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

Dear Hans

IASB Exposure Draft ED/2014/1 *Disclosure Initiative*

The Australian Accounting Standards Board is pleased to submit its comments on Exposure Draft ED/2014/1 *Disclosure Initiative*. In formulating its views, the AASB sought and considered the views of its Australian constituents. The comment letters received are published on the AASB's website.

The AASB strongly supports the Disclosure Initiative project, the first stage of which is reflected in the proposals in ED/2014/1. The AASB considers that the ED proposals represent an improvement to the presentation and disclosure requirements in IAS 1 *Presentation of Financial Statements*. As noted in the Report of the 'Managing Complexity' Task Force of the Australian Financial Reporting Council (FRC)¹, entitled *Managing Complexity in Financial Reporting*² (29 May 2012) discussing how complexity in financial reporting might be managed, reducing the number and length of 'boilerplate' financial disclosures would be desirable. The AASB regards the ED's proposals as a step in that direction.

In particular, the AASB strongly supports the proposed:

- (a) amendments to paragraph 31 of IAS 1, clarifying that specific disclosures required by any IFRS need not be made when information is immaterial;
- (b) deletion of the phrase 'as a minimum' from paragraph 54 of IAS 1; and
- (c) clarification in paragraphs 113 – 116 of IAS 1 that the structure of the notes should be determined by the entity, having regard to its specific circumstances.

The AASB also supports the proposed amendments to paragraph 82A regarding the presentation of items of other comprehensive income arising from equity accounted investments.

Although the AASB agrees with the overall direction of the proposals, it strongly disagrees with the proposed new text of paragraphs 54 and 82 indicating that disaggregations of line items presented on the face of financial statements must also be made on the face of the financial statements. The AASB is concerned that the proposals assess relevance separately for items on the face of the financial statements and items to be disclosed in the notes.

1 The Council, a statutory body, is the peak body responsible for overseeing the effectiveness of the financial reporting framework in Australia. One of its key functions is the oversight of the accounting and auditing standards setting processes for the public and private sectors and advising the Minister on these and related matters to the extent that they affect the financial reporting framework in Australia. It monitors the development of international accounting and auditing standards, works to further the development of a single set of accounting and auditing standards for world-wide use and promotes the adoption of these standards.

2 <http://www.frc.gov.au/files/2013/12/Paper-managing-complexity-2012.pdf> (accessed 5 August 2014)

Instead, the AASB considers that relevance should be assessed holistically for the complete set of financial statements.

The AASB agrees with retaining the line items to be presented on the face of the financial statements that are specified in paragraphs 54(a) – (r) and 82(a) – (ea) of IAS 1, pending the comprehensive review of IAS 1³. Beyond that constraint, the AASB considers that entities should have the discretion to choose the location for the display of information that helps those entities to most effectively communicate information about their transactions, other events and conditions.

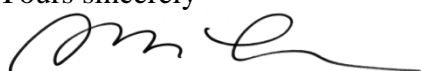
In addition, to address its other strong concerns, the AASB:

- (a) recommends using ‘plain English’ expressions in IFRSs to distinguish information displayed on the face of a financial statement and information displayed in the notes (see paragraph 1 of the Appendix);
- (b) encourages the IASB to prioritise removing the phrase ‘as a minimum’ from the disclosure requirements in all IFRSs (see paragraph 9 of the Appendix);
- (c) recommends that the ‘prominence’ constraint on the display of additional subtotals proposed in paragraph 85A(d) of the ED is narrowed only to paragraphs 81A and 81B of IAS 1 (see paragraph 17 of the Appendix);
- (d) strongly urges the IASB to refrain from using the term ‘non-GAAP’ in the context of its Disclosure Initiative, unless it deliberately wishes to identify a different range of matters than those addressed in IFRSs. In addition, the AASB recommends that the IASB clarifies what it means by ‘non-IFRS’ measures and does not use that term to refer to a subtotal simply because it is not explicitly required by IAS 1 (see paragraphs 19-22 of the Appendix);
- (e) recommends either omitting proposed paragraphs 55A(c) and 85A(c) or amending those proposed paragraphs to simply remind readers of the implications of paragraphs 45 and 46 of IAS 1 for the inter-period consistency of presentation of subtotals (see paragraph 23 of the Appendix);
- (f) recommends that the proposed reconciliation requirements in paragraph 85B be reconsidered. If the requirement to reconcile is maintained, the AASB recommends providing a choice to display the reconciliation in the notes and clarifying the intended requirements of the reconciliations (see paragraph 30 of the Appendix); and
- (g) recommends omitting paragraph 114 (see paragraph 34 of the Appendix).

The AASB’s responses to the specific matters for comment in ED/2014/1 are included in the Appendix to this letter.

If you have queries regarding any matters in this submission, please contact Lisa Panetta (lpanetta@asb.gov.au).

Yours sincerely



Angus Thomson
Acting Chair

3 As part of the IASB’s Principles of Disclosure project.

Appendix: Specific Comments on IASB ED/2014/1 *Disclosure Initiative***Question 1 - Disclosure Initiative amendments**

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 judgement.

The proposed amendments relate to:

- (a) materiality and aggregation (see paragraphs 29-31 and BC1-8 of this Exposure Draft);
- (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);
- (c) notes structure (see paragraphs 113-117 and BC16-BC19 of this Exposure Draft); and
- (d) disclosure of accounting policies (see paragraphs 120 and BC20-BC22 of this Exposure Draft).

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

(a) *Materiality and aggregation***Paragraphs 29 and 30**

- 1 The AASB generally supports the proposed amendments to change the terminology used in paragraphs 29 and 30 of IAS 1 *Presentation of Financial Statements*. However, rather than creating yet more defined terms, the AASB recommends using 'plain English' expressions in IFRSs to distinguish information displayed on the face of a financial statement and information displayed in the notes. For example, those expressions could be 'display on the face', 'display in the notes' and 'display on the face or in the notes'.
- 2 The use of 'plain English' expressions should help:
 - (a) avoid ambiguity of requirements and facilitate translation whereas instilling ordinary words such as 'present' and 'disclose' with special meanings is potentially confusing; and
 - (b) with interpretation of requirements through reducing the incidence of terms holding more than one meaning within IFRSs.

For example, 'presentation' is often used to mean 'on the face' of financial statements; however, in another context (the liability/equity distinction) the same term refers to classification of elements. Simplifying terminology in this manner may also facilitate the use of the IFRSs by users for whom English is not their first language.

- 3 The risks associated with using terms such as 'present' and 'disclose' are illustrated by the use of those terms in the existing requirements of IAS 1 in a manner that is inconsistent with the meaning given to them in the ED's Basis for Conclusions. For example, paragraph 112(a) of IAS 1 states that the *notes* shall *present* information about the basis of preparation of financial statements and the specific accounting policies

used. However, paragraph BC7 states that ‘present’ means, in effect, ‘*on the face*’ of a financial statement [emphasis added]. (See also the AASB’s comments in paragraph 11 below in relation to ‘Disaggregation and subtotals’, in which the AASB recommends that IAS 1 should be less prescriptive regarding where disaggregations of amounts are displayed, i.e. whether the disaggregations should be displayed on the face of the financial statements or in the notes.)

- 4 If the IASB were not to adopt the recommendation in paragraph 1 above, the AASB recommends that the IASB defines the terms ‘present’ and ‘disclose’ to mean, in effect, ‘display on the face’ and ‘display in the notes’, respectively. Such definitions should be used consistently. Ideally, ‘display’ should be used as the overarching term encompassing the structure of financial statements, the nature and amount of information shown in financial statements and the manner in which that information is set out. The AASB considers that using these terms would have the advantage of providing a term (namely, ‘disclose’) that succinctly and specifically describes being displayed in the notes (and thus is distinct from the more general notion of ‘display’). This approach would help avoid circular descriptions such as the following used in paragraph BC7 of the Basis for Conclusions: “... the IASB has used ... the term ‘disclose’ to mean disclosure in the notes”.
- 5 The AASB acknowledges that, as indicated in paragraph BC7 of the Basis for Conclusions, the IASB is currently considering the terminology ‘presentation’ and ‘disclosure’ in its ongoing Conceptual Framework project. In that context, the AASB notes the points in paragraphs 1 – 4 above to signpost this issue for the IASB’s future consideration.
- 6 The AASB supports the proposed addition of paragraph 30A to IAS 1, which notes the potential detrimental effect of including immaterial information in the financial statements. However, the AASB considers that the more difficult aspect of materiality is determining *when* information is material. This is not clarified in the ED’s proposals. The AASB notes that the IASB will be further considering materiality in future stages of its Disclosure Initiative project. The AASB considers that paragraph 30A is unlikely to significantly reduce excessive disclosure until those future phases of the Disclosure Initiative project are completed.

Paragraph 31

- 7 The AASB strongly supports the proposed amendments to paragraph 31 of IAS 1, which effectively clarify that specific disclosures required in any IFRS need not be made, either on the face of a financial statement or in the notes, when the information is immaterial.

(b) *Statement of financial position and statement of profit or loss and other comprehensive income*

Proposed deletion of the words ‘as a minimum’

- 8 The AASB strongly supports the proposed deletion of the words ‘as a minimum’ from paragraph 54 of IAS 1 for the reason in paragraph BC11(a) of the Basis for Conclusions.
- 9 In addition, the AASB encourages the IASB to prioritise removing the phrase ‘as a minimum’ from the disclosure requirements in all IFRSs. For example, paragraph 92 of IFRS 13 *Fair Value Measurement* states: ‘... an entity shall consider ... the level of detail necessary to satisfy the disclosure requirements; ... how much emphasis to place

on each of the various requirements; [and] ... how much aggregation or disaggregation to undertake...’ However, this is followed by the requirement in paragraph 93 that: ‘To meet the objectives in paragraph 91, an entity shall disclose, at a minimum...’ The AASB considers that, without supporting clarification, the use of the phrase ‘at a minimum’ in paragraph 93 seems to contradict the exercise of judgement indicated by paragraph 92 and the statement in paragraph 31 of IAS 1 that an entity need not provide a specific disclosure required by an IFRS if the information is not material. The AASB is concerned that deleting ‘as a minimum’ from paragraph 54 of IAS 1 might have either a limited impact, or an adverse impact, until that phrase is omitted from the other IFRSs in which it is used. The adverse impact might come about because readers of IFRSs may consider that the remaining references to ‘as/at a minimum’ have deliberately been retained to override considerations of materiality.

Disaggregation and subtotals

- 10 The AASB has strong concerns that the proposed additions to paragraphs 54 and 82, and existing paragraphs 55 and 85, of IAS 1 are inappropriately prescriptive about where disaggregated information must be shown within a complete set of financial statements. The proposed requirements (and existing paragraphs 55 and 85) use the phrase ‘...when such *presentation* is relevant...’ [emphasis added] (which paragraph BC7 of the Basis for Conclusions clarifies would be disclosure as a line item on the face of a particular financial statement).
- 11 The AASB agrees with retaining the requirements in paragraphs 54(a) – 54(r) and 82(a) – 82(ea) of IAS 1 to present particular line items on the face of the financial statements (when material), pending the comprehensive review of IAS 1⁴. Beyond that constraint, the AASB recommends that IAS 1 should be less prescriptive regarding where disaggregations of those amounts should be displayed, i.e. whether on the face of the financial statements or in the notes. That is, the AASB considers that entities should have the discretion to choose the location for the display of disaggregated information about line items that helps those entities to most effectively communicate information about their transactions, other events and conditions.
- 12 The AASB considers that the Disclosure Initiative project presents an ideal opportunity to emphasise that preparers of general purpose financial statements are responsible for determining how best to display, for each entity’s circumstances, disaggregations of information so as to make those financial statements relevant and understandable (i.e. ‘tell the story’ about each entity’s particular circumstances). To this end, IAS 1 should permit disaggregated information to be displayed in the notes when this is the most effective manner of communicating that information. In some circumstances, requiring disaggregations on the face of a financial statement might create a clutter of information. In other circumstances, disaggregation of the same type of information on the face of a financial statement might be helpful to an understanding of that information. In either case, the location of the display should be determined by the nature of the information required and the particular entity’s circumstances.
- 13 The AASB notes that the ED’s proposed amendments to paragraph 29 of IAS 1 (i.e. changing ‘present’ to ‘present or disclose’, in two places, in relation to the display of each material class of similar items) seem to signal increased flexibility regarding the location of relevant information in a set of financial statements; however, the proposed additions to paragraphs 54 and 82 of IAS 1 do not follow that lead.

4 As part of the IASB’s Principles of Disclosure project.

- 14 The AASB also considers the proposed requirements in paragraphs 54 and 82 of IAS 1 to present disaggregations of the line items on the face of the financial statements when relevant to an understanding of the entity's financial position or financial performance are circular. This is because disclosure of disaggregations is already required by paragraphs 112(c) and 114(c) of IAS 1 when relevant to an understanding of the entity's financial statements. If disaggregations are made in the notes – either voluntarily, or as required by specific disclosure requirements in a particular IFRS – such note disclosures would often mean, under the proposed requirements in paragraphs 54 and 82 of IAS 1, presenting potentially the *same* disaggregated information on the face of a financial statement. Arguably, an entity's assessment of the relevance of presenting disaggregated information about a line item on the face of a financial statement could depend on whether the entity focuses first on the financial statements or the notes. An example of this concern is that, in relation to the proposed new text in paragraph 54 of IAS 1, it is unclear when an entity might conclude that disaggregating 'property, plant and equipment' on the face of the statement of financial position would provide more relevant information than displaying that disaggregation in the notes.
- 15 In addition, the AASB is concerned that the proposed additions to paragraphs 54 and 82 in IAS 1 are presented as separate requirements and guidance from that in paragraphs 55 and 85, respectively, of IAS 1 but seem to largely repeat (and elaborate on) paragraphs 55 and 85. The AASB considers that, if the proposed additional text in paragraphs 54 and 82 is intended to set out different requirements, the distinction between those requirements needs clarification.

Paragraphs 55A and 85A

- 16 The AASB agrees with the proposed addition of the stem, and sub-paragraphs (a) and (b), of each of paragraphs 55A and 85A of IAS 1. The AASB's comments on sub-paragraph (c) of each of those proposed paragraphs are set out in paragraph 23 below.
- 17 In relation to proposed paragraph 85A(d) of IAS 1, the AASB considers that, at this stage of the IASB's Disclosure Initiative project, it is premature to prohibit the display of additional subtotals with more prominence than the subtotals specified in IAS 1. This is because it seems illogical to specify a hierarchy of subtotals before identifying what those subtotals might be. The AASB considers it is important that the IASB develops principles for identifying subtotals in financial statements, for example, in its Principles of Disclosure project. In addition, the AASB considers that entities should have the discretion to structure their financial statements in the manner that helps them to most effectively communicate information about their transactions, other events and conditions to users of their financial statements. Prohibiting the display of additional subtotals with more prominence than the subtotals specified in IAS 1 would be inconsistent with the AASB's recommended approach. The only constraints that the AASB recommends be imposed on entities' discretion for structuring of subtotals on the face of the statement(s) presenting profit or loss and other comprehensive income are that those subtotals:
- (a) provide information that is relevant and representationally faithful;
 - (b) comply with the specific requirements for subtotals set out in IAS 1 [e.g. those in proposed paragraphs 85A(a) and (b)]; and
 - (c) are not displayed with more prominence than the totals in paragraphs 81A and 81B of IAS 1. In other words, the AASB recommends that the

‘prominence’ constraint proposed in paragraph 85A(d) of the ED is narrowed only to paragraphs 81A and 81B of IAS 1.

- 18 In relation to paragraph 17 above, the AASB considers that any concerns that prominent additional subtotals might be misleading should be addressed by:
- (a) requiring those subtotals to be representationally faithful; and
 - (b) not permitting those subtotals to be presented more prominently than profit or loss, other comprehensive income, comprehensive income and allocations of those amounts.

‘Non-GAAP’ measures

- 19 It is not clear whether the expression ‘non-GAAP’ measures used in paragraph BC15 of the ED’s Basis of Conclusions has the same meaning as ‘non-IFRS’ measures. In the discussion below, the AASB has assumed they mean the same thing, on the basis that it would be inappropriate for the IASB to use the term ‘non-GAAP’ measures to mean something different from ‘non-IFRS’ measures in the context of the ED. This is because the expression ‘non-GAAP’ can mean something different from one jurisdiction to the next, for example, because some jurisdictions might regard ‘GAAP’ as encompassing more than IFRS information. In general, the AASB strongly urges the IASB to refrain from using the term ‘non-GAAP’ in the context of its Disclosure Initiative, unless it deliberately wishes to identify a different range of matters than those addressed in IFRSs.
- 20 Moreover, it is unclear what the term ‘non-GAAP’ measures is intended to capture. The AASB questions how subtotals that are not specifically identified in IAS 1 but are relevant to an understanding of the entity’s financial position and financial performance could be regarded as ‘non-GAAP’ (i.e. ‘non-IFRS’) when paragraphs 55 and 85, respectively, require presentation of these subtotals.
- 21 The AASB considers that a subtotal should only be described as ‘non-IFRS’ when it includes items recognised or measured on a basis that conflicts with IFRSs. For example, a subtotal in the statement of profit or loss and other comprehensive income of a manufacturer that includes gains from marking inventories to market would be ‘non-IFRS’. However, the AASB would strongly disagree with treating a subtotal (or other metric) as ‘non-IFRS’ simply because it is not explicitly required by IAS 1.
- 22 Furthermore, paragraph BC15 of the Basis for Conclusions states that it would not be appropriate to refer in IAS 1 to examples of commonly reported subtotals because the IASB is concerned that referring to a particular subtotal might be interpreted as giving those examples more credence than others. However, without examples or other specific guidance on whether amounts such as ‘EBITDA’ are considered to be ‘non-IFRS’, an important issue facing readers of the revised IAS 1 would remain unclear. The AASB recommends that the IASB clarifies, as a matter of priority, its view on the acceptability of showing such amounts on the face of a financial statement and giving its reasons for that view.

Consistency between periods

- 23 The AASB considers that proposed paragraphs 55A(c) and 85A(c) of IAS 1 are not required because paragraph 45(a) of IAS 1 already adequately addresses the issue. Further, the proposed paragraphs are not entirely consistent with paragraph 45(a). Paragraph 45 of IAS 1 states that “An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless ...

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8". The AASB considers paragraph 45(a) to be less restrictive than proposed paragraphs 55A(c) and 85A(c), because under paragraph 45(a), an entity's presentation of subtotals would not need to be consistent between particular periods if the criteria in paragraph 45(a) for changing presentation are met. Accordingly, the AASB recommends either omitting proposed paragraphs 55A(c) and 85A(c) or amending those proposed paragraphs to simply remind readers of the implications of paragraphs 45 and 46 of IAS 1 for the inter-period consistency of presentation of subtotals.

Reconciliations

- 24 The proposal in paragraph 85B to add reconciliation requirements seems inconsistent with the intention of this initial step of the Disclosure Initiative project to clarify requirements and thus help avoid excessive disclosure. The AASB notes that the IASB Feedback Statement *Discussion Forum – Financial Reporting Disclosure* noted concerns that 'previous attempts by standard-setters to review or rationalise disclosure requirements had more often than not resulted in additional disclosure requirements'. The AASB considers that the proposal in paragraph 85B is an example of this problem. Providing the subtotals meet the requirements of paragraph 85A, the additional benefit from adding a reconciliation to the face of the statements is not clear (i.e. the subtotal is purely an additional measure of the IFRS figures rather than representing a new methodology or inconsistent measure). In addition, the AASB is unsure of the IASB's intended meaning of 'reconcile', particularly because subtotals generally are part of the items included in the totals displayed on the face of the relevant financial statement.
- 25 The AASB considers one situation that seems to be addressed by that paragraph would be where an entity chooses to present separately, on the face of the statement of profit or loss, the tax expense attributable to each item of revenue and other income presented separately in that statement. To conform to paragraphs 82(d) and 85B of IAS 1, an entity would need to separately present a 'reconciliation' (or listing) of each presented item of tax expense composing the total tax expense for the period.
- 26 A similar example would be presentation of 'net interest' by a financial institution, which would require an add-back of interest expense to present revenue in accordance with paragraph 82(a) of IAS 1.
- 27 However, the AASB is unsure whether the IASB had those interpretations of paragraph 85B in mind and whether the IASB had other types of scenarios in mind. For example, the AASB does not understand what the IASB means by the reference in paragraph 85B to "presenting each excluded item in the statement(s) of profit or loss and other comprehensive income". The inclusion of subtotals does not suggest that information is being excluded; rather, it is being included. The use of 'excluded' seems to suggest requiring reconciliation of subtotals to the line items required in paragraph 82, but this would be an overly rigid approach, particularly given the fundamental objective of this project.
- 28 Alternatively, the reconciliations proposed in paragraph 85B could be construed as referring to reconciling information prepared inconsistently with IFRSs (see paragraph 21 above for an example) to IFRS totals. The AASB would strongly disagree with acknowledging such practices by IFRS adopters.

- 29 Furthermore, the AASB thinks it is also possible that the reconciliation the IASB is contemplating would provide information self-evident to the reader without having to be prepared explicitly by an entity. For example, gross interest revenue is determinable by the reader if the net interest margin and the interest expense are disclosed elsewhere in the financial statements. The AASB considers that an entity should be able to exercise judgement in determining whether an explicit reconciliation is necessary, instead of concluding that sufficient information has been provided to allow the reader to identify the reconciling items.
- 30 Although the AASB is not convinced of the net benefit of adding a reconciliation requirement, if the requirement to reconcile is maintained, the AASB considers that:
- (a) there should be a choice to include the reconciliation in the notes; and
 - (b) the paragraph should be redrafted to clarify the intended requirements of the reconciliations.
- (c) *Note structure*
- 31 The AASB generally supports the proposed amendments in paragraphs 113 – 116 emphasising that the structure of the notes is determined through the exercise of judgement having regard to entity-specific circumstances because those amendments would facilitate entities being able to ‘tell the story’ about their particular circumstances. In particular, the AASB strongly supports removing the word ‘normally’ from paragraph 114 of IAS 1 (although, as noted in paragraph 34 below, the AASB recommends omitting paragraph 114 altogether).
- 32 In relation to the AASB’s overall comment above, the AASB supports the proposed addition of paragraph 113A elaborating on how an entity takes entity-specific circumstances into account when selecting the most appropriate order for the notes. The AASB considers this will potentially result in financial statements being more understandable, comparable and therefore more useful to users. However, the AASB questions the reference to ‘more relevant’ disclosures in the first sentence of paragraph 113A – information is either relevant and warrants disclosure, or is irrelevant and does not warrant disclosure.
- 33 The reference to comparability in the proposed amendment to paragraph 113 of IAS 1 is obtuse and potentially confusing, especially in light of the different guidance on consistency of presentation in paragraphs 45(a), 55A(c) and 85A(c) of IAS 1 (see the AASB’s comments in paragraph 23 above on that issue, which include a recommendation that paragraph 45(a) is preferred to paragraphs 55A(c) and 85A(c) in this regard). Consistent with paragraph 45(a) of IAS 1, the AASB thinks it is clear, having regard to the criteria for the selection and application of accounting policies in IAS 8, when another presentation of the notes would be more appropriate. The proposed reference to comparability in paragraph 113 of IAS 1 should not be an impediment to that more appropriate presentation. The AASB recommends that, to achieve this, either paragraph 113 or 113A should refer to the principle in paragraph 45(a).
- 34 In addition, the AASB questions the appropriateness of retaining paragraph 114 of IAS 1 (albeit with the proposed amendments) because it implies describing an alternative order of notes to a particular order already described in paragraphs 113 - 113A. A key point in paragraphs 113 – 113A (which the AASB strongly supports) is that there is no particular order of the notes that an entity would

need to follow. Therefore, the AASB is concerned that paragraph 114 seems likely to reinforce existing practice. The AASB considers, in light of the proposed additional guidance in paragraphs 113, 113A, 115 and 116, that paragraph 114 is unnecessary and therefore recommends its omission altogether from IAS 1.

(d) *Disclosure of accounting policies*

- 35 The AASB supports the proposed deletion of paragraph 120. Given the other proposed amendments to the Standard regarding the notes to the financial statements, the AASB agrees that the paragraph is unnecessary.
- 36 In addition, the AASB strongly supports the IASB's plan to develop guidance clarifying what a significant accounting policy is, as referred to in paragraph BC22 of the ED's Basis for Conclusions. The AASB considers it important to clarify that it is unnecessary and inappropriate for financial statements to summarise the requirements of IFRS, except those that involved the judgements management has made in the process of formulating and applying the entity's accounting policies. Such 'boilerplate' disclosures considerably lengthen financial statements and impede effective communication of important information about the reporting entity and its particular circumstances.

Question 2 – Presentation of items of other comprehensive income arising from equity-accounted investments

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?

- 37 The AASB supports the proposed amendments to paragraph 82A regarding the presentation of items of other comprehensive income arising from equity accounted investments to clarify that entities present the share of the other comprehensive income of associates and joint ventures accounted for using the equity method as a single line item, analysed between portions that:
- (a) will not be reclassified subsequently to profit or loss; and
 - (b) will be reclassified subsequently to profit or loss when specific conditions are met.
- 38 The AASB notes that the proposed amendments to paragraph 82A do not address the issue of whether the line items for other comprehensive income of associates and joint ventures should be calculated before or after tax. However, the footnote to this line item in the illustrative example notes that the amount of the share of other comprehensive income of associates is after tax. The AASB recommends that paragraph 82A be amended to address this issue.

Question 3 – Transition provisions and effective date

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)?

- 39 The AASB supports the proposed transition provisions for the amendments to IAS 1 outlined in paragraph 139N. In addition, the AASB notes that paragraph BC8 of the

Basis for Conclusions refers to the IASB's planned short-term project in its Disclosure Initiative project to assess the existing guidance on materiality, which could result in additional guidance or education material being produced on materiality. The AASB strongly supports this short-term project and recommends that any such additional guidance produced by the IASB has an effective date that aligns with the effective date of the updated IAS 1.