

1 July 2014

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VIC 8007

Email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Kevin

### **ED 249 Disclosure Initiative (Proposed amendments to AASB 101)**

Thank you for the opportunity to comment on the above Exposure Draft (ED). CPA Australia and the Institute of Chartered Accountants Australia (the Institute) have considered it and our comments are set out below.

CPA Australia and the Institute represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We are very supportive of the decision of the International Accounting Standards Board (IASB) to commence the Disclosure Initiative and advance work on the initiative through a series of short and medium-term projects including this project, which is focused on short-term clarifications to IAS 1 *Presentation of Financial Statements*.

Overall, we support the ED. We consider that a focus of financial statements should be on communication and that the ED proposals if adopted would encourage entities to focus on communication rather than compliance. Our reasons are explained in the attached submission to the IASB, which also includes our response to the specific questions for comment (see Appendix 1).

Our response to specific comments requested by the Australian Accounting Standards Board is included in Appendix 2.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Kerry Hicks (the Institute) at [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au).

Yours sincerely



**Alex Malley**  
Chief Executive  
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**Lee White**  
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Representatives of the Australian Accounting Profession



[cpaaustralia.com.au](http://cpaaustralia.com.au)



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01 July 2014

Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
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Via online submission: [www.ifrs.org](http://www.ifrs.org)

Dear Hans

**ED 2014/1 Disclosure Initiative**

Thank you for the opportunity to comment on the above Exposure Draft (ED). CPA Australia and the Institute of Chartered Accountants Australia (the Institute) have considered it and our comments are set out below.

CPA Australia and the Institute represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

In our submission to the International Accounting Standards Board (IASB) Request on Agenda Consultation 2011 we identified the importance for the IASB to undertake a project that addresses the volume of disclosures in order to reduce the complexity of financial statements. Therefore, we are very supportive of the decision of the IASB to commence the Disclosure Initiative and advance work on the initiative through a series of short and medium-term projects, including this project, which focuses on short-term clarifications to IAS 1 *Presentation of Financial Statements*.

Overall, we support the ED. We consider that a focus of financial statements should be on communication and that the ED proposals if adopted would encourage entities to focus on communication rather than compliance.

Our detailed response to the questions posed in the ED is contained in the attached appendix. If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Kerry Hicks (the Institute) at [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au).

Yours sincerely

**Alex Malley**  
Chief Executive  
CPA Australia Ltd

**Lee White**  
Chief Executive Officer  
Institute of Chartered Accountants Australia

## **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 judgement 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?**

We consider it important that accounting standards are drafted in a way that encourages entities to focus on communication rather than compliance. We believe that enabling preparers to exercise their professional judgement in applying the materiality principle to the presentation and disclosure of information is fundamental to achieving that focus.

Generally, we believe the proposals to amend IAS 1 as described in ED proposals (a) to (d) above would result in an improved outcome. Nevertheless, we believe that an even more effective outcome might be achieved from additional amendments, which are detailed below:

- We believe it would be helpful if the amendments to IAS 1 contained an encouragement to present disaggregated items adjacent to their 'parent' line item. We note that the approach to disaggregation practiced by some preparers (e.g., a financial institution that wants to show a net margin) is not compatible with adjacent presentation.
- Currently, IAS 1 fails to clarify whether the use of non-GAAP measures through the inclusion of additional columns may be appropriate. For example, some commentators believe that the requirements of IAS 1 allow for the creation of columns headed 'underlying profit', 'adjustments' and 'IFRS total' to be presented on the face of the Statement of Profit or Loss and Other Comprehensive Income. In some countries regulators expressly deny this approach. We believe it would be helpful if the amendments to IAS 1 clarified this matter.
- The proposals to amend IAS 1 include making a distinction between 'present' and 'disclose' (e.g., paragraph 29). Some of the proposals use the word 'presenting' (e.g., paragraph 85B). Clarification would be helpful to ensure consistent usage of these words as we are not certain if this is a reference to 'present' or 'disclose' or both.

- In relation to disclosure of accounting policies, we note the IASB plan to undertake additional work with regard to what is a significant accounting policy. Further, we note the proposed amendments to IAS 1 paragraph 117 de-emphasise the need for a specific note that summarises significant accounting policies. Currently, IAS 1 paragraph 10(e) states that a complete set of financial statements includes a summary of significant accounting policies. We believe it appropriate that its wording is amended to make it consistent with the words agreed upon for use in paragraph 117. Further, we consider the wording in paragraph 117 should not delete the words “significant accounting policies”.

**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?**

We agree with the proposed amendments.

**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)?**

**If not, why and what alternative do you propose?**

We agree with the ED proposed transition provisions including that early application is permitted.

**1. Do you consider there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**

- a. not-for-profit entities; and**
- b. public sector entities, including GAAP/GFS implications?**

No, we are not aware of any issues arising in the Australian environment that may affect the implementation of the proposals.

**2. Overall, do you consider the proposals would result in financial statements that would be useful to users?**

We consider that a focus of financial statements should be on communication. We consider that the ED proposals if adopted would result in financial statement statements that would be useful to users as the proposals encourage entities to focus on communication rather than compliance.

**3. Do you consider the proposals are in the best interests of the Australian economy?**

Yes, we believe the proposals are in the best interests of the Australian economy.

**4. Unless already provided in response to specific matters for comment 1 – 3 above, do you have any comments on the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.**

We expect that the refocusing of financial statements away from compliance onto communication will bring a net benefit to the Australian capital market and economy.