



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

Circular No. 2 / 2018

February 23, 2018

ALL MEMBERS OF THE INSTITUTE

Dear Member

Better Communication in Financial Reporting

The International Accounting Standards Board (IASB) activities and projects are now focused on the central theme of *Better Communication in Financial Reporting*. This focus and direction is in recognition of the fact that companies sometimes experience financial reporting as an extensive compliance exercise and investors at times believe that the financial statements provide information that is either inadequate or irrelevant.

IASB has initiated various projects and issued publications under the theme of *Better Communication in Financial Reporting*. The objective of these publications is to guide and drive management of companies in making financial statements that are more relevant, simple and understandable.

In this context, Institute's Accounting Standards Board (ASB) which comprises all the significant stakeholders has deliberated on the initiatives and projects of IASB. ASB noted that the following publications of IASB/IFRS Foundation provide important guidance and insightful information and members should take guidance from these publications:

- *Better Communication in Financial Reporting - Making disclosures more meaningful*
- *Practice Statement 2 Making Materiality Judgments*

Better Communication in Financial Reporting - Making disclosures more meaningful

IFRS Foundation has published a case study report called *Better Communication in Financial Reporting-Making disclosures more meaningful*, showing how real-life companies from different parts of the world have improved communication in their financial statements.

The information in financial statements has to be communicated clearly and effectively to help investors make investment decisions. Accordingly, the case study report aims to illustrate how improvements can be made in the communicative value of the financial reporting and also inspire other companies around the world to initiate their own improvement projects.

The Technical Services Department has prepared a brief (enclosed) on the case study report for member's facilitation.

Further, the IFRS Foundation published case study report can be accessed at:

<http://www.ifrs.org/-/media/project/disclosure-initiative/better-communication-making-disclosures-more-meaningful.pdf?>

(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)

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Practice Statement 2 Making Materiality Judgments

IASB has issued the *Practice Statement 2 Making Materiality Judgments* with the objective to provide practical guidance on how to make materiality judgements when preparing financial statements in accordance with IFRS Standards.

The concept of materiality is important in the preparation of financial statements, because it helps companies make judgments and decisions about the recognition, measurement, presentation and disclosure.

Through the Practice Statement, IASB aims to drive the behavioral change by encouraging preparers of financial statements to apply judgement instead of using IFRS requirements as a checklist. With the use of this guidance it is expected that management would be more clear and confident in applying and exercising materiality related judgement.

Practice Statement 2 Making Materiality Judgments and related IASB publications can be accessed at: <http://www.ifrs.org/issued-standards/materiality-practice-statement/>

Members are advised to take note and guidance from the above publications.

Yours truly

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Director Technical Services

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