

## STAFF PAPER

22-24 January 2014

## IASB Meeting

Project	Amendments to IAS 1		
Paper topic	Due process and transition—Presentation of items of other comprehensive income arising from equity accounted investments		
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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. This paper analyses the steps the IASB has undertaken to comply with due process requirements during the development of the portion of the Amendments to IAS 1 Exposure Draft (the ‘ED’) related to the presentation of items of other comprehensive income arising from equity accounted investments. It also proposes the transition requirements for these amendments. This paper is being brought as part of the suite of proposed amendments to IAS 1 resulting from the Disclosure Initiative project.

**Background**

2. In September 2013 the IASB discussed and agreed upon a narrow-focus amendment to IAS 1 to clarify the presentation of items of other comprehensive income (OCI) arising from equity-accounted investments. The issue related to a submission discussed by the IFRS Interpretations Committee in July 2013 that claimed that the presentation requirements in paragraph 82A of IAS 1 were unclear as to whether items of OCI arising from equity-accounted investments should be reported in aggregate as a single line item or by nature. The staff noted that this issue arose as a result of a change in the wording of the presentation requirements from the amendments to IAS 1 made in June 2011. The Interpretations Committee had noted that requiring the presentation by nature of items of OCI arising from equity-accounted investments would be inconsistent

with the requirements for presenting an entity's share of the profit or loss of equity-accounted investments.

3. The Interpretations Committee therefore recommended that the IASB should amend paragraph 82A of IAS 1 and the Implementation Guidance to clarify that items of OCI arising from equity-accounted investments should be presented in aggregate as a single line item, classified by whether those items will or will not be reclassified to profit or loss. All members of the IASB agreed with this recommendation. At that time, it was also agreed to bring this amendment as part of the suite of amendments to IAS 1 resulting from the Disclosure Initiative project.

### **Transition requirements and first time adoption**

4. This portion of the Amendments to IAS 1 is clarifying in nature, and addresses what was observed to be diverse interpretations due to perceived ambiguous language in IAS 1. This amendment to IAS 1 affects only disclosure and presentation, not classification, recognition or measurement. The amendment clarifies how an entity should present amounts of OCI from equity accounted investments. Consequently, the staff think that an entity should apply the amendments from their effective date, with earlier application permitted, and that no specific transition provisions are necessary.
5. The staff 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.**

6. 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.

7. As noted by the staff in September 2013<sup>1</sup>, no relief is considered necessary through any specific provisions in IFRS 1 *First-time Adoption of International Financial Reporting Standards* because this issue is considered to be a clarification of wording to correct a minor unintended consequence due to changes in the language for OCI presentation requirements, and is not a fundamental change.

#### 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

8. The Appendix to this paper summarises the due process steps undertaken so far in developing this Exposure Draft.
9. Given the narrow-focus of these amendments, the staff do not see any reason to extend the comment period beyond the standard 120 day comment period for an Exposure Draft required by the Due Process Handbook. The staff therefore recommend a comment period of 120 days.

#### Question 2—due process and comment period

- a. Is the IASB satisfied that due process requirements applicable so far have been met?
- b. Does the staff have permission to prepare this amendment as part

<sup>1</sup> September 2013 Agenda Paper 8D

of 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—due process steps

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
<b>Board meetings held in public, with papers available for observers. All decisions are made in public session.</b>	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>Members of the IASB have discussed with the DPOC the progress of the due process that is being conducted on major projects.</p> <p>The DPOC has reviewed, when appropriate, the comments that have been received from interested parties on the due process that the IASB followed.</p>	<p><b>IFRIC Meetings</b></p> <p>This issue was discussed by the Interpretations Committee in July 2013. All papers were available to observers and can currently be accessed on the public website.</p> <p><b>IASB Meetings</b></p> <p>This issue was discussed by the IASB in September 2013. All papers were available to observers and can currently be accessed on the public website.</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>
<b>Consultation with the Trustees and the Advisory Council.</b>	Required	Discussions with the Advisory Council.	<p>The DPOC has met with the Advisory Council to understand stakeholders’ perspectives.</p> <p>The Advisory Council Chair is invited to Trustees’ meetings and meetings of the DPOC.</p>	This issue was reported to the Advisory Council as part of the general reports of the technical work programme.
<b>Consultative groups used, if formed.</b>	Optional	<p>Extent of consultative group meetings, and evidence of substantive involvement in issues.</p> <p>Consultative group review of the draft ED.</p>	The DPOC has received from the IASB a report of the activity of the consultative group.	Given the narrow focus of this amendment, no consultative groups were deemed necessary.

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
<b>Fieldwork is undertaken to analyse proposals.</b>	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>	<p>If the IASB has deemed fieldwork to not be a requirement, the DPOC will have the opportunity to discuss and review the IASB’s explanation for its decision.</p> <p>The DPOC has received a report of fieldwork activities and how findings have been taken into consideration by IASB.</p>	Given the narrow focus of this amendment, no fieldwork was deemed necessary.
<b>Outreach meetings with a broad range of stakeholders, with special effort to consult investors.</b>	Optional	<p>Extent of meetings held.</p> <p>Evidence of specific targeted efforts to consult investors.</p>	The DPOC has received a report of outreach activities. The DPOC and the IASB have reviewed the outreach plan for the ED and its approach to the optional steps to ensure extensive outreach and public consultation.	Before this issue was brought before the Interpretations Committee, the staff performed outreach with IFASS, IOSCO, and ESMA. The staff received 15 responses on the topic, as evidenced in September 2013 Agenda Paper 8D.
<b>Webcasts and podcasts to provide interested parties with high-level updates or other useful information about specific projects.</b>	Optional	Extent of, and participation in, webcasts.	The DPOC has received a report of outreach activities.	Given the narrow focus of this amendment, no webcasts or podcasts were deemed necessary.
<b>Public discussions with representative groups.</b>	Optional	Extent of discussions held.	The DPOC has received a report of outreach activities.	Given the narrow focus of this amendment, no public discussions were deemed necessary.
<b>Online survey to generate evidence in support of or against a particular approach.</b>	Optional	Extent and results of surveys.	The DPOC has received a report of outreach activities.	Given the narrow focus of this amendment, no online survey was deemed necessary.
<b>The IASB hosts regional discussion forums, where possible, with national standard-setters.</b>	Optional	Schedule of meetings held in these forums.	The DPOC has received a report of outreach activities.	Given the narrow focus of this amendment, no regional discussions were deemed necessary.

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
<b>Round-table meetings between external participants and members of the IASB.</b>	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	Given the narrow focus of this amendment, no round-table meetings were deemed necessary.
<b>Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs.</b>	Required	Publication of the Effect Analysis as part of the Basis for Conclusions.	<p>The IASB has reviewed, with the DPOC, the results of the Effect Analysis and how it has considered such findings in the proposed Standard.</p> <p>The IASB has provided a copy of the Effect Analysis to the DPOC at the point of the Standard’s publication.</p>	<p>Given the narrow focus of this amendment, no effects analysis was deemed necessary.</p> <p>Nevertheless, though a formal effects analysis was not performed, the effects were considered as part of the assessment of the Interpretation Committee’s agenda criteria during the staff analysis.</p>