



<b>To:</b>	<b>AASB Members</b>	<b>Date:</b>	7 October 2014
<b>From:</b>	<b>Lisa Panetta</b>	<b>Agenda Item:</b>	9.1 (M141)
<b>Subject:</b>	<b>Disclosure Initiative - Project Update</b>	<b>File:</b>	

## Action

Receive an update on recent tentative decisions made by the IASB as part of its Disclosure Initiative Project. In particular, the projects that will be discussed will be:

- Amendments to IAS 1 *Presentation of Financial Statements*;
- Amendments to IAS 7 *Statement of Cash Flows*;
  - Disclosure about restrictions on cash and cash equivalents
  - Reconciliation of liabilities from financing activities
- Materiality, including accounting policy disclosures; and
- Current/non-current classification of liabilities.

In addition, staff will provide the board with an update on decisions made by the IASB concerning the issue of distinguishing between a change in an accounting policy and a change in an accounting estimate. The staff will seek feedback on whether there are any issues that need to be raised with the IASB on those tentative decisions at this stage.

## Attachment

Agenda paper 9.2 IASB's Disclosure Initiative: Analysis of recent IASB decisions

Agenda paper 9.3 Disclosure Initiative – Summary of IASB discussion

## Background

The IASB is undertaking a broad-based initiative to explore how disclosures in IFRS financial reporting can be improved. This initiative has been informed by a Discussion Forum on Disclosure in Financial Reporting in conjunction with a survey conducted by IASB staff. A [Feedback Statement](#) on these events was published in May 2013. The Disclosure Initiative is made up of a number of projects, both short-term and medium-term. In addition, the Disclosure Initiative also includes a number of other projects. The IASB anticipated timeline for the projects are outlined below:

# Memorandum

Project	Next due process step	Expected timing
Amendments to IAS 1	Redeliberation and Target IFRS	Q4 2014
Amendments to IAS 7 - Reconciliation of liabilities from financing activities	Exposure Draft	Q4 2014
Amendments to IAS 7 - Disclosure about restrictions on cash and cash equivalents <sup>1</sup>	<ul style="list-style-type: none"> <li>Exposure Draft</li> <li>Further research as part of PoD research project</li> </ul>	<ul style="list-style-type: none"> <li>Q4 2014</li> <li>H1 2015</li> </ul>
Materiality, including accounting policy disclosures	Board discussion	Q4 2014
Principles of Disclosure in IFRS (PoD)	Discussion Paper	H1 2015
Review of existing Standards	Currently no timeline for this project	
Current/non-current classification of liabilities <sup>2</sup>	Exposure Draft	Q4 2014
Distinction between a change in accounting policy and a change in accounting estimate <sup>3</sup>	Currently no timeline for this project	

## Project Update

### Amendments to IAS 1

- On 6 August 2014 the AASB submitted a [comment letter](#)<sup>4</sup> in response to the IASB ED/2014/1 *Disclosure Initiative: Proposed amendments to IAS 1* that proposed narrow-focus clarifying amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying that Standard.
- At the September 2014 IASB meeting the IASB staff provided the IASB with a summary of feedback received on the ED. No decisions were made.
- Agenda Paper 9.3, paragraphs 2-24 provides an overview of the feedback received in regards to the proposals and how it relates to the AASB submission.

### Amendments to IAS 7

- At the September 2014 meeting the IASB discussed two aspects of the amendments to IAS 7 short-term project – disclosure about restrictions on cash and cash equivalents and the due process for the forthcoming ED on reconciliation of liabilities from financing activities.

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1 As noted on the IASB Disclosure Initiative project page, as part of the project on reconciliation of liabilities from financing activities, the IASB will also be considering short term amendments to IAS 7 to improve disclosures about restrictions on cash.

2 This project was previously part of the IASB Narrow focus amendments to IAS 1 project, included within the agenda item for the Disclosure Initiative project. This project has now been split into a separate project by the IASB.

3 At the IASB September 2014 meeting the IASB tentatively decided that this issue should be considered as part of the Disclosure Initiative.

4 [http://www.aasb.gov.au/admin/file/content106/c2/AASB\\_Submission\\_IASB\\_ED\\_2014\\_1\\_Disclosure\\_Initiative.pdf](http://www.aasb.gov.au/admin/file/content106/c2/AASB_Submission_IASB_ED_2014_1_Disclosure_Initiative.pdf)

## Disclosure about restrictions on cash and cash equivalents

- 5 This topic has previously been discussed at IASB meetings in October 2013, March 2014 and again at the July 2014 meeting. At the July 2014 meeting the IASB asked IASB staff to perform outreach with preparers.
- 6 The objective of the discussion at the September IASB meeting was to determine whether proposed amendments to IAS 7 should include amendments to disclosures about cash and cash equivalents.
- 7 Refer to Agenda Paper 9.2 for an analysis of the IASB tentative decisions made.

## Reconciliation of liabilities from financing activities

- 8 The objective of the discussion was to set out the due process steps that have been taken before publication of the ED Disclosure Initiative: Amendments to IAS 7 that address the amendments concerning reconciliation of liabilities from financing activities and to ask the IASB to confirm it is satisfied that it has complied with the due process requirements to date.
- 9 Refer to Agenda Paper 9.2 for staff analysis of the IASB tentative decisions made.

## Materiality

### Education session

- 10 The IASB held an education session on materiality which summarised:
  - (a) The responses received from national standard-setters on the application of materiality in their jurisdictions; and
  - (a) The research undertaken by the IASB staff on materiality including a discussion about:
    - (i) General materiality principles;
    - (ii) Problems applying materiality; and
    - (iii) Possible responses by the IASB.
- 11 The AASB provided IASB staff with information on materiality in Australia. Refer to Agenda Paper 9.3, paragraphs 25-27 for a summary of the AASB staff response provided to IASB staff and a summary of the information provided by the AASB staff for the ASAF discussion.

### Accounting Policy Disclosures

- 12 The IASB previously discussed this topic at the March 2014 meeting and in response to concerns about accounting policy disclosures in financial statements the IASB tentatively decided to undertake work to consider whether additional guidance could be developed. No decisions were made by the IASB.
- 13 Further details of the information discussed at the IASB meeting on this topic are provided in Agenda Paper 9.3, paragraphs 28-39.

### *Next steps*

- 14 The IASB will discuss Materiality in November 2014 and this will include a discussion on accounting policy disclosures in its *Principles of Disclosure* Discussion Paper.

## **Current/non-current classification of liabilities**

- 15 This issue concerns the current/non-current classification of liabilities and has been discussed by the Interpretations Committee six times and twice by the IASB since September 2010.
- 16 At the September 2014 meeting the IASB reviewed the due process steps taken to date in preparation for the publication of its proposals for a narrow-scope amendment to IAS 1. The proposals will clarify when a liability should be classified as current or non-current.
- 17 Refer to Agenda Paper 9.2 for a summary of the IASB tentative decisions made.

## ***Next steps***

- 18 IASB staff will commence the balloting process of the proposed amendments. The IASB expects to publish the Exposure Draft in Q4 2014.

## **Distinction between a change in accounting policy and a change in accounting estimate**

- 19 The IASB discussed the distinction between a change in accounting policy and a change in accounting estimate in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and the stricter criteria for assessing when changes in accounting policy occur compared to changes in accounting estimates.
- 20 The issue was brought to the attention of the IFRS Interpretations Committee in November 2013 and March 2014<sup>5</sup>. The IFRS Interpretations Committee recommended that the IASB amend IAS 8 to clarify the circumstances in which changes in the method of estimation may be made. In addition, the IFRS Interpretations Committee thought that a change in a method used to develop an estimate should only be made if that change produces a reliable and equally, or more, relevant estimate.
- 21 The objective of the session was to determine if this issue should be considered in the Principles of Disclosure project and in the additional work on the transition requirements in IFRS, both of which form part of the Disclosure Initiative.
- 22 Refer to Agenda Paper 9.2 for an analysis of the IASB tentative decisions made.

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5 AASB staff provided an overview of the issue discussed at the March 2014 IFRIC meeting at the AASB 8-9 April 2014 meeting. See [Agenda Paper 4.2](#) AASB Staff Summary of IFRS IC Decisions dated 24 March 2014.