



The Institute of Public Accountants

## **Disclosure Initiative - IAS 1**



**IPA** INSTITUTE OF PUBLIC  
ACCOUNTANTS  
*Partnership beyond numbers*

The Chairman International Accounting Standards Board 30 Cannon Street London EC4M 6XH United Kingdom	The Chairman Australian Accounting Standards Board PO Box 204 Collins Street West Victoria 8007 Australia
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Dear Sirs

## Re: Disclosure Initiative (Proposed Amendments to IAS 1)

### Introduction

The Institute of Public Accountants (IPA) welcomes the opportunity to comment (belatedly) on Exposure Draft ED 2014/1 "Disclosure Initiative" (proposed amendments to IAS 1). The IPA supports the Disclosure Initiative.

The IPA is concerned with the increasing disclosure burden imposed on preparers and auditors, and is also concerned with the consequential impact on the usability of the financial report. As a result, the IPA is supportive of the ED 2014/1 with three reservations:

1. The introduction of paragraphs 55 and 85 may offer the ability to legitimise non-IFRS measures, particularly in relation to performance reporting;
2. The changes in relating to disclosure of accounting policies does not address the general failure to disclose specific relevant accounting policies rather than restatements of IFRS accounting principles; and
3. We question the requirement to provide reconciliations of paragraph 85 subtotals and unsure as to the utility such reconciliations provide to the users of financial statements.

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 25,000 members nationally, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on issues affecting the profession, industry and the public interest.

Our detailed comments and responses to the questions in the Exposure Draft are set out in Appendix A.

If you would like to discuss our comments, please contact the IPA at [ipasubmissions@publicaccountants.org.au](mailto:ipasubmissions@publicaccountants.org.au)

Yours faithfully

Vicki Stylianou  
Executive General Manager  
Institute of Public Accountants

## APPENDIX A

### 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;*
- (b) Statement of financial position and statement of profit and loss and other comprehensive income;*
- (c) Notes structure; and*
- (d) Disclosure of accounting policies.*

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

### IPA response

#### *(a) Materiality and aggregation*

While the IPA supports the changes we have two concerns. Firstly, the IPA believes the failure to provide a quantitative guideline in relation to materiality exacerbates the problems with the application of materiality. Up until recently Australia has been well served by a separate standard on materiality (AASB 1031 “Materiality” and its predecessor standards) which provided key guidance on an important accounting concept. The IPA believes the conceptual framework revisions should consider incorporating guidance similar to previous versions of AASB 1031.

Secondly, the IPA is concerned the new guidance in relation to disaggregation at paragraphs 55 and 85 is inconsistent with the guidance at paragraph 30A which states that information should not be aggregated or disaggregated in a manner which obscures useful information. The IPA is concerned with the introduction of non-GAAP measures (particularly alternative measures of performance) being introduced on the face of the financial statements by using the guidance at paragraphs 55 and 85.

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

The IPA supports the objective of clarifying the list of disclosures at paragraph 54 is not mandatory but subject to materiality. As such, the IPA believes the introductory sentence should be as follows:

*“The statement of financial position shall include, where material, line items that present the following amounts”*

#### *(c) Notes structure*

The IPA supports the proposed changes.

#### *(d) Disclosure of accounting policies*

While the IPA supports the proposed changes, we believe these changes do not address that many accounting policy disclosures are often uninformative restatements of the requirements of IFRS. IAS 1 should include an explicit requirement to state, where IFRS provides alternative accounting options and the basis for the selection of the option. Similarly IAS 1 should explicitly state an entity is to describe the manner in which they have applied IFRS measurement principles and restatement of IFRS principles is not sufficient.

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

### IPA response

The IPA supports the proposed changes.

## Question 3 – Transition provisions and effective date

*Do you agree with the proposed transition provisions for the amendments to IAS 1 described in this Exposure Draft?*

### IPA response

The IPA supports the proposal.