



Project **IAS 1 *Presentation of Financial Statements***

Topic **Comparative Information**

Introduction

1. In January 2010, the staff became aware of issues in IAS 1 *Presentation of Financial Statements* related to the requirements for comparative information. Specifically, a diversity of views exists as to the requirements for comparative information when an entity provides individual financial statements beyond the minimum comparative information requirements. These issues are a result, at least in part, of guidance added as part of the 2007 revision of IAS 1. Those revisions became effective for annual periods beginning on or after 1 January 2009 (and are therefore applicable for entities with calendar years ending on or after 31 December 2009).
2. The staff requests the IFRIC consider:
 - (a) if the IFRIC expects diversity may occur in practice;
 - (b) if the IFRIC recommends some form of additional guidance be issued by way of either:
 - (i) an IFRIC Interpretation, or
 - (ii) by recommending the Board add the issue to its *Annual Improvements* project.
3. The objective of this Agenda Paper is to obtain an IFRIC [tentative] decision on these issues. This Agenda Paper includes:
 - (a) an [overview of the issues](#);
 - (b) an analysis in the context of current IFRSs for:

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRIC or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in IFRIC *Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in IASB *Update*.

- (i) [Issue 1 – comparative information](#), and
- (ii) [Issue 2 – opening balance sheet](#);
- (c) [IFRIC agenda criteria](#);
- (d) [staff recommendations](#) and other information; and
- (e) [questions for the IFRIC](#).

Overview of the issues

- 4. The issues underlying the diversity of views can be separated into two issues:
 - (a) **Issue 1** – the requirements for ‘compliance with IFRSs’ and ‘**comparative information**’ and their interaction with the concept of ‘equal prominence’ introduced as part of the 2007 revision of IAS 1.
 - (b) **Issue 2** – The resulting answer to Issue 1 and its interaction with the new requirement for all existing IFRS users of an ‘**opening balance sheet**’ in specific circumstances that was introduced as part of the 2007 revision of IAS 1.

Issue 1 – Comparative information

General background

- 5. For many years, IAS 1 has included the concepts of ‘compliance with IFRSs’ and ‘comparative information’, that are described in paragraphs 16 and 38-39 of IAS 1 (revised 2007) (similar to the previous requirements of paragraphs 14 and 36 of IAS 1 (revised 2003)):

16 An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.

Comparative information

38 Except when IFRSs permit or require otherwise, an entity shall disclose comparative information in respect of the

previous period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

39 An entity disclosing comparative information shall present, as a minimum, two statements of financial position, two of each of the other statements, and related notes. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. An entity presents statements of financial position as at:

- (a) the end of the current period,
- (b) the end of the previous period (which is the same as the beginning of the current period), and
- (c) the beginning of the earliest comparative period.

6. The concept of 'equal prominence' is one of the additional concepts added as a result of the revisions to IAS 1. This concept is described in paragraphs 11 and BC22 of IAS 1 (revised 2007):

11 An entity shall present with equal prominence all of the financial statements in a complete set of financial statements.

Equal prominence (paragraphs 11 and 12)

BC22 The Board noted that the financial performance of an entity is not assessed by reference to a single financial statement or a single measure within a financial statement. The Board believes that the financial performance of an entity can be assessed only after all aspects of the financial statements are taken into account and understood in their entirety. Accordingly, the Board decided that in order to help users of the financial statements to understand the financial performance of an entity comprehensively, all financial statements within the complete set of financial statements should be presented with equal prominence.

7. The issue raised concerns instances where an entity provides selected additional financial statements in addition to those required as a minimum within a complete set of financial statements prepared in accordance with IFRSs. For

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example, a calendar year end entity that provides the following financial statements for its year ended 31 December 2009:

- (a) 2 statements of financial position as at 31 December 2009 and 2008
 - (b) 3 statements of each of the following for the year 2009, 2008 and 2007:
 - (i) Statement of comprehensive income,
 - (ii) Statement of changes in equity, and
 - (iii) Statement of cash flows.
8. The staff is aware of regulatory requirements in multiple jurisdictions that require selected additional financial statements beyond the minimum explicitly stated within IAS 1 (in a format similar to the above example).

Question asked within Issue 1

9. If one or more of the financial statements is presented for a comparative period that is in excess of the minimum comparative information required by paragraphs 38-39 of IAS 1 (revised 2007), is it necessary to provide all of the financial statements for that comparative period? Specifically in respect of the example in the background to Issue 1 of this Agenda Paper, given that the entity has provided statements of comprehensive income, changes in equity and cash flows for the three years ended 31 December 2009, 2008 and 2007, is the entity required to present a 3rd statement of financial position as at 31 December 2007 (in addition to those already being presented as at 31 December 2009 and 2008)?

View A – Yes, All financial statements are required for any period any financial statement is presented

10. View A is supported by the newly added paragraph 11 of IAS 1 (revised 2007) requiring that all financial statements be presented in a complete set of financial statements. The rationale for the Board's inclusion of this requirement is stated in paragraph BC22 in which 'The Board believes that the financial performance of an entity can be assessed only after all aspects of the financial statements are taken into account and understood in their entirety.' Further, '...in order to help users of financial statements to understand the financial performance of an entity

comprehensively, all financial statements within the complete set of financial statements should be presented with equal prominence.’

11. Supporters of View A also rebut the notion that paragraphs 10, 38 and 39 of IAS 1 (revised 2007) provide an exhaustive list of the financial statements that may be presented. Rather, supporters of View A note that paragraph 39 of IAS 1 (revised 2007) explicitly states ‘as a minimum’. So, in instances where an entity provides financial statements beyond the ‘minimum’ the entity must continue to comply with all other requirements of IFRSs including paragraph 11 of IAS 1 (revised 2007).
12. Therefore, supporters of View A believe that if an entity decides to present one (or more) financial statement for a comparative period (in excess of the minimum requirements) the entity must present all financial statements within that period. If the entity does not present all financial statements for that additional comparative period, supporters of View A believe that users will not be able to comprehensively understand the financial performance of the reporting entity.

View B – No, Only the minimum comparative periods are required for a complete set of financial statements

13. Supporters of View B also believe that paragraphs 10, 11, 38 and 39 of IAS 1 (revised 2007) support their position. However, supporters of View B note that paragraph 39 of IAS 1 (revised 2007) explicitly states ‘as a minimum’. IFRSs generally state the minimum requirements and IFRSs generally permit entities to present any and all additional information the entity deems appropriate (as long as it is in accordance with the current *Framework* and consistent with current other IFRSs).
14. Supporters of View B believe that the focus of paragraph 11 is on ‘equal prominence’ consistent with the subtitle of paragraph BC22. Similarly, the focus is not on the words ‘all of the financial statements’. This focus on ‘equal prominence’ means that all ‘primary’ financial statements listed in paragraph 10 of IAS 1 (revised 2007) should be prominently presented and distinguished from other information in the same published document. This concept is consistent

with the *Identification of financial statements* paragraphs 49–53 of IAS 1 (revised 2007).

15. Further, View B supporters believe that IFRSs provide guidance and requirements to enable an entity to prepare its financial statements for the ‘current period’. Thus the requirements for ‘comparative information’ should always be read in the context of analysing the current period. As the Board acknowledges in paragraph BC32 of IAS 1 (revised 2007), in part, ‘that financial statements from prior years are readily available for financial analysis, except when the financial statements have been affected by retrospective application or retrospective restatement...or when a reclassification has been made.’ (See Issue 2 of this Agenda Paper addressing the presentation of financial statements have been affected by retrospective application or retrospective restatement...or when a reclassification has been made.)
16. Therefore, View B supporters believe that if an entity decides to present one (or more) financial statement for a comparative period (in excess of the minimum requirements), the only requirement in IFRSs is that the additional financial statement presented must be in compliance with the requirements specified for that individual statement. This includes presentation of that additional financial statement comparative period with equal prominence as the other (minimum required) financial statement periods.

Issue 2 – Opening balance sheet

General background

17. The concept of a statement of financial position as at the beginning of the earliest comparative period (‘opening balance sheet’) was also added as a result of the revisions to IAS 1. This concept is included in paragraphs 10(f), 39 and BC31–BC32 of IAS 1 (revised 2007):

Complete set of financial statements

10 A complete set of financial statements comprises:

- (a) a statement of financial position as at the end of the period;
- (b) a statement of comprehensive income for the period;
- (c) a statement of changes in equity for the period;
- (d) a statement of cash flows for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information; and
- (f) a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

An entity may use titles for the statements other than those used in this Standard.

39 An entity disclosing comparative information shall present, as a minimum, two statements of financial position, two of each of the other statements, and related notes. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. An entity presents statements of financial position as at:

- (a) the end of the current period,
- (b) the end of the previous period (which is the same as the beginning of the current period), and
- (c) the beginning of the earliest comparative period.

Comparative information

A statement of financial position as at the beginning of the earliest comparative period (paragraph 39)

BC31 The exposure draft of 2006 proposed that a statement of financial position as at the beginning of the earliest comparative period should be presented as part of a complete set of financial statements. This statement would provide a basis for investors and creditors to evaluate information about the entity's performance during the period. However, many respondents expressed concern that the requirement would unnecessarily increase disclosures in financial statements, or would be impracticable, excessive and costly.

BC32 By adding a statement of financial position as at the beginning of the earliest comparative period, the exposure draft proposed that an entity should present three statements of financial position and two of each of the other statements. Considering that financial statements from prior years are readily available for financial analysis, the Board decided to require only two statements of financial position, except when the financial statements have been affected by retrospective application or retrospective restatement, as defined in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, or when a reclassification has been made. In those circumstances three statements of financial position are required.

18. [Appendix B](#) provides selected excerpts from the large international firms guidance.

Question asked within Issue 2

19. If additional selected comparative financial statements are presented for the comparative periods (consistent with Issue 1 of this Agenda Paper) and a statement of financial position for the beginning of the earliest comparative period presented (opening balance sheet) is required by IFRSs, what is the appropriate date for that statement? In other words, what is the appropriate date for the opening balance sheet? Specifically in respect of the example in the background to Issue 1 of this Agenda Paper, given that the entity has presented three statements of comprehensive income, changes in equity and cash flows for the three years ended 31 December 2009, 2008 and 2007, and the entity has presented two statements of financial position as at 31 December 2009 and 2008, should the ‘statement of financial position for the beginning of the earliest comparative period’ be as at:
- (a) **View C** – the beginning of the earliest comparative period for any financial statement that is presented (**1 January 2007** in the example),
 - (b) **View D** – the ‘closing’ statement of financial position for one period preceding the statements of financial position already presented by the entity (**31 December 2007** in the example), or
 - (c) **View E** – the beginning of the minimum comparative period statement of financial position (**1 January 2008** in the example)?

[Note: View A and View B are used to analyse Issue 1. For the avoidance of confusion, they are not re-used in Issue 2.]

20. The following table details the above Views for ease of consideration:

	View C	View D	View E	
2009	As at 31 Dec 2009 2009 Year	As at 31 Dec 2009 2009 Year	As at 31 Dec 2009 2009 Year	Min. requirements
2008	As at 31 Dec 2008 2008 Year	As at 31 Dec 2008 2008 Year	As at 31 Dec 2008 2008 Year	
	-	-	<i>As at 1 Jan 2008</i>	Issue in question
2007	- 2007 Year <i>As at 1 Jan 2007</i>	<i>As at 31 Dec 2007</i> 2007 Year -	- 2007 Year -	

View C – 1 January 2007

View C – Primary issue

21. View C supports the idea that the ‘earliest comparative period’ means the earliest comparative period for which the entity presents any financial statement. This ensures that all financial statements presented consistently present the effects of the retrospective application of a change in accounting policy or restatement of items that an entity reclassifies in its financial statements. Therefore, in the example, the beginning of the earliest comparative period should be presented as at 1 January 2007.

View C – Additional issue for consideration

22. The application of View C results in an additional issue for consideration. In the example provided in Issue 1 and assuming the entity is required to present a statement of financial position at the beginning of the earliest period presented

of 1 January 2007, is the entity permitted to not present a statement of financial position as at 31 December 2007?

View D – 31 December 2007

23. Supporters of View D believe that paragraph 39(b) of IAS 1 (revised 2007) supports the view for any period presented that ‘the beginning of...period’ is equivalent to ‘the end of the previous period’. Paragraph 39 of IAS 1 (revised 2007) states, in part:
- ...An entity presents statements of financial position as at:
- (a) the end of the current period,
 - (b) the end of the previous period (which is the same as the beginning of the current period), and
 - (c) the beginning of the earliest comparative period.
24. Additionally, for entities presenting a different number of comparative periods in the various financial statements (i.e. Issue 1 of this Agenda Paper), those supporting View D believe that both Issues 1 and 2 are addressed by this interpretation of ‘beginning of the earliest comparative period presented’. Therefore, in the example, the beginning of the earliest comparative period should be presented as at 31 December 2007.
25. Paragraph 106(b) IAS 1 (revise 2007) requires an entity to present in the statement of changes in equity ‘the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8’. Paragraph 33 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* requires an entity to ‘adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.’
26. View D acknowledges that there will not be a statement of financial position with equity balances that correspond to the beginning balances in the statement of changes in equity (or statement of cash flows).

View E – 1 January 2008

27. Supporters of View E believe that the ‘beginning of the earliest comparative period’ must be read in the context of the minimum requirements within IFRSs. Additionally, paragraph 39 of IAS 1 (revised 2007) lists the three required statements of financial position. Therefore, in the example, the beginning of the earliest comparative period should be presented as at 1 January 2008.
28. View E acknowledges that there will not be a statement of financial position as at the end of 2007. There will also not be a statement of financial position agreeing to the beginning balances in the statement of changes in equity or cash flows.

IFRIC agenda criteria

29. The staff’s preliminary assessment of the agenda criteria is as follows:

(a) *Is the issue widespread and practical?*

Yes. The staff is aware of at several jurisdictions with filing requirements that include a different number of comparative periods for the various financial statements included in a complete set of financial statements. The issues is also potentially relevant to all IFRS preparers that desire to provide comparative financial statements in excess of the minimum requirements.

(b) *Does the issue involve significantly divergent interpretations (either emerging or already existing in practice)?*

Yes. We are aware of two views evolving, as presented above.

(c) *Would financial reporting be improved through elimination of the diversity?*

Yes. Financial reporting would be improved if consensus was reached on the minimum requirements for comparative financial statements. Current diversity results in some entities requiring additional effort to comply with their view of IFRSs vs other entities that take an opposing view of IFRSs.

(d) *Is the issue sufficiently narrow in scope to be capable of interpretation within the confines of IFRSs and the Framework for the Preparation and*

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Yes. The issue is sufficiently narrow in scope as it relates exclusively to the presentation of comparative information and the potential related impacts on the requirement to present a statement of financial statement presentation for the earliest period presented, in certain circumstances.

- (e) *If the issue relates to a current or planned IASB project, is there a pressing need for guidance sooner than would be expected from the IASB project? (The IFRIC will not add an item to its agenda if an IASB project is expected to resolve the issue in a shorter period than the IFRIC would require to complete its due process.)*

There is an active project on *Financial Statement Presentation* that is currently expected to result in the publication of an exposure draft in Q2 2010 and the issue of a final standard in H1 2011.

However, it is anticipated that the final standard will not be mandatorily effective before 1 January 2013. Therefore, these issues will likely exist for 5 or more years.

An Interpretation or an amendment included within the *Annual Improvements* project would likely be more timely than the Board's *Financial Statement Presentation* project.

Staff recommendations

30. In the staff's opinion, the **current wording** in paragraph 11 of IAS 1 (revised 2007) provides guidance on Issue 1 of this Agenda Paper that in the circumstances when an entity presents one or more financial statements for comparative periods beyond the minimum 1 comparative period requirement, that all financial statements within that comparative period are required.
31. Additionally, in the staff's opinion, paragraph 10(f) of IAS 1 (revised 2007) provides guidance on Issue 2 of this Agenda Paper specifying that in the circumstances when an entity is required to present a statement of financial position as at the beginning of the earliest comparative period, 'the beginning' is the first day of the period and 'the earliest comparative period' is the earliest period that is presented for any of the financial statements.

32. However, despite the current wording in IAS 1 (revised 2007), the staff's opinion is that the **underlying principle** and Board's supporting rationale is that only the minimum comparative requirements must be provided to permit a user of financial statements to properly analyse an entity. To the extent an entity decides to present additional limited comparative information (for example, an additional statement of comprehensive income), the entity is permitted to do so as long as that comparative information for that one statement complies with all current IFRSs for that one statement. In the staff's opinion, the addition of that additional financial statement that is created in accordance with current IFRSs and presented with equal prominence as the other periods does not cause the information presented in accordance minimum financial statement requirements to be misleading.
33. Therefore, given the potential diversity of views in practice, the potential diversity between the current wording within IAS 1 (revised 2007) and the underlying intent and the interlinked relationship between Issues 1 and 2 of this Agenda Paper, the staff proposes the IFRIC recommend the Board add these issues to its *Annual Improvements* project..

Proposed drafting for review by the IFRIC

34. [Appendix A](#) sets out the staff's proposed drafting to be included in the IFRIC Update.

Questions for the IFRIC

35. The staff request the IFRIC to address the following questions:

Question 1 – comparative period

Does the IFRIC support View A or View B for Issue 1 (comparative period) of this Agenda Paper if one or more of the financial statements presented for a comparative period that is in excess of the minimum comparative information required by paragraphs 38-39 of IAS 1 (revised 2007), is it necessary to provide all of the financial statements for that comparative period?

View A – Yes, All financial statements are required for any period any financial statement is presented.

View B – No, Only the minimum comparative periods are required for a complete set of financial statements. Presenting selected additional comparative information is acceptable, provided it is not misleading. That is, the additional financial statement must be prepared and in accordance with current IFRSs and presented with equal prominence as the other periods.

Question 2 – Need for clarification of comparative information

Does the IFRIC believe the current guidance in IAS 1 is sufficient regarding comparative information?

Alternatively, does the IFRIC decide to: (a) take Issue 1 onto its agenda or (b) recommend the Board include Issue 1 in the *Annual Improvements* project or (c) recommend the Board start a new separate project to address Issue 1 in a timely manner?

Question 3 – Need for clarification of opening balance sheet date

Does the IFRIC believe the current guidance in IAS 1 is sufficient regarding Issue 2 (the statement of financial position as at the beginning of the earliest comparative period (i.e. opening balance sheet))?

Alternatively, does the IFRIC decide to: (a) take Issue 2 onto its agenda or (b) recommend the Board include Issue 2 in the *Annual Improvements* project or (c) recommend the Board start a new separate project to address Issue 2 in a timely manner?

Appendix A – Drafting for the IFRIC Update

- A1. The staff proposes the following **drafting** based on the staff recommendations and questions asked of the IFRIC for draft wording for the IFRIC Update.
- A2. Clarification of existing guidance recommended to Board to be added to its *Annual Improvements* project.

IAS 1 *Presentation of Financial Statements* – Comparative Information

The IFRIC discussed issues in IAS 1 *Presentation of Financial Statements* related to the requirements for comparative information. Specifically, a diversity of views exists when an entity provides individual financial statements beyond the minimum comparative information requirements. One issue relates to the interaction between the requirements for compliance with IFRSs and comparative information and the concept of 'equal prominence'. The second issue relates to the determination of the 'as at' date in instances when a statement of financial position as at the beginning of the earliest comparative period is required.

The IFRIC noted that paragraphs BC22 and BC32 provide the Board's rationale that includes an emphasis on analysis of the financial statements of the current period. The IFRIC believes that the potential exists for the current guidance in IAS 1 that may lead to diversity in practice.

Therefore, the IFRIC decided to recommend the Board add these issues to its *Annual Improvements* project and clarify that only the minimum comparative periods are required for a complete set of financial statements. Additional financial statements are permitted to be presented beyond the minimum requirements as long as the additional financial statements are presented with equal prominence to the related required financial statements and provide all information required by IFRSs applicable for that financial statement.