integral component of the annual reporting model and that interim disclosures are intended as an update to the latest annual financial statements. Recent FASB standards have deviated from this framework, resulting in a very inconsistent interim reporting model on a topic by topic basis. Until recently, interim reports largely consisted of condensed statements of earnings, financial position and cash flows, supplemented by selected notes that were deemed to be of significant interest to investors in interim periods. Over approximately the last decade, this concept has been overlooked on a project by project basis, and the size of interim reports has expanded dramatically. This expansion, exacerbated by abbreviated interim reporting timelines, has strained organizations' accounting resources. We believe that the Board needs to reverse this trend as it pursues the development of a robust disclosure framework.

We believe the FASB needs to institute a high threshold in selecting what additional disclosures are required in interim reports, which should result, in most cases, in interim disclosures that are significantly less in scope than annual disclosures. Interim disclosure requirements should be limited to items that are accounted for differently in interim versus annual periods, significant interim events or transactions, and information that has changed significantly from disclosures in the most recent annual financial statements. This is a significant deviation from several recent FASB standards in which interim and annual disclosures have largely been the same.

Application of Model Against Existing or Proposed Standards

While not surprised, we are disappointed that the staff's analysis of selected Codification Topics against the decision questions in Chapter 2 found that, in general, disclosures were consistent (see paragraph 1.20). After all, the staff and Board must have felt the existing disclosure requirements were important or they would not have proposed them in the final standards. We believe the more relevant question is whether, and if so how, financial statement users are actually using the existing disclosures to make decisions. Further, as our members analyzed the decision model and considered how it might be applied against a particular line item (e.g., revenue or selling, general and administrative expenses) or a Codification Topic item not on the face of the financial statements (e.g., commitments and contingencies), the consensus was that the model could yield vastly expanded disclosures, due primarily to the forward-looking, risk factor focus of the decision question model, which seems to have few boundaries.

Therefore, we respectfully suggest that the FASB conduct a review of recently issued standards against the ultimate decision question framework to assess whether the overall objectives are met before deciding to proceed to a formal exposure draft. This review could include roundtables or other feedback venues. Importantly any study of existing or potential future disclosures against the model should fully penetrate how the disclosed information is specifically used by analysts and investors, including how each required disclosure would or did impact future cash flows in



users' models. To that point, a significant amount of the information in our more expansive footnotes is not utilized by company management to forecast future cash flows. Our experience suggests that much of this information, although possibly of interest to a limited number of investors, does not generally factor into users' cash flow projection models. We believe the cost-benefit analysis of required disclosures needs to better distinguish between which desired disclosures are "must haves" and those that are "nice to haves," but do not generally factor into users' cash flow models.

As mentioned, Attachment B includes observations and recommendations for the FASB's current project related to the chapters in the DP. Should you have any questions please do not hesitate to contact us.

Sincerely,

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Attachment A

Financial Reporting Committee

The FRC is the financial reporting technical committee of the IMA. The committee includes preparers of financial statements for some of the largest companies in the world, representatives from the world's largest accounting firms, valuation experts, accounting consultants, academics and analysts. The FRC reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.

Small Business Financial and Regulatory Affairs Committee

The SBFRC addresses issues that impact small and medium-sized organizations on behalf of IMA members. The SBFRC engages and suggests solutions to standard-setters and regulatory agencies such as the FASB, SEC, International Accounting Standards Board, Small Business Administration, American Banking Association, Internal Revenue Services and others. The IMA is a global association representing more than 65,000 management accountants. Our members work inside organizations of various sizes, industries and types, including manufacturing and services, public and private enterprises, not-for-profit organizations, academic institutions, government entities and multinational corporations.

eXtensible Business Reporting Language Committee

The XBRL Committee is the technical committee responsible for educating and engaging management accountants in XBRL, the global standard for digital disclosure of financial and non-financial business information used by the SEC and other securities regulators around the world. Since IMA is a founder of the XBRL standard, the XBRL Committee also serves as a broader global advocate for XBRL. The XBRL Committee includes representatives from the world's largest accounting firms, academics, corporate financial executives, technology providers, business reporting consultants and standards development experts. The XBRL Committee reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations.



Attachment B

Additional Observations and Recommendations

Chapter 1 – Scope and Introduction

- Limit scope to for-profit entities. Since user needs of not-for-profit and other types of entities are dramatically different, trying to satisfy both types of users will dilute the relevance of a final proposal.
- We agree with direction to only evaluate the footnotes.
- Need to be cognizant of existing requirements for public companies and avoid redundancies.
- Disclosures should focus on factual, historical information not "what if's". The FASB disclosure framework should address reported numbers and quantitative, objective data supporting those reported numbers. It should not address subjective or speculative risk assessment.
 - o The latter is better told from management's perspective in the MDA section of filings, subject to safe harbor rules and forward-looking statements/risk factor guidelines.

<u>Chapter 2 – The Board's Decision Process</u>

- Agree that a fully-developed set of questions similar to the ones in this chapter could be useful
 to the FASB as a framework for the Board to use in determining a set of potential disclosures
 for each new (and ultimately existing) standard.
- We do not believe it would be operational to replace detailed disclosure requirements with a single set of overall disclosure requirements based on the decision questions (paragraph 2.6).
- We believe Chapter 2 could significantly expand the scope of disclosures in the footnotes to mirror SEC requirements. In addition to being redundant with MDA, this would create problematic legal exposure for companies absent legal safe harbor afforded in MDA. Many elements are also potentially not auditable.
- In general, the structure of the potential decision process (paragraph 2.10) looks reasonable.
 - o However, b.(5) and c.(1) are forward looking and should not be in historical financial statements (better addressed in MDA).

General Information about the Reporting Entity as a Whole

 Questions and approach are generally not problematic, with possible exception of future plans/strategies, which are better suited for MDA (i.e., G3, plans or strategies to deal with liquidity concerns or G4, discussion of risks and uncertainties of different business units).

Information about Line Items

O As a general observation of this entire section, applying the consideration questions to each line item in the financial section would 1) be entirely too broad from a scope standpoint and 2) likely result in a dramatic increase in the volume of disclosures. Consideration questions need to be addressed for relevance on a topic by topic basis. Examples of expanded and problematic new disclosures that have questionable relevance:



- L2 the likelihood of counterpart and company non-performance of financial instruments and other binding arrangements and the potential impact of nonperformance;
- L7 disclosure of factors causing changes in each line item of the balance sheet from period to period (potential roll-forward or MDA for each balance sheet line);
- L8 disclosure of fair values of productive and intangible assets whose carrying amounts no longer reflect underlying economic value (i.e., buildings that are depreciated, but are holding or appreciating in value);
- L10 disclosure of the impact of following a particular accounting policy when alternatives are available (presumably would require two sets of books) and
- L15 for line items that involve estimates, assumptions, judgments that could reasonably be different, disclosure of enough detail to provide an understanding of how the carrying amount was determined, the level of uncertainty inherent in the amount and how significantly the number might have changed with other inputs. Such information "would not necessarily" be sufficient to allow the user to recalculate. This requirement might be operational relative to items like defined benefit plans and share-based payments, but would be very problematic and competitively sensitive when applied to items like intangibles in business combinations and impairments.
- o This chapter has a significant number of forward-looking and risk factor disclosures that are not operational due to 1) resulting legal exposure for the companies absent the safe harbor rules, and 2) lack of auditability. Examples include:
 - L2 the likelihood of counterpart and company non-performance of financial instruments and other binding arrangements and the potential impact of nonperformance;
 - L2 estimated amounts and timing of future cash flows related to financial instruments and other binding arrangements for arrangements whose amounts and timing are not contractually specified;
 - L5 disclosure of the types of changes in future economic conditions or market factors that could be expected to cause changes, and how those changes would affect future prospects (e.g., inflation, unemployment, currency rates, housing). This requirement would be troubling particularly when applied against income statement line items such as sales, but also problematic relative to balance sheet items.
 - L6 similar to L5 but focused on company-specific risk factors that could cause changes in future cash flows and the impacts on the reported line items (e.g., demand for products or services, social factors, obsolescence, concerns about supply chain, changing laws and regulations, availability of workers and management turnover).



<u>Information about Other Events and Conditions That Can Affect and Entity's Prospects</u> for Future Cash Flows

- We believe most of this section would result in a repeat of SEC-required disclosures that are not appropriate in the notes (forward looking, risk factors, with no safe harbor). For example:
 - O1 problematic forward-looking MDA-type disclosures about events or conditions creating a possibility that net cash flows that the entity would otherwise have experienced will be significantly different.
 - O2 disclosures related to items not recognized in financial statements due to uncertainty. We believe this would require disclosures similar to those proposed in the recently terminated FASB project on contingency disclosures, not only for all contingencies, but also off-balance sheet items, including judgment of the magnitude of possible effects and the probability of the underlying event or condition occurring.
 - O3 judgment of the prospects of deteriorating relationships with significant customers and suppliers and the actions the company has taken to mitigate the potential impacts.
 - O4, O5, O6 and O7 These questions would create substantial redundancy with the SEC's forward looking statements and risk factors requirements.

<u>Chapter 3 – Making Disclosure Requirements Flexible</u>

- We believe the DP adequately lays out the extremes for achieving disclosure selectivity (paragraph 3.8).
- We agree neither of the extremes is operational for a variety of reasons, in particular, see paragraph 3.10 for the rationale on why companies cannot have the responsibility for the judgments (i.e., the Board not providing any specific disclosures, but instead having companies apply generic decision questions).
- While we believe the possibilities between these two extremes (paragraph 3.11) may merit further study and analysis, there are possible issues with the "middle ground" approaches.
 - o Different opinions by companies, auditors and regulators as to what is most appropriate.
 - o Comparability issues across companies.
 - o Significant increase in legal/shareholder exposure from 20/20 hindsight events.
 - Likely to result in a general gravitation towards full disclosure by all companies, regardless of relevance.
- The examples provided of the middle ground disclosures do not result in any significant change to volume of disclosures. We believe this is due partially to the fact that the chapter does not ask specifically how the disclosures are being utilized for investment decisions. For example, Tier 1 pension disclosures (paragraph 3.24) may still be too expansive for companies without significant pension plans.



Chapter 4 – Reporting Entities' Decisions about Disclosure Relevance

- We believe the definition of a relevant disclosure (information that *could* change users' assessments of prospects for cash flows) is too broad, particularly when applied at the line item and topical level.
- Would effectively require companies to disclose any item, event, or information *if it has the potential to* make a difference in a user's investment decision.
- We believe this is too broad a definition for several primary reasons.
 - Results in the move towards SEC's forward looking and risk factor disclosures discussed earlier and the inherent issues with those disclosures. However, unlike the SEC's rules which would be contemplated at the total company level, this would drive the analysis to the line item or topical level.
 - Would likely revert to disclosure of virtually all required and suggested disclosures due to legal/regulatory environment in the US, particularly in a footnote context where there are no quantitative yardsticks to assess materiality.
 - There would be no boundaries on potential disclosures since it would involve not only suggested/required disclosures for each line item or topic, but also a "catch all" disclosure of any other information, even for items beyond required disclosures, that could potentially impact future cash flows (paragraph 4.26). While such disclosure is operational in an SEC MDA context involving significant earnings and liquidity trends, it is not operational at the individual item level.
 - We do not agree with the presumption in paragraph 4.10 that only in borderline cases would it be necessary to make potentially difficult judgments on disclosures.
- We believe the above observations would drive increased volume of disclosures, along with increased legal risks to companies.
- Recommend that relevance, cost and complexity criteria similar to questions in paragraph 1.5
 and 1.6 in DP on Private Company Decision-making Framework be used by FASB for
 disclosure framework. Questions such as is the information available and regularly used by
 management should be considered in the framework.

Chapter 5 – Format and Organization

• We do not believe the FASB should prescribe the order of notes and/or format of information in the notes (tables, narrative, etc.).



Chapter 6 – Disclosures for Interim Financial Statements

- At the heart of this chapter are the ever-present conflicting priorities between certain investors (who generally want expansive disclosures at both interim and annual periods) and companies (who generally believe interim disclosures do not provide incremental decision-useful information, absent significant changes).
- We agree with SEC requirements, which are based on the premise that an interim period is not a discrete reporting period, but an integral part of the annual reporting period.
- Therefore, we recommend only providing interim disclosures for:
 - o interim reporting policy conventions that may differ from annual;
 - o disclosure items that have changed significantly from last annual period and
 - o significant interim transactions (e.g., material acquisitions, divestitures, financing, etc.).
- Consistent with our views on footnotes, we believe condensed financial statements are appropriate for interim reporting.

Chapter 7 – Other Matters for Discussion

 We would not object to the FASB performing further outreach on alternatives to the current approach for the footnote on accounting policies; ranging to removing accounting policy disclosures from financial statements and moving to the company website, to replacing disclosures with narrower requirements for industry-specific or other unusual policies. These alternatives could result in certain disclosure efficiencies.



Attachment C

Observations and Recommendations from the IMA XBRL Committee for a Future Project

The IMA's XBRL Committee believes that there are two areas that should be considered in a future comprehensive study by all stakeholders of disclosures for US companies: non-financial key performance indicators (KPIs) and web-based communication. Regarding the former, the XBRL Committee recommends that such a study consider the notes to the financial statements and MDA from a more integrated perspective which would include non-financial performance measures to develop disclosures that are concise, relevant and actionable. Toward this end, IMA is actively participating on the International Integrated Reporting Committee.

Regarding the benefits of web-based communication, it is reasonable to assert that current reporting requirements were designed for a paper-based world. Yet, users rarely consume financial data on paper. Reporting has evolved from paper, to electronic hardcopy (pictures of hardcopy product), to tagged electronic hardcopy, and reporting is on its way toward database/web-based delivery and storage. Standard setters have joined this evolution by contributing to data tagging. Users would value further progress toward standards that facilitate web-based communication and consumption. To that end, we suggest a future comprehensive study explore technology enablement, such as the global XBRL standard, to enhance the effectiveness of communication, access, reuse and analysis of reported financial information and related standards processes. There are many lessons learned from XBRL's adoption and application around the world for external disclosures. There is evidence that if implemented and applied properly XBRL or other alternative technologies have the potential to help produce disclosures that are more concise, relevant and actionable by stakeholders.

Further, behavioral analytics could be used to understand and identify the specific disclosures actually used by analysts and investors. IMA would be happy to participate and even host meetings with key stakeholders to explore such an analysis. An example is a study to analyze the standardized formulas provided by XBRL that used by analysts. Similar to the "behavioral marketing" insights enabled via the UPC/bar code, XBRL data that is being used could provide standard setters tangible evidence of which specific company disclosures are actually used for modeling and analysis.

Specific observations and recommendations of the XBRL Committee related to certain chapters in the DP for this future project follow.



Chapter 2 – The Board's Decision Process

• Current presentation approaches as outlined in the DP are both linear and inflexible resulting in significant effort as to how and where disclosures should be placed within the report presentation structure. This presentation orientation in the DP discussion around the location of information within the primary tables, notes to the financial statements, MDA, etc. is not important within a standardized structure, such as the FASB US GAAP XBRL Taxonomy. Under this structure, disclosure presentations can be more flexible and adaptable for a specific consumer approach to relevance by an individual analyst or consumer. Further, contextual attributes such as those related to historical facts and/or prospective estimates are explicitly associated with each disclosure through the use of XBRL.

<u>Chapter 5 – Format and Organization</u>

- The FASB US GAAP XBRL Taxonomy provides explicit relationships between disclosures and relevant FASB standards, staff interpretations, SEC regulations, company policies and other artifacts of relevance to both companies and their stakeholders. These explicit framework relationships also make navigation and reuse of information easier for both companies and their stakeholders.
- There are several concepts within this section which are clearly "paper"-centric such as those included below.
 - O 5.11 Headings Notes usually have headings that explain their content. Subheadings also may be useful within notes that contain distinctly different kinds of information. For example, because notes describing loss contingencies often address more than one matter, subheadings would make it easier to find a specific matter. Similarly, a user probably could locate specific information more easily if a note on insurance-related items had subheadings for claims, acquisition costs, reinsurance, and other matters.
 - o 5.12, Cross References Users have stated that references from financial statement line items to notes are very useful because they act as a partial table of contents for notes.
 - o 5.13 References from notes to line items also can be useful, especially when it is not apparent which line item includes the transactions or balances discussed in a note.