

STAFF PAPER

20 May – 24 May 2013

IASB Meeting

Project	Annual Improvements to IFRSs—2012-2014 cycle		
Paper topic	Disclosure of information “elsewhere in the interim financial report”		
CONTACT(S)	Won-Hee Han	whan@ifrs.org	+44 (0)20 7246 6960

This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

Introduction

1. At its meeting in November 2012, the IFRS Interpretations Committee (the Interpretations Committee) reviewed an issue for potential resolution through the *Annual Improvements to IFRSs 2012-2014 cycle*.
2. The Interpretations Committee tentatively decided to recommend that the IASB should proceed with the issue through the *Annual Improvements process*.
3. This paper discusses the following one issue:
 - (a) IAS 34 *Interim Financial Reporting*— Disclosure of information “elsewhere in the interim financial report”

Purpose of this paper

4. The objective of this paper is to:
 - (a) present background information for the issue and give an overview of our analysis of the issue;
 - (b) explain the rationale for the Interpretations Committee’s decision to recommend that the IASB should amend the relevant standards through the *Annual Improvements*; and

- (c) ask for the IASB's agreement with the Interpretations Committee's recommendation.

Background information

5. The IFRS Interpretations Committee (the Interpretations Committee) received a request to clarify the meaning of “interim financial report” in IAS 34. The submitter thinks that the definition of the term “interim financial report” in paragraph 4 of IAS 34 is not sufficiently clear with respect to whether the “interim financial report” covers only the information reported under IFRS (meaning the IFRS interim financial statements) or more generally also includes management reports or other elements in addition to IFRS interim financial statements.
6. The issue is whether the required information which is referred to as (potentially) being presented “elsewhere in the interim financial report” should be provided in the notes to the interim financial statements or may be presented elsewhere. Paragraph 16A of IAS 34 explicitly refers to disclosure of information “elsewhere in the interim financial report” (emphasis added).

In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, if not disclosed **elsewhere in the interim financial report**. The information shall normally be reported on a financial year-to-date basis.

(a)...

7. The submitter argues that there is diversity in practice on whether the disclosure requirement of paragraph 16A can be provided in a management report (outside the interim financial statements). The submitter refers to two current practices:
 - (a) **View 1** – all required disclosures should be included in the interim financial statements; and
 - (b) **View 2** – some of the disclosures required by IAS 34 may be given in the interim financial report, but outside of the interim financial statements.

Summary of the staff's analysis

8. The following is a summary of the analysis presented to the Interpretations Committee in November 2012. Our full analysis was set out in Agenda paper 16¹ for the November IFRS IC meeting.
9. We think that the guidance in paragraph 16A of IAS 34 referring to the inclusion of certain required disclosures “elsewhere in the interim financial report” is consistent with View 2.
10. This issue on the meaning of the interim financial report is likely to be caused by an ambiguous position on whether information belongs in the notes to the financial statements or in management commentary. The IASB noted the issue of placement in developing the IFRS Practice Statement *Management Commentary* and acknowledged that until the Conceptual Framework project is completed², overlap will exist between the type of information that is disclosed in the notes to the financial statements and the type of information that is disclosed in management commentary. Paragraph BC50-52 of the IFRS Practice Statement *Management Commentary* states:

BC50 The Board noted that neither IFRSs nor the Conceptual Framework include principles to guide the Board's approach for establishing disclosure requirements. Thus, it is not always clear whether information belongs in the notes to the financial statements or in management commentary.

BC51 In December 2007 the Board decided to defer its work on a framework for disclosure and instead wait for the phase Boundaries of financial reporting, and presentation and disclosure (phase E) of the conceptual framework project. The Board noted that phase E includes the development of disclosure principles. Consequently, the Board views phase

¹ Please refer to http://AP16_IFRS_IC_November2012.

² The IASB is currently preparing for publishing a Discussion Paper for the Conceptual Framework. [Agenda Paper 10G\(a\)](#) for the IASB April 2013 meeting can be referred to for the most recent discussion regarding the boundaries of financial reporting.

E of the conceptual framework as the appropriate project to resolve questions about the placement of disclosures in the financial reports.

BC52 The Board acknowledges that until phase E is completed, overlap will exist between the type of information that is disclosed in the notes to the financial statements and the type of information that is disclosed in management commentary. In the light of this overlap, the Board decided that it was important to establish management commentary as a disclosure tool, before resolving questions of placement.

11. We think that IFRS 7 *Financial Instruments: Disclosures* would be a good example for helping resolve questions of placement before the Conceptual Framework project is completed. Paragraph B6 of IFRS 7 states:

B6 The disclosures required by paragraphs 31–42 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.

12. We think that the inclusion of a cross-reference from the interim financial statements to the location of the information, that is required by IAS 34, but which is presented outside the financial statements, would be helpful in alerting a reader to the location of that information.
13. We note that IAS 34 does not require a cross-reference to the disclosures presented elsewhere. However, paragraph 113 of IAS 1 requires an entity to present notes in a systematic manner and to cross-reference each item in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes. Consequently, the inclusion of cross-reference in IAS 34

would be consistent with the requirements in IAS 1. Paragraph 113 of IAS 1 is as follows:

113 An entity shall, as far as practicable, present notes in a systematic manner. An entity shall cross-reference each item in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows to any related information in the notes.

14. On the basis of our analysis, we proposed to amend paragraph 16A of IAS 34, through Annual Improvements, to clarify the meaning of disclosure of information “elsewhere in the interim financial report” and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.

Interpretations Committee’s recommendation to the IASB

15. The Interpretations Committee agreed with the staff’s analysis and recommendation and concluded that paragraph 16A of IAS 34 should be amended through Annual Improvements.
16. Consequently, the Interpretations Committee recommend that the IASB should address this issue through Annual Improvements.
17. Draft wording for the proposed amendments has been set out in **Appendix A**.

Annual improvements criteria assessment

18. The staff’s assessment of the agenda criteria³ is as follows:

Agenda criteria

We should address issues (5.16):

that have widespread effect and have, or are expected to have, a

No. The feedback from outreach activity indicated that the issue has limited impact. However, the Interpretations Committee concluded that an

³ These criteria can be found in the [IFRS Foundation Due Process Handbook](#) as indicated in the paragraphs below.

<p>material effect on those affected.</p>	<p>amendment should be made through Annual Improvements.</p>
<p>where financial reporting would be improved through the elimination, or reduction, of diverse reporting methods.</p>	<p>Yes. We think that the proposed amendment would promote the consistent application of the guidance in IAS 34 by clearly cross-referencing the placement of the required information.</p>
<p>that can be resolved efficiently within the confines of existing IFRSs and the <i>Conceptual Framework for Financial Reporting</i>.</p>	<p>Yes. We think that requiring cross-referencing the placement of the required information is consistent with existing IFRSs and the <i>Conceptual Framework for Financial Reporting</i>.</p>
<p>In addition:</p>	
<p>Can the Interpretations Committee address this issue in an efficient manner (5.17)</p>	<p>Yes. We think that the proposed amendment should be included as part of the annual improvements project.</p>
<p>Will it be effective for a reasonable time period (5.21)? Only take on the topic of a forthcoming Standard if short-term improvements are justified.</p>	<p>Yes. The proposed amendment will be effective for a reasonable time period. As we have explained above, the proposed improvement is justified.</p>

Additional criteria for annual improvements

<p>In addition to the implementation and maintenance criteria, an annual improvement should (6.11, 6.12):</p>	
<ul style="list-style-type: none"> • Replace unclear wording; • Provide missing guidance; or • Correct minor unintended consequences, oversights or conflict. 	<p>Yes. The proposed amendment clarifies the meaning of disclosure of information “elsewhere in the interim financial report” and provides guidance on how to present notes in a systematic manner.</p>
<p>Not change an existing principle or propose a new principle</p>	<p>Yes. We think that the proposed amendment is not changing an existing principle or proposing a new principle.</p>
<p>Not be so fundamental that the IASB will have to meet several times to conclude (6.14)</p>	<p>Yes. We think that the proposed amendment is not so fundamental that the IASB will have to meet several times to conclude.</p>

Question to the IASB**Question**

Does the IASB agree with the Interpretations Committee's recommendation to propose an amendment through Annual Improvements for this issue?

Appendix A—Draft wording for the proposed amendments

A1. The proposed amendment in IAS 34 is presented below. New text is underlined and amended text is struck through.

16A In addition to disclosing significant events and transactions in accordance with paragraphs 15–15C, an entity shall include the following information, in the notes to its interim financial statements, ~~if not disclosed or~~ elsewhere in the interim financial report. The disclosures below shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to the other part of the interim financial report that is available to users of the interim financial statements on the same terms as the interim financial statements and at the same time. ~~Without the information incorporated by cross-reference, the interim financial statements are incomplete.~~ The information shall normally be reported on a financial year-to-date basis.

- (a) a statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.
- (b) explanatory comments about the seasonality or cyclicity of interim operations.
- (c) the nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.
- (d)

Basis for Conclusions on proposed amendments to IAS 34 *Interim Financial Reporting*

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

- BC1 The IASB received a request to clarify the meaning of “interim financial report” defined in IAS 34 *Interim Financial Reporting*. The issue is whether “elsewhere in the interim financial report” as described in paragraph 16A of IAS 34 means that the required information should be provided in the notes to the interim financial statements or may be presented elsewhere.
- BC2 The IASB proposes amendments to paragraph 16A of IAS 34 to clarify the meaning of disclosure of information “elsewhere in the interim financial report” and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. If disclosures required by IAS 34 are presented elsewhere in the interim financial report other than in the interim financial statements, those disclosures should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.