Kris Peach
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

via email: standard@aasb.gov.au

19 May 2015

Dear Kris

Re: Exposure draft 258 *Disclosure Initiative (Proposed amendments to AASB 107)*

I am enclosing a copy of PricewaterhouseCooopers' response to the International Accounting Standards Board's exposure draft ED/2014/6 *Disclosure Initiative: Proposed amendments to IAS 7.*

The letter reflects the views of the PricewaterhouseCoopers (PwC) network of firms and as such includes our own comments on the matters raised in the request for comment. PwC refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Reduced disclosure requirements

In terms of the application of the proposed new disclosures to entities reporting under tier 2 of the reduced disclosure regime, we agree that the new paragraph 44A should be excluded from the tier 2 requirements and that paragraph 59 should be retained.

However, as explained in our attached submission to the IASB, we do not support the new disclosures in paragraph 50A, as we are concerned that their objectives are not well-defined and their interaction with other disclosures is not clear. Should the IASB decide to retain this paragraph, we believe that it should be excluded for tier 2 entities. The requirements in paragraph 50 provide sufficient guidance to determine when additional information may be relevant to an understanding of the liquidity of an entity.

AASB specific matters for comment

We are not aware of any regulatory or other issues that could affect the implementation of the proposals for not-for-profit and public sector entities.

Should the proposed amendments be approved by the IASB, we are not aware of anything that would indicate that the proposals are not in the best interests of the Australian economy.

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (03) 8603 5371 if you would like to discuss our comments further.

Yours sincerely,

Margot Le Bars
Partner, PricewaterhouseCoopers

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

13 April 2015

Exposure Draft ED/2014/6 – Disclosure Initiative: Proposed amendments to IAS 7

We are pleased to respond to the invitation by the IASB to comment on the Exposure Draft, 'Disclosure Initiative: Proposed amendments to IAS 7' (the 'Exposure Draft'), on behalf of PricewaterhouseCoopers. Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of those member firms that commented on the Exposure Draft.

'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

<u>Information provided about an entity's financing activities, excluding equity items</u>

We support the IASB's objective to require additional disclosures about non-cash movements in those liabilities for which cash flows have been, or will be, classified as financing activities in the statement of cash flows. We understand that some users believe this requirement will provide useful information because it is not always possible to identify material non-cash movements in these liabilities.

We suggest, however, that any additional disclosure requirement be principles-based and focused on the specific concern raised by users about non-cash movements in such liabilities. This could be accomplished by building on the objective of the existing guidance in paragraph 43 of IAS 7. This guidance could be expanded to require the disclosure of significant non-cash movements in liabilities for which cash flows have been, or would be, classified as financing activities in the statement of cash flows; for example, the effect of changes in foreign exchange rates, and changes arising from obtaining or losing control of subsidiaries. We do not support introducing a requirement to provide tabular reconciliation, as this would be inconsistent with principles-based disclosure.

<u>Disclosures that help users to understand the liquidity of an entity</u>

We acknowledge that some users might find additional information about the factors that affect an entity's liquidity useful. We are concerned, however, that the objective of the proposed disclosures is not well-defined, and this might lead to excessive or unfocused disclosure. We suggest that the IASB should reconsider the disclosures in this area as part of the Principles of Disclosure project.

<u>IFRS Taxonomy</u>

We suggest that the due process for changes to the IFRS taxonomy be kept separate from the due process for changes to the standard; this is because changes to the taxonomy are difficult to assess in isolation, and the taxonomy should be based on the final amendments to the standard.

PricewaterhouseCoopers International Limited, 1 Embankment Place, London WC2N 6RH
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7822 4652

pwc

It might be inefficient to seek comment on changes to the taxonomy before the changes to the standard are finalised. We suggest, therefore, that amendments to the taxonomy are proposed in an agreed amendment cycle, rather than together with amendments to the standard. For this reason, we have not addressed the question about the suggested changes to the IFRS taxonomy.

Our answers to the specific questions in the Exposure Draft provide more detail on the views expressed above and are included in Appendix A.

If you have any questions on this letter, please contact Paul Fitzsimon, PwC Global Chief Accountant (+1 416 869 2322) or Tony de Bell (+44 207 213 5336).

Yours faithfully

PricewaterhouseCoopers.

PricewaterhouseCoopers

pwc

APPENDIX A

Question 1 – Disclosure Initiative amendments

This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:

(a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and

(b) disclosures that help users of financial statements to understand the liquidity of an entity.

Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

<u>Information provided about an entity's financing activities, excluding equity items</u>

We support the IASB's objective to require additional disclosures about non-cash movements, but suggest that the disclosure requirements be principles-based and focused on identifying material non-cash movements in liabilities for which cash flows have been, or would be, classified as financing activities in the statement of cash flows.

We suggest that this should be accomplished by building on the objective of the existing guidance in paragraph 43 of IAS 7. This guidance could be expanded to require the disclosure of significant non-cash movements in liabilities for which cash flows have been, or would be, classified as financing activities in the statement of cash flows; including, for example, the effect of changes in foreign exchange rates, and changes arising from obtaining or losing control of subsidiaries. This disclosure could also be enhanced by including a qualitative description of these movements.

We do not support a requirement for a tabular reconciliation, which seems inconsistent with a principles-based disclosure framework. The Board could clarify, however, that the disclosures might be provided in a tabular format through inclusion of an illustrative example.

<u>Disclosures that help users understand the liquidity of an entity</u>

We acknowledge that some users might find additional information about the factors that affect an entity's liquidity useful. IAS 7 requires information about cash that is not legally available to the group, but it only encourages the disclosure of information about other factors that might affect an entity's liquidity.

We are concerned, however, that the objective of the proposed disclosures is not well-defined, and their interaction with other disclosures, such as those required by IFRS 7 generally or those encouraged by paragraph 50 of IAS 7, is not clear. This might lead to excessive or unfocused disclosure.

Many factors, in addition to legal restrictions on the availability of cash, might limit an entity's ability to use specific cash balances. For example, there might be adverse tax consequences of repatriating cash held in another country. The proposals do not include a clear objective and do not explain how the proposed requirement interacts with other disclosures.

We suggest that the IASB should reconsider the proposed disclosures as part of the Principles of Disclosure project. It should consider the objective of any additional disclosure that provides information relevant to understanding an entity's liquidity position in the context of the financial statements as a whole, and the disclosures encouraged by paragraph 50 of IAS 7.

Question 2 – Transition provisions

Do you agree with the proposed transition provisions for the amendments to IAS 7 as described in this Exposure Draft (see paragraph 59)?

If not, why and what alternative do you propose?

We support retrospective application of the amendments, as they are disclosure-only, and preparers should already have access to this information.

Question 3 – IFRS Taxonomy

Do the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set out in the proposed amendments to IAS 7 and the accompanying illustrative example? In particular:

- *(a) are the amendments reflected at a sufficient level of detail?*
- *(b) should any line items or members be added or removed?*
- *(c) do the proposed labels of elements faithfully represent their meaning?*
- *(d) do you agree that the proposed list of elements to be added to the IFRS Taxonomy should be limited to information required by the proposed amendments to IAS 7 or presented in the illustrative examples in IAS 7?*

Please see our comments on Question 4.

Question 4 – IFRS Taxonomy due process

As referenced in paragraph BC20, the IASB is holding a trial of a proposal to change the IFRS Taxonomy due process. Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:

- *(a) do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?*
- *(b) do you find the form and content of the proposed IFRS Taxonomy Update useful? If not, why and what alternative or changes do you propose?*

We suggest that the due process for changes to the IFRS taxonomy should remain separate from the due process for changes to the standards because:

- Changes to the taxonomy are difficult to assess in isolation.
- The taxonomy should be based on the final amendments to the standard. These might change between the Exposure Draft and the final standard because of the comments received. It would be inefficient to seek comment on changes to the taxonomy before the changes to the standard are finalised.
- The audience for exposure drafts on amendments to IFRS is, in most cases, different from the audience for exposure drafts on the taxonomy.

We therefore suggest that amendments to the taxonomy should be proposed in an agreed amendment cycle and not together with amendments to the standards. The amendment cycle could be set up in a similar way to the Annual Improvements Cycle. Amendments should not be made more often than once per year, as more frequent changes would be difficult to apply to the software.