

STAFF PAPER

January 2014

IASB Meeting

| Project | Amendments to IAS 1 | | |
|-------------|---|---------------------|---------------------|
| Paper topic | Disclosure Initiative amendments—transition and due process | | |
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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*.

Purpose

1. In response to issues considered as part of the Disclosure Initiative, the IASB proposes to make narrow-focus amendments to IAS 1 *Presentation of Financial Statements* (the Amendments to IAS 1). This paper:
 - (a) proposes transition requirements for the Amendments to IAS 1;
 - (b) discusses first-time adoption of the Amendments to IAS 1;
 - (c) sets out the due process steps the IASB has undertaken in developing the *Amendments to IAS 1* Exposure Draft ('the ED');
 - (d) seeks the IASB's permission to ballot the ED; and
 - (e) recommends a comment period for the ED.
2. This paper only covers the Amendments to IAS 1 resulting from the Disclosure Initiative. For the transition proposals and assessment of the due process steps undertaken for the presentation of items of other comprehensive income arising from equity-accounted investments amendments, please refer to Agenda Paper 8B for this meeting.

Background

3. The *Agenda Consultation 2011* recommended that the IASB should review existing disclosure requirements in IFRS and develop a disclosure framework. In

response to this, and to the messages from the Discussion Forum: *Financial Reporting Disclosure*, the IASB started an initiative to look at disclosure.

4. One project under the Disclosure Initiative is to make clarifying amendments to IAS 1, primarily to address the excessively literal interpretations of IAS 1 that we have heard are being applied. This is a short-term project under the Disclosure Initiative. Appendix A shows an overview of the projects under the Disclosure Initiative.
5. A summary of the proposed amendments to IAS 1 can be found in Appendix B.

Transition requirements and first-time adoption

6. As highlighted, the proposed amendments to IAS 1 are clarifying in nature, in most cases to address what we perceive to be excessively literal interpretations of the language used in IAS 1. The amendments affect only disclosure and presentation and do not affect classification, recognition or measurement. The amendments enable an entity to use greater judgement when determining what to disclose, but they do not **require** changes to presentation or disclosure. Consequently, we think that an entity should apply the amendments from their effective date, with earlier application permitted, and that no specific transition provisions are necessary.
7. We also note that an entity will have to apply paragraph 38 of IAS 1, which states:

38 Except when IFRSs permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.
8. This means that any resulting amendments will need to be applied to the current period and, by virtue of paragraph 38 of IAS 1, to that current period's

comparative information. An entity will also have to apply paragraphs 40A–44 of IAS 1.

9. Because the nature of the amendments are clarifying and relate to disclosure and presentation only, we do not think that any specific provisions should be made in IFRS 1 *First-time Adoption of International Financial Reporting Standards* for first-time adopters of IFRS.

Question 1—transition requirements and first-time adoption

Does the IASB agree that:

- (a) the proposed Amendments to IAS 1 should be applied from the effective date of the amendments, with earlier application permitted, and that no specific transition provisions are necessary; and
- (b) no specific provisions should be made for first-time adopters of IFRS for these Amendments to IAS 1?

Permission to ballot and comment period

10. Appendix C summarises the due process steps undertaken so far in developing this Exposure Draft.
11. The *Due Process Handbook* states that the IASB normally allows a minimum period of 120 days for comment on an Exposure Draft.
12. Because of the narrow focus of these amendments, the staff do not see any reason to extend the comment period beyond the minimum comment period. The staff therefore recommend a comment period of 120 days.

Question 2—due process and comment period

- (a) Is the IASB satisfied all due process steps applicable so far have been complied with?
- (b) Does the staff have permission to prepare a ballot draft of the *Amendments to IAS 1* Exposure Draft with a comment period of 120 days?
- (c) Do any IASB members intend to dissent from the proposals?

Appendix A—overview of the Disclosure Initiative

Disclosure Initiative

Ongoing activities

Short-term steps

Medium-term steps

Digital reporting
New EDs

Amendments to IAS 1

Materiality – assessment of existing guidance

Research project–IAS 1, IAS 7, IAS 8 and FSP project

Research project–review of existing Standards

Appendix B—summary of the proposed amendments to IAS 1

| Amendment | Potential paragraph amended | Discussed at which Board meeting |
|---|-----------------------------|----------------------------------|
| Materiality—clarify that the concept of materiality applies to the specific disclosure requirements set out in Standards and that materiality applies to both the primary financial statements and the notes to the financial statements. | 31 | September 2013 |
| Materiality—include a paragraph to highlight that disclosing immaterial information can obscure the material information provided. | Adding 30A | September 2013 |
| Line items—clarify that the line items listed for inclusion in the primary financial statements can be disaggregated and should be disaggregated if that provides relevant information. | 55 | September 2013 |
| Line items—include additional guidance to consider when an entity provides additional totals and subtotals in the statement of financial position and statement of comprehensive income. | Adding 55A and 85A | October 2013 |
| Notes: presentation order—amendments that give entities greater flexibility to present the notes to the financial statements in a varied order. | 113 and 114 | September and November 2013 |
| Significant accounting policies—removal of the income taxes and foreign currency examples. | 119 and 120 | September and November 2013 |

September 2013 Board paper:

<http://www.ifrs.org/Meetings/MeetingDocs/IASB/2013/September/08B-IAS%201.pdf>

October 2013 Board paper (paper 8B):

<http://www.ifrs.org/Meetings/Pages/IASBOctober2013.aspx>

November 2013 Board paper (paper 8A):

<http://www.ifrs.org/Meetings/Pages/IASB-Nov-13.aspx>

Appendix C—due process steps

| <i>Step</i> | <i>Required/ Optional</i> | <i>Metrics or evidence</i> | <i>Actions</i> |
|--|-------------------------------|--|--|
| Board meetings held in public, with papers available for observers. All decisions are made in public session. | Required | <p>Meetings held.</p> <p>Project website contains a full description with up-to-date information.</p> <p>Meeting papers posted in a timely fashion.</p> | <p>The IASB discussed the proposed Disclosure Initiative Amendments to IAS 1 in its September, October, November 2013 and January 2014 meetings. All papers were available to observers.</p> <p>The project website contains a full description with up-to-date information</p> <p>All meetings papers have been posted in a timely fashion.</p> |
| Consultation with the Trustees and the Advisory Council. | Required | Discussions with the Advisory Council. | <p>Disclosure Initiative discussed with Advisory Council at its February 2013 meeting.</p> <p>The Disclosure Initiative Amendments to IAS 1 project was included in the technical update provided to the Advisory Council in October 2013.</p> |
| Consultative groups used, if formed. | Optional | <p>Extent of consultative group meetings, and evidence of substantive involvement in issues.</p> <p>Consultative group review of the draft ED.</p> | Because of the narrow focus of these amendments, no consultative group was deemed necessary. |
| Fieldwork is undertaken to analyse proposals. | Optional | <p>The IASB has described publicly the approach taken on fieldwork.</p> <p>The IASB has explained to the DPOC why it does not believe fieldwork is warranted, if that is the preferred path.</p> <p>Extent of field tests taken.</p> | Because of the narrow focus of these amendments, no fieldwork was deemed necessary. |

| <i>Step</i> | <i>Required/ Optional</i> | <i>Metrics or evidence</i> | <i>Actions</i> |
|---|-------------------------------|---|---|
| Outreach meetings with a broad range of stakeholders, with special effort to consult investors. | Optional | Extent of meetings held. Evidence of specific targeted efforts to consult investors. | Some of the narrow-focus Disclosure Initiative amendments were discussed with CMAC, GPF, WSS and ASAF. No further outreach meetings were deemed necessary because of the narrow focus of these amendments. |
| Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects. | Optional | Extent of, and participation in, webcasts. | Because of the narrow focus of these amendments, no fieldwork was deemed necessary. A live web presentation was given in December 2013 on an overview of the Disclosure Initiative, including the Disclosure Initiative Amendments to IAS 1. |
| Public discussions with representative groups. | Optional | Extent of discussions held. | Some of the Disclosure Initiative narrow focus amendments were discussed with CMAC, GPF and ASAF. No specific public discussions with representative groups were deemed necessary because of the narrow focus of these amendments. |
| Online survey to generate evidence in support of or against a particular approach. | Optional | Extent and results of surveys. | Not required, because these are narrow-focus amendments. |
| The IASB hosts regional discussion forums, where possible, with national standard-setters. | Optional | Schedule of meetings held in these forums. | Not required, because these are narrow-focus amendments. |
| Round-table meetings between external participants and members of the IASB. | Optional | Extent of meetings held. | Not required, because these are narrow-focus amendments. |
| Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs. | Required | Publication of the Effect Analysis as part of the Basis for Conclusions. | Not required, because these are narrow-focus amendments, not a forthcoming Standard or major amendment. |