Comment on ED/2014/1 “Disclosure Initiative”

Question 1—Disclosure Initiative amendments

The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement.

The proposed amendments relate to:

(a) materiality and aggregation (see paragraphs 29–31 and BC1–8 of this Exposure Draft);

(b) statement of financial position and statement of profit or loss and other comprehensive income (see paragraphs 54, 55A, 82, 85A and 85B and BC9–BC15 of this Exposure Draft);

(c) notes structure (see paragraphs 113–117 and BC16–BC19 of this Exposure Draft); and

(d) disclosure of accounting policies (see paragraphs 120 and BC20–BC22 of this Exposure Draft).

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

As a preparer of financial statements according to IFRS we highly welcome the Boards’ “Disclosure Initiative”. The discussion on the structure and content of the “Notes” section of financial statements gained momentum in recent months with a focus on the sometimes considerable overload of the disclosure section. Although the issue has to be further dealt with in the context of the Conceptual Framework Project we welcome the narrower focus adjustments and their practical approach proposed in the ED. The clarification that materiality considerations shall not be limited to the “primaries” but shall be consistently applied to the disclosed information as well will help preparers to set-up more readable and better focussed financial statements.

The amendments made to IAS 1.31 (apply materiality on disclosures even if they are requested by specific IFRSs) will help to avoid “boiler-plate” notes which in the past became almost a standard by themselves as most auditors (and their IFRS desks) heavily relied on checklists thereby giving more weight to absolute completeness than to the provision of really relevant information.

We support the Boards intention to give preparers the possibility to put more emphasis on entity-specific information by clarifying that the structure of the statement of financial position as well as the one for profit and loss as outlined in IAS 1 shall be amended (or shortened, if irrelevant), if additional line items serve the purpose of a deeper insight into the entity’s business. However we think that the wording of IAS 1.55 and the paragraph added to IAS 1.54 are more or less redundant so one of the two could be skipped or both could be merged.

Furthermore we welcome the Board’s clarification that the structure of the “Notes” section of financial statements should be set-up in a way that enables users to find related information in the same section of the disclosures no matter if several parts of it are covered by different IFRS’s and thus have so far been reported in different sections. Moreover IAS 1.113A provides the reporting entities with some leeway in structuring their disclosures in a way that puts emphasis on the critical parts of their business and the related financial information whereas “also ran” items can be shown less prominently. However the consistency of the whole package will still be guaranteed by IAS 1.115 which requires cross-references between the “primaries” and the related disclosures.
As far as the topic “disclosure of significant accounting policies” is concerned we agree that additional work must be done to clarify to which aspect the term “significant” relates. From our perspective as a preparer we would see a clear relationship between the importance of a specific item in the statement of financial position (e.g. in the case of waste management this could be the environmental provisions) and the related IFRS regulations (e.g. IAS 37 and IFRIC 1) whereas other items are of minor importance and almost no guidance on accounting policies is necessary. The same should hold for the meanwhile extensive disclosures on the (possible) impact of new IFRSs and IFRICs on present and/or future financial statements of the reporting entity. The impact analysis for such changes shall be omitted as in many cases it is just a repetition of negative assurances (…"will have no significant impact on the financial statements...").

**Question 2—Presentation of items of other comprehensive income arising from equity-accounted investments**

Do you agree with the IASB’s proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paragraphs 82A, BC1–BC6 and the Guidance on implementing IAS 1)?

If not, why and what alternative do you propose?

**Disclosure Initiative (Proposed Amendments to IAS 1)**

We fully agree with the Board’s proposal to show all OCI items from equity-accounted investments without further split to their nature and allocating them to recyclables and non-recyclables.