

28 July 2014

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Dear Hans,

**AOSSG comments on IASB Exposure Draft ED/2014/1
*Disclosure Initiative: Proposed Amendments to IAS 1***

The Asian-Oceanian Standard-Setters Group (AOSSG) is pleased to provide comments on the IASB ED/2014/1 *Disclosure Initiative: Proposed Amendments to IAS 1*. In formulating its views, the AOSSG sought the views of its constituents within each jurisdiction.

The AOSSG currently has 26 member standard-setters from the Asian-Oceanian region: Australia, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan, and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Each member standard-setter may also choose to make a separate submission that is consistent or otherwise with aspects of this submission. The intention of the AOSSG is to enhance the input to the IASB from the Asian-Oceanian region and not to prevent the IASB from receiving the variety of views that individual member standard-setters may hold. This submission has been circulated to all AOSSG members for their feedback after having initially been developed through the AOSSG Financial Statement Presentation Working Group.

The AOSSG supports the IASB's initiative to review and explore how presentation and disclosure principles and requirements in existing standards can be improved. The AOSSG is also supportive of the IASB prioritising its short-term project to clarify IAS 1 *Presentation of Financial Statements* to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the standard.

Overall, AOSSG members are generally supportive of the proposed amendments in the ED. In general, AOSSG members consider the ED covers the areas in IAS 1 that required most

improvement and is written well in a short period of time. However, some AOSSG members have the following views:

- Some of the views in the basis for conclusions do not adequately support the main purpose of the Disclosure Initiative (e.g. the proposed additional reconciliation requirements).
- Some of the views in the basis for conclusions appear to lack justification for why entities should be provided the flexibility to determine the best way to present their financial statements and notes to the financial statements over ensuring financial statement comparability.
- Text such as ‘present’ and ‘disclose’ in IAS 1 should be used more consistently throughout the IFRS.

The views of the AOSSG are explained in more detail in the Appendix. If you have any questions regarding any matters in this submission, please contact either one of us.

Yours sincerely,



Clement Chan
AOSSG Chair



Jee In Jang
AOSSG Financial Statement Presentation Working Group Leader

APPENDIX 1 – Detailed comments on IASB ED/2014/1 *Disclosure Initiative: Proposed Amendments to IAS 1*

Question 1
<p>The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgment when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgment. The proposed amendments relate to:</p> <p>(a) materiality and aggregation (see paragraphs 29–31 and BC1–8 of this Exposure Draft);</p> <p>(b) statement of financial position and statement of profit or loss and other comprehensive income (see paragraphs 54, 55A, 82, 85A and 85B and BC9–BC15 of this Exposure Draft);</p> <p>(c) notes structure (see paragraphs 113–117 and BC16–BC19 of this Exposure Draft); and</p> <p>(d) disclosure of accounting policies (see paragraphs 120 and BC20–BC22 of this Exposure Draft).</p> <p>Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?</p>

Responses to Question 1(a)

- 1 Some members generally support the proposed amendments to materiality and aggregation.
- 2 One member in particular suggests that the proposed amendments to paragraph 31 of IAS 1 should be emphasised in bold if the IASB were to proceed with the proposal. In addition, this member agrees with the current definition of materiality in IAS 1 but notes that the challenge in applying materiality in financial reporting is in the way it is determined.
- 3 Some members support most of the proposed amendments but have the following concerns.
 - (a) Contrary to the comment made by a member in paragraph 2 above, one member questions whether the objectives of the ED would be achievable with the proposed amendments to paragraph 31 of IAS 1. In particular, this member questions how should preparers assess what and whether an information needs to be presented or disclosed considering the diverse information need of users. Also, this member suggests separating the existing sub-header in IAS 1 to ‘Materiality’ and ‘Aggregation’ to emphasise the importance of materiality in IFRSs.
 - (b) One member thinks that a different term (or word) that refers to the provision of information in financial statements should be used in IAS 1. This member understands that, in some jurisdictions, the term ‘present’ is used to refer to both the presentation of information on the face of the financial statements and, more commonly, the provision of information in the notes to the financial statements. Using the same term (or word) that has two different meanings may create confusion when applying IAS 1.

This member also points out the inconsistent use of ‘present’ and ‘disclose’ throughout paragraphs 112 -114 of IAS 1.

112 The notes shall:

- (a) present information about the basis of preparation of the financial statements...
- 113 An entity shall, as far as practicable, present notes in a systematic manner...
- 114 ...an entity normally may present its notes in the following order...
- (c) One member suggests that should the IASB decide to clarify changes in terminology in IAS 1, the changes should be explained in the standard itself, in this case paragraph 29 of IAS 1, instead of the Basis for Conclusions.

Responses to Question 1(b)

- 4 Members generally support the proposed amendments to the statement of financial position and statement of profit or loss and other comprehensive income.
- 5 In particular, all members support the proposal to remove the text ‘at a minimum’ from paragraph 54 of IAS 1.
- 6 While one member agrees that an appropriate level of disaggregation would help users to understand financial statements better, this member thinks that excessive disaggregation would hinder the understandability of an entity's financial statements. Therefore, this member suggests changing paragraph 54 of IAS 1 to state that “These line items shall be disaggregated when it is reasonably expected that disaggregation would enhance an understanding of the entity’s financial performance (or financial position) in light of the common information needs of users.” In addition, this member thinks the example provided in paragraph 54 of IAS 1 should be disaggregated into separate line items by nature.
- 7 Some members suggest that the text referred in the proposed paragraph 85A(d), that is, “not be displayed with more prominence than the subtotals and totals specified in this IFRS” should be included to the proposed paragraph 55A of IAS 1. These members offer the following comments.
- (a) One member does not support the rationale in paragraph BC14(c) of the ED as IAS 1 specifies the use of subtotals and totals in the statement of financial position “when such presentation is relevant to an understanding of the entity’s financial position” (paragraph 55 of IAS 1).
- (b) Another member notes that paragraph 21 of IFRS 14 *Regulatory Deferral Account* specifies the use of subtotals to distinguish separate line items in the statement of financial position for regulatory assets or liabilities. Therefore, this member considers the equivalent of 85A(d) needs to be included in the requirements of paragraph 55A.
- 21 When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify the totals of regulatory deferral account balances as current or non-current. Instead, the separate line items required by paragraph 20 shall be distinguished from the assets and liabilities that are presented in accordance with other Standards by the use of sub-totals, which are drawn before the regulatory deferral account balances are presented.
- 8 One member is concerned about potentially requiring additional reconciliation information on subtotals as proposed in paragraph 85B of IAS 1. This member considers:
- (a) requiring additional reconciliation is not consistent with the objective of reducing disclosures; and

- (b) it is not clear whether the reconciliations should be provided in the statement of profit or loss and other comprehensive income, or in the notes to the financial statements. Perhaps the IASB should illustrate this reconciliation requirement in its Implementation Guidance to IAS 1.

Responses to Question 1(c)

- 9 Members generally support the proposed amendments to the notes structure.
- 10 However, some of these members have the following specific concerns:
- (a) One member notes the proposed amendments to paragraphs 113-116 of IAS 1 would provide an entity the flexibility to determine the best way to present its financial statements. This member was informed by users of financial statements that users value the benefit of financial statement comparability among different entities over the benefit of increased prominence of significant disclosures based on an entity's assessment. Users also commented more time will need to be spent on locating specific information about entities.
- (b) One member suggests that the IASB should incorporate guidance in IAS 1 to clarify how to consider 'understandability' and 'comparability' in paragraph 113. Moreover, this member suggests the IASB should refine the text in paragraph BC19 of the ED because the current text gives the impression that 'understandability' takes precedence over 'comparability' in the event of a conflict, which is not consistent with the proposed amendments to paragraph 113 of IAS 1.
- (c) One member thinks that some guidance is needed on disclosing relevant accounting policies. The proposal to remove the 'summary of significant accounting policies' in paragraph 117 of IAS 1 may lead to more disclosures of accounting policies.
- (d) One member puts more importance on disclosures of significant accounting policies, and accordingly, suggests that the 'summary of accounting policies' should not be deleted from paragraph 117 of IAS 1.

Responses to Question 1(d)

- 11 Members generally support the proposed amendments to disclosure of accounting policies.

Question 2
Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paragraphs 82A, BC1–BC6 and the Guidance on implementing IAS 1)?
If not, why and what alternative do you propose?

Response to Question 2

- 12 All members agree with the proposed amendments.

Question 3
Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this Exposure Draft (see paragraphs 139N and BC23–BC25)?
If not, why and what alternative do you propose?

Response to Question 2

- 13 All members agree with the proposed transition provisions for the amendments.