
Project	Annual Improvements – 2009–2011 cycle
Topic	IAS 1 <i>Presentation of Financial Statements</i> – Comparatives in financial statements

Introduction

1. 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.
2. These diverging views are related to the guidance added as part of the 2007 revision of IAS 1. The revised IAS 1 became effective for annual periods beginning on or after 1 January 2009. The revision is therefore applicable to entities with calendar years ending on or after 31 December 2009.

Purpose of this paper

3. The purpose of this paper is to ask the Board whether it approves an annual improvement to IAS 1 *Presentation of Financial Statements* that would clarify the requirements related to comparative information.
4. This paper:
 - (a) provides background information and explains the issue;
 - (b) makes a recommendation for:

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

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 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 IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

IASB Staff paper

- (i) a proposed amendment to IAS 1 as presented in Appendix A,
 - (ii) an assessment of the proposed amendment against the criteria for inclusion in *Annual Improvements*;
- (c) asks the Board whether they agree with the recommendation.

Background information

5. At its March 2010 meeting, the Interpretations Committee discussed two issues in IAS 1 related to the requirements for comparative information for an entity that provides some, but not all individual financial statements beyond the minimum comparative information requirements:
- (a) The interaction of the requirements for compliance with IFRSs, the requirements for comparative information and the concept of 'equal prominence'.
 - (b) The determination of the relevant date in instances when a statement of financial position as at the beginning of the earliest comparative period is required in accordance with paragraph 39 of IAS 1.
6. At that meeting, the Interpretations Committee provided preliminary views that were incorporated into the 11 March 2010 Board meeting deliberating the broader *Financial Statement Presentation* (FSP) project:
- (a) Only one comparative period is required for a complete set of financial statements. Presenting one or more financial statements for additional comparative periods is acceptable, provided it is not misleading. That is, any additional financial statement presented must be prepared in accordance with current IFRSs and must be presented with the same prominence as the required financial statements.

IASB Staff paper

- (b) An opening statement of financial position for that one comparative period is the only additional statement that an entity is required to present to be in compliance with IFRSs when there is a change in accounting policy, restatement or reclassification.
7. At its meeting in May 2010, the Interpretations Committee reviewed and agreed with the Board's tentative decisions that were incorporated into the FSP staff draft published in July 2010 based on the views expressed in subparagraphs 6(a) and (b) above.
 8. At the IFRS Interpretations Committee meeting in September 2010, the Interpretations Committee agreed with the staff proposal to recommend that the Board add this issue to the 2009–2011 *Annual Improvements* cycle.

Proposed amendment to IAS 1

9. Paragraphs 38 to 44 of IAS 1 (revised 2007) set the requirements for providing comparative information. Consistent with the FSP staff draft proposals, the staff recommends the following amendments to IAS 1 (revised 2007):
 - (a) amend paragraph 10 to clarify that required comparative information in paragraphs 38 to 40 is part of a complete set of financial statements, and
 - (b) amend and rearrange paragraphs 38 to 41 to set minimum requirements for comparative information. The staff also recommends splitting paragraph 39 into further explanatory paragraphs to clarify the requirements for comparative information when there is a change in an accounting policy, a retrospective restatement or a reclassification (see proposed paragraphs 39A–39B and 40A–40B).

IASB Staff paper

Annual Improvements criteria assessment**Assessment against current criteria**

10. The existing criteria for deciding of the inclusion in the 2009-2011 *Annual Improvements* cycle are that the change is non-urgent and necessary.
11. The staff notes that while clarifying the requirements in IAS 1 for comparative information, the proposed amendment does not change an existing principle or introduce a new principle. Therefore, the staff believes that the proposed improvement meets the existing criteria for inclusion in the 2009-2011 *Annual Improvements*.

Assessment against the proposed new criteria

12. The IFRS Foundation has exposed for public comments proposed enhanced criteria as part of an amendment to the Due Process Handbook. The comment period ends 30 November 2010.
13. The staff proposes an assessment of the inclusion of the issue against the proposed enhanced criteria reproduced in full below:
 - (a) The proposed amendment has one or both of the following characteristics:
 - (i) clarifying—the proposed amendment would improve IFRSs by:
 - clarifying unclear wording in existing IFRSs, or
 - providing guidance where an absence of guidance is causing concern.A clarifying amendment maintains consistency with the existing principles within the applicable IFRSs. It does not propose a new principle, or a change to an existing principle.
 - (ii) correcting—the proposed amendment would improve IFRSs by:
 - resolving a conflict between existing requirements of IFRSs and providing a straightforward rationale for which existing requirement should be applied, or

IASB Staff paper

- addressing an oversight or relatively minor unintended consequence of the existing requirements of IFRSs.

A correcting amendment does not propose a new principle or a change to an existing principle, but may create an exception from an existing principle.

- (b) The proposed amendment has a narrow and well-defined purpose, ie the consequences of the proposed change have been considered sufficiently and identified.
 - (c) It is probable that the IASB will reach conclusion on the issue on a timely basis. Inability to reach agreement on a timely basis may indicate that the cause of the issue is more fundamental than can be resolved within annual improvements.
 - (d) If the proposed amendment would amend IFRSs that are the subject of a current or planned IASB project, there must be a pressing need to make the amendment sooner than the project would.
14. In the staff's opinion, the issue satisfies the above proposed *Annual Improvements* criteria:
- (a) In the staff's opinion, the change proposed is a clarification on requirements related to comparative information and does not introduce a new principle nor modifies an existing principle.
 - (b) In the staff's opinion, the change proposed is limited to situations where entities provide some financial statements beyond the minimum comparative information requirements.
 - (c) The staff notes that the proposed change has already been discussed tentatively at a previous Board meeting in the context of the FSP project. The issue is now one of timing. The staff believes that though the change may not be urgent enough to require a separate amendment outside of the *Annual Improvements* process, the FSP project has only recently issued a staff draft. As stated in the current IASB work plan, the corresponding standard is likely to be issued in the second half of 2011 with an effective date most likely later than 1 January 2013. The proposed effective date

IASB Staff paper

for the proposed improvements included in the *Improvements to IFRSs* exposure draft to be published in October 2010 will be 1 January 2012.

- (d) In the staff's view, and after considering feedback received from some constituents, the proposed recommendation should be included in the October 2010 *Annual Improvements* ED to provide the improved clarity sooner than can be achieved through the FSP project.

Transition provisions

- 15. The staff is of the opinion that transition provisions should follow the general principles in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and entities should apply the amendment retrospectively.

Consequential amendments

- 16. The staff has identified no relevant consequential amendments to other IFRSs that could arise from the changes proposed to IAS 1.

Recommendation

- 17. The Interpretations Committee recommends that the Board amend IAS 1 through the *Annual Improvements* project to clarify comparative information requirements.
- 18. The proposed amendment wording is included in Appendix A.

IASB Staff paper

Questions to the Board

19. The Interpretations Committee discussed this issue and agreed to recommend that the Board should include this issue in the *Annual Improvements* 2009-2011 cycle.

Question 1 – Committee recommendation on the need for the amendment

Does the Board agree with the Interpretations Committee recommendation to amend IAS 1 as proposed in paragraph 9?

Question 2 – Staff assessment of the proposed amendment against the criteria for inclusion in the *Annual Improvements*

Does the Board agree with the inclusion of the proposed amendment to IAS 1 in the *Annual Improvements* cycle for 2009-2011?

Question 3 – Wording for the proposed amendment

Does the Board agree with the wording for the proposed amendment as set out in Appendix A?

Appendix A - Drafting for proposed amendment

This appendix includes drafting of the proposed amendment. It is based on the text included in the most recently issued standards (including the *Improvements to IFRSs* issued in May 2010). New text is underlined and deleted text is struck through.

Proposed amendment to IAS 1 *Presentation of Financial Statements*

Introduction

The Board proposes the following amendment to IAS 1 *Presentation of Financial Statements*.

Clarification of requirements for comparative information

The Board proposes to amend IAS 1 (revised 2007) to clarify the requirements for providing comparative information when an entity provides individual financial statements beyond the minimum comparative information requirements.

Proposed amendment to IAS 1 *Presentation of Financial Statements*

Paragraphs 10, 38, 40 and 41 are amended (new text is underlined and deleted text is struck through). Paragraph 39 is deleted. Paragraphs 39A, 39B, 40A, 40B and 139G are added.

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) comparative information as required by paragraphs 0–40; and
 - (g)(f) a statement of financial position as at the beginning of the earliest required comparative period if applicable (see paragraph 40A). ~~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. [Based on paragraph 9 in the FSP staff draft]

**IASB Staff paper
Appendix A**

Comparative information

- 38 **Except when IFRSs permit or require otherwise, an entity shall ~~disclose~~ present comparative information in respect of the previous period (the required comparative period) for all ~~amounts reported~~ line items presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information ~~when if~~ if it is relevant to an understanding of the current period's financial statements. [Based on paragraph 33 in the FSP staff draft]**
- 39 ~~[Deleted] 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.~~
- 39A An entity shall present, as a minimum, two statements of financial position, comprehensive income, cash flows and changes in equity, and related notes. [Based on paragraph 35 in the FSP staff draft and IAS 1.39]**
- ~~39B An entity may present additional comparative information for periods prior to the required comparative period as long as that information is prepared in accordance with IFRSs. An entity may present additional comparative information in one or more statements without presenting additional comparative information in other statements. For example, an entity presents amounts for three periods (the current period, the required comparative period and one additional comparative period) in its statement of comprehensive income. The entity is not required to present amounts for that third (additional comparative) period in its statements of financial position, cash flows and changes in equity. However, the entity shall present additional comparative information in the notes to financial statements related to that additional statement of comprehensive income. [Based on paragraph 36 in the FSP staff draft and IAS 1.39]~~
- 39 In some cases, narrative information provided in the financial statements for the ~~previous period(s)~~ required comparative period continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the ~~immediately preceding reporting period~~ required comparative period and that is yet to be resolved. Users benefit from the information that the uncertainty existed at the end of the ~~immediately preceding reporting period,~~ required comparative period and also from information about the steps that have been taken during the period to resolve the uncertainty. [Based on paragraph 34 in the FSP staff draft]

Change in accounting policy, retrospective restatement or reclassification

- 40A An entity shall present an additional statement of financial position as at the beginning of the required comparative period if it applies an accounting principle retrospectively, restates its financial statements or reclassifies items in its financial statements. [Based on paragraph 37 in the FSP staff draft and IAS 1.39]**
- ~~40B In those circumstances an entity shall present, as a minimum, three statements of financial position and two of each of the other statements and related notes (except related note disclosures for the opening statement of financial position). An entity presents statements of financial position as at:~~
- ~~(a) the end of the current period;~~
 - ~~(b) the end of the required comparative period; and~~
 - ~~(c) the beginning of the required comparative period.~~

**IASB Staff paper
Appendix A**

The date of that opening statement of financial position shall be as at the beginning of the required comparative period regardless of whether an entity's financial statements present comparative information for earlier periods (as discussed in paragraph 39B). [Based on paragraph 38 in the FSP staff draft and IAS 1.39]

- 41 ~~When the~~ **If an entity changes the presentation or classification of items in its financial statements, the entity it shall reclassify comparative amounts unless reclassification is impracticable. When the an entity reclassifies comparative amounts, the entity it shall disclose as at the beginning of the required comparative period:**
- (a) **the nature of the reclassification;**
 - (b) **the amount of each item or class of items that is reclassified; and**
 - (c) **the reason for the reclassification.** [Based on paragraph 39 in the FSP staff draft]

Transition and effective date

- 139G Improvements to IFRSs issued in [date] amended paragraphs 10, 38, 40 and 41, deleted paragraph 39 and added paragraphs 39A, 39B, 40A, 40B. An entity shall apply this amendment for annual periods beginning on or after 1 January 2012. Earlier application is permitted.

Basis for Conclusions on proposed amendment to IAS 1 *Presentation of Financial Statements*

This Basis for Conclusions accompanies, but is not part of, the proposed amendment.

Clarification of requirements for comparative information

- BC1 The Board was asked to clarify the requirements for providing comparative information and specifically to consider whether an entity should be required to present a complete set of financial statements when an entity provides individual financial statements beyond the minimum comparative information requirements (ie for more than two periods). In March 2010, the Board proposed that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements because the information would be presented voluntarily. The Board also proposed that paragraphs 38–41 in IAS 1 (revised 2007) be amended to further clarify the requirements for providing comparative information. [Based on paragraph BC56 in the FSP staff draft]