STAFF PAPER

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IASB meeting

Project	**Disclosure Initiative—Principles of Disclosure**		
Paper topic	Disclosure of accounting policies		
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Purpose of this paper

1. This paper continues on from our discussions with the IASB in its meeting in September 2014 regarding accounting policy disclosures. Work undertaken on accounting policy disclosures had previously been part of the Materiality project.

2. The purpose of this paper is to obtain the views of the IASB on:

   (a) whether further guidance on the disclosure of accounting policies is necessary; and

   (b) if yes, what that further guidance should be.

Summary of staff recommendation

3. Our recommendation is that:

   (a) the IASB should provide further guidance on content and location of accounting policy disclosures;

   (b) the IASB should allow cross-referencing to some accounting policies outside the financial statements;

   (c) the IASB should indicate that, where possible, preference should be given to locating judgements, assumptions and accounting estimates along with respective accounting policies; and

(d) the IASB should require signposting of some accounting policies up front in the financial statements.

Background

IASB discussion in September 2014

4. In September 2014, the IASB discussed accounting policy disclosures as part of its Materiality project.[1] In the following paragraphs we have briefly described the Staff Paper that was presented at that meeting and the preliminary views of the IASB that are relevant to this paper and to continue the discussion from that point.

5. The Staff paper presented three different views that the staff had heard about what factors make an accounting policy 'significant', as listed below:

   (a) View 1—accounting policies that involve management input;

   (b) View 2—'most important' accounting policies; and

   (c) View 3—all accounting policies applied.

6. The staff also informed the IASB that, on the basis of what they had heard, guidance about accounting policies in IAS 1 *Presentation of Financial Statements* is not helpful. This is because it is not clear what makes an accounting policy 'significant' and it is therefore difficult to assess which accounting policies should be disclosed.

7. The staff analysis mentioned that the objective of accounting policy disclosures was to provide necessary context to, and enhance the understandability of, an entity's material transactions, events and circumstances. The staff's view was on the basis that some disclosures were necessary to users' understanding and some added to understandability. However, entities also needed to take into account the accounting knowledge of users, and so the staff argued that disclosures should be more entity-specific and should explain how the guidance has been applied within the context of the entity's activities.

[1] Agenda Paper 11A(c), IASB meeting, September 2014.

8. Overall, the staff recommended in the paper that accounting policies that an entity determines are necessary for an understanding of its financial statements should be more prominent. The staff considered that these included all of those described in View 1, and some or all of the 'most important' policies from View 2.

9. Some of the views expressed by IASB members included the following:

    (a) Members agreed that the boilerplate disclosures should be discouraged.

    (b) Some members thought that accounting policies, estimates, judgements and assumptions should be presented separately and accounting policies that are considered as educational material should be presented in an appendix or on the entity's website.

    (c) Some members were of the view that the most important policies, ie those applying to the core business, should be disclosed.

    (d) Some members were of the view that it is important for entities to say how accounting Standards are applied to their main business activities.

    (e) Others were of the view that signposting up front is important and most entities would take the view that there was no need to differentiate between accounting policy choices, estimates and judgements.

10. Overall, the IASB members' views on this topic were therefore mixed. The IASB concluded that the discussion on accounting policies disclosure should be included in the Principles of Disclosure project.

IFRS requirements

IAS 1 Presentation of Financial Statements

11. The *Disclosure Initiative* (Amendments to IAS 1) issued in December 2014 has amended paragraphs related to disclosure of accounting policies and to the structure of the notes. Refer to the Appendix for relevant extracts.

12. After the amendment, IAS 1 *Presentation of Financial Statements* includes guidance related to:

    (a) presentation of notes in a systematic manner with examples on systematic ordering and grouping of notes;

(b) factors that management could consider in deciding when a particular accounting policy should be disclosed; and

(c) when an accounting policy may be significant to an entity.

Staff analysis

13. The issues related to accounting policy disclosures are primarily related to:

(a) Content:

(i) which accounting policies should be disclosed; and

(ii) what extent of details should be included.

(b) Location:

(i) what is an appropriate place to disclose those accounting policies; and

(ii) whether judgements, assumptions and accounting estimates should be disclosed alongside accounting policies.

Content

14. On the basis of the discussion in the Staff Paper in September 2014, all accounting policies that are relevant to an entity may be categorised as follows:[2]

(a) accounting policies with choice, change or application of judgements, assumptions and accounting estimates (see paragraph 17);

(b) accounting policies (other than those mentioned in 14(a)) that are necessary for understanding the financial statements (see paragraph 18); and

(c) other applicable accounting policies (see paragraph 19).

[2] The word ‘policies’ creates some difficulties because in common language it can be read to mean a chosen course of action. For some people the word implies that a choice has been made, in this case by the reporting entity. There is a case for using the more generic term ‘accounting principles’ to capture the principles applied and policies for which there is a choice. However, the term ‘accounting policies’ is widely used in our Standards and we would need a strong case for changing the terminology.

15. The discussion in this paper does not focus on policies that are not relevant to an entity. For example, if an entity does not have any recognised or unrecognised items related to biological assets, either in the primary financial statements or in the notes, then an accounting policy on biological assets is considered as not applicable, or not relevant, to that entity and should not even be considered as a candidate for disclosure.

16. Furthermore, we think an accounting policy would not be currently relevant when there are no items, events or transactions presented in the primary financial statements or disclosed in the notes, although such an item, event or transaction existed in an earlier year or years but is not reflected in the current set of financial statements. For example, if no transaction or event that is a business combination has been presented in the financial statements in either of the previous two years, then an accounting policy on business combination is not currently relevant to that entity. This would apply even though it is possible that the entity had carried out a business combination in the past or is contemplating such a transaction in the future.

Accounting policies with choice, change or application of judgements, assumptions and accounting estimates

17. The first category (as described in paragraph 14(a)) comprises accounting policies, including measurement bases, that are selected from alternatives provided in IFRSs and changes compared with the prior year. It also includes judgements, assumptions and accounting estimates the management has made in the application of accounting policies.

Accounting policies relevant for understanding the financial statements

18. The second category (as described in paragraph 14(b)) is accounting policies necessary to understanding the financial statements of an entity excluding those where choice, change or judgements, assumptions or accounting estimates are involved. These are accounting policies:

    (a) related to material items in the financial statements, either because of the amounts involved or because of the nature of the items, transactions or events in the context of an entity's operations; and

(b) accounting policies that are not specifically addressed by IFRSs but the entity has formulated and applied a policy in accordance with IAS 8.

Other applicable accounting policies

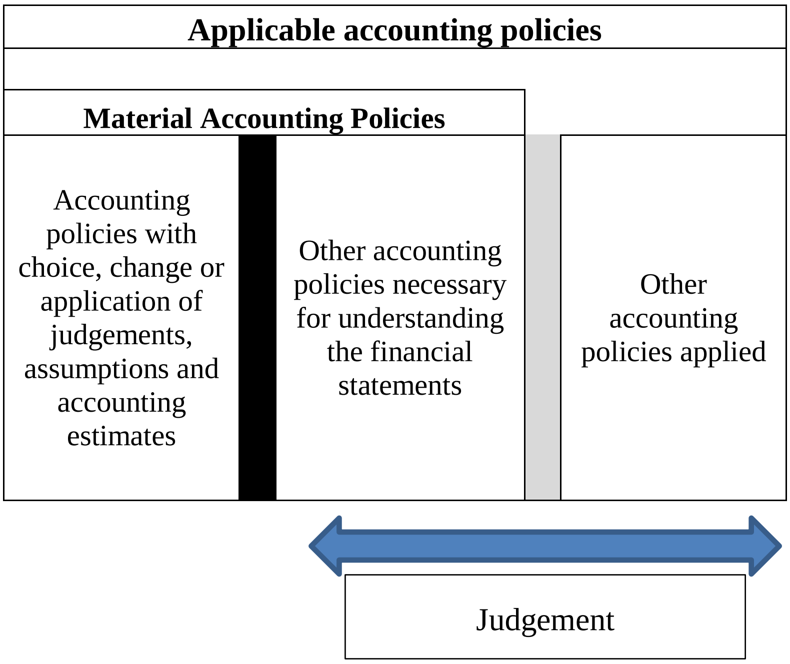
19. The last category of ‘other applicable accounting policies’ as described in paragraph 14(c) refers to accounting policies that the entity applies (because there is an item, event or a transaction included in the financial statements) but are however not necessary to understand the financial statements ie information about those policies is not material. These are accounting policies that, if not disclosed, would not affect the understandability of the financial statements. This category is particularly important to our discussion, in the subsequent section of this paper (paragraph 49-56) on the location of accounting policy disclosures.

Which applicable accounting policies should be required to be disclosed?

20. At one end of the spectrum is the idea of limiting accounting policy disclosures to only policies that have a choice or a change in policy or of the application of judgements, assumptions and estimates (ie described in paragraph 14(a)). At the other end of that spectrum is the idea of disclosing all accounting policies that are applicable to an entity (ie described in paragraph 14(a)–14(c)).

21. On the basis of the discussion in paragraphs 17 to 19 above, only those accounting policies that are necessary to understand the financial statements (including choice etc) need to be disclosed. Other accounting policies applied by the entity (paragraph 14(c)), do not need to be disclosed in the financial statements because they are not necessary to understand the financial statements (ie they are not material).

22. It is a matter of judgement as to what separates accounting policies that are necessary to understand an entity’s financial statements and those that are not. The relationship between the three categories and the application of judgement is depicted in the following diagram:



23. As the diagram depicts, we think accounting policies with choice, change etc will be material if the transactions or items they relate to are material. The more difficult part is the separation of other policies applied by an entity.

Considerations for determining if an accounting policy should be disclosed

24. In the context of accounting policy disclosures, we refer to the proposed guidance in the Materiality practice statement, as reproduced below, which is helpful to preparers in deciding whether or not an accounting policy is relevant:

> In deciding whether a particular accounting policy should be disclosed, management considers whether its disclosure is likely to assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. A description of an accounting policy would be material by its nature if it is likely that the primary users would be unable to understand the financial statements sufficiently for their

decision-making purposes if it is not disclosed, or if it is inadequately disclosed.[3]

25. Deciding whether an accounting policy should be disclosed requires an assessment of the type of users, entities, operations, industry etc. As stated in paragraph 119 of IAS 1 *Presentation of Financial Statements* an entity considers the nature of its operations and the expectations of users of the financial statements in deciding whether a particular accounting policy should be disclosed.

26. The management may consider the following in deciding which accounting policies are material to an understanding of the financial statements:

    (a) materiality of the item, event or transaction involved (see paragraph 27);

    (b) nature of an entity's operations;

    (c) comparability across the reporting periods and entities;

    (d) its primary users (see paragraphs 28 and 51);

    (e) accounting choice and changes; and

    (f) application of judgement, assumptions and accounting estimates.

27. Within the context of the materiality of an item, event or transaction and the relevance of accounting policies, we think generally that the accounting policy for an immaterial item would not be material. However, the accounting policy for a material item is not always be material. It is possible that the accounting policy for a material item, event or transaction in the financial statements is not material because, for example, the accounting policy is as stated in IFRSs that are consistently followed by the entity and the industry in which the entity operates.

28. The policy that the users of an entity's financial statements would expect to be disclosed for that type of entity could also vary depending on the primary users of its financial statements. As indicated by FRC Lab in its report on accounting policies, retail investors prefer a complete description of the policies applied to be

[3] Paragraph 20(a), IFRS Practice Statement—Application of materiality to financial statements, Agenda Paper 11A, IASB meeting, March 2015

disclosed in the annual report, as against institutional investors who tend to prefer only the 'significant' policies being included in the annual report.[4]

29. In this context the Conceptual Framework provides guidance stating that financial reports are presented for users who have a reasonable knowledge of business and economic activities, and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an advisor to understand information about complex economic phenomena.[5]

30. It follows that an entity should not only consider the current IFRS and business knowledge of its primary users, but can also assume that they have the ability and willingness to obtain further information about IFRS principles from sources outside of the financial statements if it is easily accessible. When an entity has many classes of primary users, it should aim to provide information in such a way as to meet the maximum needs across those classes.

31. For example an entity may have both retail and institutional investors. From its experience they may know that its retail investors do not have a good knowledge of IFRS and would like general descriptions of the accounting principles being applied by the entity included in the financial statements. Conversely, its institutional investors are of the view that generic accounting policy information that replicates what is in IFRS is clutter and in some cases obscures what they see as material information. Depending on the balance of the holdings the entity might decide that it is entitled to expect the retail investors to seek advice on the accounting principles. Or, if the predominant shareholdings are held by retail investors the entity might conclude that providing this more generic information is necessary for its primary users.

32. Therefore in the context of preparing financial statements and selecting accounting policies for disclosure, an entity needs to use judgement to determine who the primary users of its financial statements are and what their knowledge of IFRS is. To make this determination an entity may consider, amongst other things:

[4] *Accounting policies and integration of related financial information*, July 2014, Financial Reporting Council.

[5] Conceptual Framework QC32.

(a) The amounts invested by each different type of user eg retail versus institutional investors (see paragraphs 28 above);

(b) The number and frequency of new investors because for new investors the accounting policy information necessary to understand the financial statements may be greater;

(c) How recently the IFRS was adopted in in the entity's jurisdiction–again it may indicate that the entity's users may need more basic IFRS information to understand the financial statements.

Accounting policies applied that need not be disclosed

33. As in the case of immaterial information, we would not propose prohibiting the disclosure of accounting policies that the entity applies but that are not material to the primary users of the financial statements.

34. There may be good reasons to provide information about these additional policies in the financial statements, even though they would not be required disclosures. An example would be if an entity determines that it wants to provide additional 'educational' material to respond to the wide range of knowledge levels of all of its users; eg retail investors or those who are new to the entity or industry.

35. If an entity chooses to disclose other applicable accounting policies in the financial statements, it should ensure that these accounting policies do not obscure the relevant accounting policies and do not clutter the material accounting policy information in the financial statements.

Further guidance in IAS 1 (or equivalent)

36. Although paragraphs 118 to 121 of IAS 1 *Presentation of Financial Statements* provide guidance about when an accounting policy should be disclosed and when a policy becomes significant, we think that this guidance could be enhanced to assist preparers in selecting appropriate policies including the extent of details for disclosure.

37. We think that IAS 1 (or equivalent) could include further guidance by way of a paragraph that would explain the categories listed in paragraph 14 above and how they can be applied in selecting accounting policies that are necessary for its

primary users to understand the entity's financial statements ie are material. Such a paragraph could be on the lines given below:

> In determining which accounting policies should be disclosed, an entity shall consider:
>
> (a) policies that are selected from choice offered in IFRSs or that have changed from the prior year or that involve application of judgements, assumptions and accounting estimates in the application of accounting policies; and
>
> (b) accounting policies (excluding those mentioned in (a)) that are necessary to understand the financial statements.
>
> Although accounting policies not covered by (a) or (b) above need not be disclosed, an entity may also disclose such policies. This could be on the basis that they are potentially helpful to some users of the financial statements. See paragraph XX for illustrative examples explaining each of the categories.

Accounting policies that are entity-specific

38. The concept of entity-specific disclosure of accounting policies consists of two aspects:

    (a) accounting policies applicable to an entity (as discussed in paragraph 14); and

    (b) accounting policies described in a way that relates to an entity's individual circumstances, the nature of an item, event or transaction within the context of its operations or environment (see paragraphs 39)

39. Accounting policies disclosed in an entity's financial statements should be tailored in a way that demonstrates how the accounting policy was applied by the entity. The policy should be written and articulated in such a way that a user can directly relate the description to the entity and its activities rather than simply providing a general discussion of the topic that could relate to any entity.

40. We think the communication principles discussed at the IASB’s meeting in October 2014 includes principles that a preparer should follow to ensure that the accounting policy disclosures are entity-specific as described in paragraph 38(b).[6]

41. We think this is a behavioural aspect that is already addressed in the proposed communication principles and does not require any further guidance in IAS 1 (or equivalent).

Location

42. After an entity decides which accounting policies are necessary for an understanding its financial statements (ie are material), it has to decide where in the financial statements these policies should be located.

43. We think that the location where accounting policies are disclosed is an important aspect, because the accessibility (and hence the understandability) of information can be affected by its location. For the effective communication of information in the general purpose financial statements, it is important that necessary accounting policy information is easy to access and able to be read within the context of the financial statements as a whole.

44. An entity may consider disclosing accounting policies in different locations; for example:

    (a) Accounting polices described in paragraph 14(a) and 14(b) could be located:

        (i) alongside the respective notes information (see paragraph 60) ;

        (ii) all together up front in the financial statements;

        (iii) in combination of the above (for example all changes in one note and other relevant polices alongside the respective notes information).

    (b) Although other accounting policies applied by the entity are not material, and therefore need not be disclosed in the financial statements,

[6] Paragraph 26(b) and 34(a)(i), Agenda Paper 11A(b), IASB meeting, October 2014.

an entity may choose to disclose such policies. If it does, then such policies could be located:

(i) together in one note but separate from the 'material accounting policies, eg in a separate section or in the notes at the back of the financial statements. An entity should ensure that material policies are not co-mingled with the immaterial policy information since this could mean the material policies are obscured;

(ii) together in one note at the back of the annual report as an appendix;

(iii) by cross-reference to accounting policies hosted on the entity's (or its group's) website;

(iv) by cross-reference to the summaries of IFRS requirements accounting policies hosted on the IASB's website.

45. An entity's management must apply its judgement (as described in paragraph 26) to decide an appropriate location in which to disclose the accounting policies and how much emphasis should be given to particular accounting policies.

46. Although paragraphs 113 and 114 of IAS 1 *Presentation of Financial Statements* provides guidance about systematic ordering of notes information, we think that this guidance could be enhanced to assist preparers in selecting the appropriate location in which to disclose accounting policies.

47. We think that IAS 1 (or equivalent) could include further guidance by way of listing various alternatives for locating an accounting policy, as mentioned in paragraph 44, that a preparer can use.

48. Furthermore, whatever alternative is selected by the entity, we think it is important that accounting policies described in paragraph 14(a) are clearly signposted up front in the financial statements, for example by using an index or with an overview of accounting policies. This would be useful for navigating to navigate to the policies that are most relevant for a user's understanding of the financial statements.

Cross-referencing to outside the financial statements

49. In this section, we discuss locating some accounting policies outside the financial statements or annual report. We think any cross-references to accounting policy information outside the financial statements should be restricted to immaterial accounting policies.

50. We think that accounting policies that are material, ie those that are necessary to an understanding of the financial statements, should not be located outside of financial statements and incorporated by cross-reference. This is because we think doing so would be detrimental to the understandability of the financial statements as a whole.

51. We have heard that immaterial accounting policies could be kept out of financial statements or the annual report. There may be situations in which an entity decides to provide descriptions of all of the accounting policies it has applied, even though they are not material. It might do so to give first-time users an overview of all the accounting policies applicable to an entity or to help a class of user that it has decided does not have the characteristics of a primary user.

52. This could be accomplished by posting the summaries of such accounting policies on the entity's (or its group's) website and cross-referencing to the website from the financial statements. We have also heard some views that the IASB could develop summaries of IFRS requirements that entities can refer to in their financial statements.

53. There are two questions related to this issue:

    (a) Should IFRS permit cross-referencing to other applicable accounting policies residing outside the financial statements? and

    (b) Should the IASB develop generic summaries of IFRS requirements and host them on its website?[7]

[7] The IASB already has some general descriptions that it calls Technical Summaries (http://www.ifrs.org/IFRSs/Pages/Technical-summaries.aspx). These summaries are the sort of thing we have in mind. However, they were not developed for the specific purpose we describe here, so they would need to be reviewed if they were used for this purpose.

54. In November 2014, the IASB discussed cross-referencing, ie disclosing IFRS information outside the financial statements.[8] The IASB's preliminary views included permitting cross-referencing information to outside the financial statements but within the annual report. On the basis of that decision, accounting policy disclosures could be placed outside of the financial statements (but within the annual report) and cross-referenced. However, this does not include cross-referencing to either an entity's website or another website.

55. We think that the principle related to cross-references outside the financial statements does not apply to this situation since the accounting policies that are being cross referred to outside the financial statements are not necessary to understand the financial statements ie they are immaterial information. Accordingly, we see no restriction on an entity placing this type of accounting policy information outside its financial statements, or not disclosing it at all.

56. We think that cross-reference to the IASB's website has advantages and disadvantages as discussed below:

   (a) The advantages include

      (i) a uniform set of general accounting policies could be made available that is applicable to all entities. This would help users of the financial statements in referring to a particular location when required, instead of having to look in different places.

      (ii) the IASB's website already includes technical summaries that can be used by entities to develop general accounting policies.

   (b) The disadvantages include:

      (i) the IASB's descriptions could become the 'new boilerplate' and become replicated/reproduced in entities' financial statements; and

      (ii) the cost of maintaining the general accounting summaries with updates, amendments etc. that the IASB might have to incur.

[8] Agenda Paper 11B, IASB meeting, November 2014.

Location of judgements, assumptions and accounting estimates used by an entity

57. An issue that is related to accounting policies disclosure is whether judgements, assumptions and accounting estimates used in the application of accounting standards must be located along with accounting policies or not.

58. In this paper we do not discuss what an accounting policy or an accounting estimate is. The discussion is related to the most appropriate location in which to disclose judgements, assumptions and accounting estimates.

59. We think the existing practice on disclosure of estimates is not consistent. They are either located along with the respective accounting policies, in the notes information or in a separate section. For example, sometimes the useful life of property, plant and equipment (which is generally considered to be an estimate) is located along with the accounting policy on property, plant and equipment, while other estimates are located along with their respective notes information.

60. We have also heard that users of the financial statements generally do not differentiate between accounting policies, judgements and accounting estimates. They would prefer to see all these together in order to get a complete understanding of how items in the financial statements have been measured and recognised. We also hear from the users that they would prefer to have accounting policies, judgements, assumptions and estimates with the respective notes information.

61. We think there are advantages and disadvantages in locating judgements, assumptions and accounting estimates along with accounting policies, as briefly discussed below:

    (a) Advantages include:

        (i) effectiveness in communicating how an accounting policy has been applied by the entity;

        (ii) reduction of the need to distinguish between a policy and estimate for the purpose of disclosures.

    (b) Disadvantages primarily include cluttering the accounting policy disclosures.

62. On the basis of the discussion in paragraphs 57–60, we think an entity should apply its judgement in assessing whether locating information about its judgements, assumptions and accounting estimates along with the accounting policies is more beneficial for understanding the accounting policies. If so, the entity should locate them along with accounting policies.

Staff recommendations

Content

63. The staff recommend that:

    (a) as discussed in paragraph 37 above, a general disclosure Standard (IAS 1 or equivalent) should include further guidance on determining when accounting policies should be disclosed; and

    (b) with respect to disclosure of entity-specific accounting policies, no further guidance is necessary, as discussed in paragraph 41.

Location

64. The staff recommend that, as discussed in:

    (a) paragraph 47, a general disclosure Standard (IAS 1 or equivalent) should include further guidance by way of listing various alternatives for locating accounting policy disclosures;

    (b) paragraph 55, a general disclosure Standard (IAS 1 or equivalent) should allow cross-referencing of immaterial accounting policies from an entity's financial statements to somewhere outside of the financial statements or annual report, eg on its (or the group's or the IASB's) website or in a separate document; and

    (c) paragraph 62, a general disclosure Standard (IAS 1 or equivalent) should give preference to locating judgements, assumptions and accounting estimates along with accounting policies wherever relevant to the understanding of the accounting policy.

65. As discussed in paragraph 48, in IAS 1 (or equivalent), the IASB should require entities to clearly signpost up front in the financial statements the policies referred in paragraph 14(a).

Question
Does the IASB agree with the staff recommendations in paragraphs 63–65?

Appendix — IAS 1 *Presentation of Financial Statements*

Structure

112 The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used in accordance with paragraphs 117–124;

(b) disclose the information required by IFRSs that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.

113 An entity shall, as far as practicable, present notes in a systematic manner. In determining a systematic manner, the entity shall consider the effect on the understandability and comparability of its financial statements. 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.

114 Examples of systematic ordering or grouping of the notes include:

(a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;

(b) grouping together information about items measured similarly such as assets measured at fair value; or

(c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:

(i) statement of compliance with IFRSs (see paragraph 16);

(ii) significant accounting policies applied (see paragraph 117);

(iii) supporting information for items presented 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, in the order in which each statement and each line item is presented; and

(iv) other disclosures, including:

(1) contingent liabilities (see IAS 37) and unrecognised contractual commitments,; and

(2) non-financial disclosures, eg the entity’s financial risk management objectives and policies (see IFRS 7).

115 [Deleted]

116 An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

Disclosure of accounting policies

117 An entity shall disclose its significant accounting policies comprising:

(a) the measurement basis (or bases) used in preparing the financial statements, and

(b) the other accounting policies used that are relevant to an understanding of the financial statements.

118 It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

119 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IFRSs. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see IAS 40 *Investment Property*). Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment.

120 [Deleted]

121 An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs but the entity selects and applies in accordance with IAS 8.

122 An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

123 In the process of applying the entity's accounting policies, management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining:

(a) [deleted]

(b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities; and

(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue.

124 Some of the disclosures made in accordance with paragraph 122 are required by other IFRSs. For example, IFRS 12 *Disclosure of Interests in Other Entities* requires an entity to disclose the judgements it has made in determining whether it controls another entity. IAS 40 *Investment Property* requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.