

STAFF PAPER

January 2012

IFRS Interpretations Committee Meeting

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Project	2009-2011 Annual improvements cycle (ED June 2011)— Comment letter analysis		
Paper topic	IAS 1— <i>Presentation of Financial Statements</i> —Clarification of the requirements for comparative information		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IFRS Interpretations Committee. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination. Decisions made by the IFRS Interpretations Committee are reported in *IFRIC Update*. The approval of a final Interpretation by the Board is reported in *IASB Update*.

Introduction

1. The exposure draft of proposed Improvements to IFRSs published in June 2011 includes a proposed amendment to amend IAS 1 *Presentation of Financial Statements* to:
 - (a) clarify the requirements for providing comparative information when an entity provides financial statements beyond the minimum comparative information requirements;
 - (b) address two aspects of the requirements in specific cases where an entity changes accounting policies, or makes retrospective restatements or reclassifications. The proposed changes are that:
 - (i) the opening statement of financial position should be presented as at the beginning of the required comparative period; and that
 - (ii) related notes are not required to accompany this opening statement of financial position.

Purpose of this paper

2. The objective of this paper is to obtain a final decision from the IFRS Interpretations Committee (the Committee) to allow this issue to be included in the final Improvements to IFRSs planned to be issued in June 2012.

Structure of this paper

3. This agenda paper:
 - (a) provides **background information** on the issue;
 - (b) **analyses the comments received** as part of the exposure draft process and **recommends changes** to the proposed draft wording; and
 - (c) requests the Committee to confirm whether they agree with the **staff recommendation** to proceed with the proposed amendment by adding some further changes that would make the proposed amendment clearer.
4. Our recommended changes from the currently effective IAS 1 are included in **Appendix A** of this paper and from the ED published in June 2011 are included in **Appendix B** of this paper. **Appendix C** shows propose amendments to guidance on other IFRSs as a consequence of the changes to IAS 1.

Background information

Information beyond the minimum comparative requirements

Current guidance

5. Paragraphs 38–39 in IAS 1 set the requirements for providing minimum comparative information. Paragraph 39 states that in disclosing comparative information, an entity should provide, as a minimum, two statements of financial position (SFP) and two of each of the other statements, together with related notes.

Summary of the issue raised

6. In January 2010, the Board was asked to clarify the requirements for providing comparative information when an entity provides selected additional information in addition to the requirements for providing minimum information. This might occur when jurisdictions require selected additional financial statements beyond the minimum explicitly stated within IAS 1. For example, an entity provides statements of comprehensive income (SCI), changes in equity (SCE) and cash flows (SCF), each for three years, but only two years of SFPs.
7. This issue was analysed by the Committee in **March 2010** (Agenda Paper **6D**)¹ and by the Board in **September 2010** (Agenda Paper **3C**)². The issue was also analysed jointly by the Board and the FASB in March 2010 (Agenda Paper 4)³ as part of their ‘sweep issues’ discussions of the Financial Statement Presentation project.

The Board’s proposals

8. At the September 2010 Board meeting, the Board proposed to clarify that selected additional information beyond the minimum requirements is acceptable, but that it should be prepared in accordance with IFRSs and presented with the same prominence as the financial statements listed in paragraph 10 of IAS 1 (revised 2007).
9. In addition, the Board confirmed that only one comparative period is required for a complete set of financial statements as stated in paragraph 38 of IAS 1. This is the ‘**required comparative period**’ (defined as ‘the comparative information in respect of the previous period’ in the proposed paragraph 10(ea)).

¹ <http://www.ifrs.org/NR/rdonlyres/6CBB67C9-6E63-4A7E-B560-BFEC2491E8BD/0/1003ap6DobsIFRICIAS1ComparativeInformation.pdf>

² <http://www.ifrs.org/Meetings/IASB+Board+Meeting+14+September+2010.htm>

³ <http://www.ifrs.org/NR/rdonlyres/B61FB4E2-A5D9-46F7-B9AA-286964D6D2CA/0/FSP110310b04obs.pdf>

Presentation of an opening statement of financial position*Current guidance*

10. Paragraphs 10(f) and 39 in IAS 1 set the requirements for including a statement of financial position (SFP) as at the beginning of the earliest comparative period (‘opening statement of financial position’) when an entity applies an accounting policy retrospectively, or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements.

Issue that was raised

11. In January 2010 the Board was asked to clarify the appropriate date for the ‘opening statement of financial position’ because confusion had arisen as to whether this period should be interpreted:
- (a) as the beginning of the earliest period presented for additional comparative information; or as
 - (b) at the beginning of the minimum comparative period presented, regardless of whether an entity’s financial statements present additional comparative information for earlier periods.

The Board’s proposals

12. The Board noted that the requirements for comparative information should always be read within the context of the minimum requirements required by paragraph 38 of IAS 1. Consequently, in circumstances in which an entity should present three SFPs as required by paragraph 39 of IAS 1, the ‘beginning of the earliest comparative period’ must be understood as the beginning of the minimum comparative period information. Consequently, the Board proposes to clarify that the three required statements of financial position would be:
- (a) the end of the current period;
 - (b) the end of the required comparative period; and
 - (c) the beginning of the required comparative period.

13. For example, given an entity that, as a minimum under IFRSs, is required to present two SFPs as at 31 December 20X1 and 20X0, the beginning of the ‘required comparative period’ would be 1 January 20X0, regardless of whether an entity's financial statements present additional comparative information for earlier periods (for example, if the entity presents an additional SFP at December 20X9).
14. In addition, the Board proposes to amend paragraph 10 to clarify that minimum comparative information as required by paragraph 38 is part of a complete set of financial statements.
15. The Board also proposes to change the current requirements in paragraph 39 of IAS 1 so as no longer to require the presentation of related notes to this opening SFP. This is to avoid unnecessary repetition of information that can be obtained from the previous financial statements.
16. In drafting the proposed amendments and to provide more clarity on the requirements in IAS 1 for comparative information, the Board proposed to rearrange and split paragraphs 38 to 41, as follows:
 - (a) paragraphs 38–38A set minimum requirements for comparative information.
 - (b) paragraph 38B sets minimum requirements for when an entity may present additional comparative information for a period earlier than the required comparative period.
 - (c) paragraphs 40A–41 set the requirements for comparative information when an entity changes an accounting policy, or makes a retrospective restatement or a reclassification.

Comment letter analysis

17. In this section, we discuss and analyse the comments received from constituents on the *Improvements to IFRS Exposure Draft (2011)* during the comment period, which ended on 21 October 2011.
18. The Board received 67 comment letters on the exposure draft (ED). The ED asked two questions:

- (a) Question 1: Do you agree with the Board’s proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose? [56 respondents answered this question]
 - (b) Question 2: Do you agree with the proposed transitional provisions and effective date for the issue as described in the exposure draft? [53 respondents answered this question]
19. The comment letters received mostly supported the general intention behind the amendment to IAS 1 to clarify the requirements for comparative information.
20. However, particular areas in which constituents raised some concerns were the following:
- (a) formal definitions should be included in paragraph 7 of IAS 1 for the new terms that will be brought into use as a result of the proposed amendments (**‘Issue 1’**).
 - (b) Respondents claim that requirements for providing (‘voluntary’) additional comparative information in paragraph 38B exceed the requirements for providing (‘mandatory’) additional comparative information in paragraphs 40A–40C, which seems inconsistent (**‘Issue 2’**).
 - (c) Paragraph 40A should be amended to require that the third SFP should be required to be presented only if there is a material impact on the SFP at the beginning of the ‘required comparative period’ (**‘Issue 3’**).
 - (d) Consider the interaction between the proposed amendments to IAS 1 and the requirements for comparative information in (**‘Issue 4’**):
 - (i) IFRS 1 *First-time Adoption of International Financial Reporting Standards*
 - (ii) IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and
 - (iii) IAS 34 *Interim Financial Reporting*.
 - (e) Consider amending other standards in IFRSs that mention the phrase ‘the beginning of the earliest period presented’ to make this term

consistent with the proposed terminology (ie ‘the beginning of the required comparative period’) (**Issue 5**).

21. The concerns mentioned above are addressed in subsequent paragraphs.

Transition and effective date

22. Respondents did not raise any further concerns with the proposed transitional provisions and effective date for the issue described in this paper.

Issue 1: define new proposed terms

23. Some respondents⁴ think that some of the new terms used in the proposed amendments should be defined in the list of defined terms in IAS 1.7, such as:
- (a) ‘required comparative period’ and
 - (f) ‘additional comparative information’.
24. Many of the same respondents find the notion of ‘required’ comparative period information to be confusing, because it is not clear who requires such information. One respondent proposed a definition of ‘required comparative information’ as the one ‘required by IFRSs’.

Staff analysis

Define the term ‘required comparative information’

25. We observe that the term ‘required comparative information’ has already been defined in the proposed paragraph IAS 1.10(ea) as ‘comparative information in respect of the previous period’, but this definition is not prominent enough in the standard. We think that this is the reason why some respondents propose that it should be included as part of the list of defined terms in paragraph 7 of IAS 1.

⁴ CL 5 (Deloitte), CL 21(BDO), CL 25 (FAR), CL 37(RSM International), CL 39 (RBS), CL 41(BBA), CL 46 (Siemens)

26. We also observe that the term ‘required comparative period’ is mentioned in many proposed paragraphs (ie 10, 38, 38B, 38D, 40A,40B and 40C), which calls for this term to be defined in IAS 1.
27. We, agree that the term ‘required comparative period’ should not be used in IAS 1 because it might be confusing.
28. Consequently, we suggest deleting the term ‘required comparative period’ and instead explaining what is required in paragraphs 10(ea) and (f), 38, 38B, 38C, 38D, 40A, 40A, 40B and 40C of IAS 1, as follows:
- (a) in paragraph **10(ea), 38C and 38D** we suggest deleting the term in brackets ‘the required comparative period’ and we suggest specifying that it is comparative information in respect of the preceding period.
 - (b) in paragraph **10(f)** we suggest replacing the term ‘the beginning of the required comparative period’ with ‘the beginning of the preceding period’.
 - (c) in paragraph **38** we suggest replacing the term ‘the required comparative period’ with ‘comparative information in respect of the preceding period’.
 - (d) in paragraphs **40A, 40B and 40C** we suggest replacing the term ‘the beginning of the required comparative period’ with ‘the beginning of the preceding period’.

Define the term ‘additional comparative information’

29. We do not agree that the term ‘additional comparative information’ in paragraph 38B should be defined in the list of defined terms in IAS 1. Instead, we think that the wording of the proposed **paragraph 38B** should specify that additional comparative information is ‘information provided in addition to the minimum comparative requirements in paragraphs 38 and 38A’. We also think that a subtitle called ‘Additional comparative information’ should be included before paragraph 38B for ease of reference.

Staff recommendation

30. On the basis of our analysis above, we do not propose defining the terms ‘required comparative information’ or ‘the beginning of the required comparative period’. Instead, we propose explaining these terms in IAS 1 in each of the paragraphs that have a reference to this term.
31. We also propose modifying the wording in paragraph 38B to clarify that ‘additional comparative information’ is ‘information provided in addition to the minimum comparative requirements in paragraphs 38 and 38A’.
32. Our recommended changes to the draft wording of paragraphs 10(ea), 10(f), 38, 38B, 38C, 38D, 40A, 40A, 40B and 40C in IAS 1 from:
- (a) the currently effective IAS 1 are included in **Appendix A** of this paper.
 - (b) the ED published in June 2011 and following our recommendations in this paper are included in **Appendix B** of this paper.

Comparative information—definition of terms

1. Does the Committee agree with our proposal to delete the references to ‘required comparative period’ and ‘the beginning of the required comparative period’ and explain this term in the proposed **paragraphs 10(ea), 10(f), 38, 38B, 38C, 38D, 40A, 40B, 40C of IAS 1** and include a description of what is required in those paragraphs? If so, does the Committee agree with the proposed wording of these paragraphs? (refer to Appendix A of this paper).

2. Does the Committee agree to improve the wording of the proposed **paragraph 38B** to explain what constitutes additional comparative information? If so, does the Committee agree with the proposed wording of this paragraph? (refer to Appendix A of this paper).

Issue 2: apparent inconsistency between ‘mandatory’ and ‘voluntary’ additional comparative information

Issues raised by respondents

33. Some respondents⁵ think that the Board should review its proposals for presenting additional comparative information in paragraphs 40A–40C and in paragraph 38B because they seem inconsistent. This is because they claim that:
- (a) the requirements for providing (‘voluntary’) additional comparative information in paragraph 38B give rise to a requirement to present related information in the notes; whereas
 - (b) the requirements for providing (‘mandatory’) additional comparative information in paragraphs 40A–40C (when an entity changes accounting policies, or makes retrospective restatements or reclassifications), do not give rise to a requirement to provide related information in the notes for the opening SFP.
34. For some respondents, it does not seem reasonable that the provision of voluntary information generates a requirement to provide more information than the actual ‘mandatory’ requirements in IAS 1.
35. Those respondents have expressed the following comments:
- (a) related information in the notes for ‘voluntary’ additional comparative information should not be required at all (CL 59 CPA Hong Kong and CL 64 ICAEW);
 - (b) related information in the notes for ‘voluntary’ additional comparative information should be allowed but not required (CL 7 ASB UK, CL 37 RSM International); and
 - (c) if the Board concludes that paragraph 38B should not be amended to address the inconsistency between paragraph 38B and paragraph 40C, then the reason for this inconsistency should be explained in the Basis for Conclusions (CL 28 PWC).

⁵ CL 7(ASBJ), CL19(South Africa), CL 28(PWC), CL 31 (Grant Thornton), CL 37 (RSM), CL 39(RBS)

34. One respondent (CL 49 KPMG) notes that it should be clarified in BC 1 that information that is presented voluntarily must be understood from the perspective solely of IFRS, because some jurisdictions might require comparative information by law or other regulations.

Staff analysis and recommendation

36. We think that the Board's rationale for requiring related notes for selected additional information in paragraph 38B is different from its rationale for not requiring related information in the notes for an opening SFP in proposed paragraph 40C.
37. We think that the Board's rationale for not requiring the related notes to an opening statement of financial position in paragraph 40C is to provide a 'relief' for the specific circumstances when an entity that applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, and this is to avoid repetition of information that is available in previous financial statements prepared under IFRS.
38. We think that the Board's rationale for requiring comparative information in the related notes for selected additional information in paragraph 38B is to ensure that the selected additional information that entities provide is balanced and results in financial statements achieving a 'fair presentation'. We think this is different from circumstances where an entity gives additional information in line with paragraph 15 of IAS which states that (emphasis added):

- 15 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. **The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.**

39. In our view, if additional comparative information in related notes is provided because of paragraph 15 of IAS 1, then this information is a ‘requirement’ under IAS 1 and is not a voluntary disclosure.

Staff recommendation

40. We think that to address respondents’ concerns, paragraph 38B should clarify what is understood by “additional comparative information” which in our view is comparative information in addition or in excess to the minimum comparative information required by IFRSs.
41. We think that the Basis for Conclusions in IAS 1 should explain that ‘additional comparative information’ might include:
- (a) “voluntary” information which must be understood from the perspective of the financial statements as a whole; and
 - (b) information “required by law or other regulations”. We accept that such information is not ‘voluntary information’ but neither is it information required by IFRSs.
42. The proposed Basis for Conclusions in IAS 1 should also include the Board’s rationale for:
- (a) requiring related notes when additional comparative information is provided in accordance with paragraph 38B (we will indicate that the rationale for this additional disclosure is to present financial statements that achieve a fair presentation);
 - (b) not requiring related notes to an opening statement of financial position in paragraph 40C when an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements (we will indicate that this is to avoid duplication of information that can be found in financial statements from previous years and this relief is linked to these specific circumstances only); and

43. In addition, to assist the reader in identifying the requirements for comparative information in IAS 1, we think that the following titles and subtitles should be shown prominently in this section:
- (a) the title “Comparative information” before paragraph 38 and a subtitle immediately after which will read “Minimum comparative information”
 - (b) the subtitle “Additional comparative information” before paragraph 38B and the subtitle “Change in accounting policy, retrospective restatement or reclassification” before paragraph 40A.
44. Our recommended changes to the draft wording of paragraph 38B and the Basis for Conclusions in IAS 1 from:
- (a) the currently effective IAS 1 are included in **Appendix A** of this paper; and
 - (b) the ED published in June 2011 and following our recommendations in this paper are included in **Appendix B** of this paper.

Comparative information—inconsistencies between the requirements for ‘voluntary’ and ‘mandatory’ additional information

1. Does the Committee agree with the proposed titles and subtitles in the comparative information section of IAS 1?
2. Does the Committee agree with our description of ‘additional comparative information’ in paragraph 38B of IAS 1, where we state that this is information in addition to the minimum comparative information required by IFRSs?
3. Does the Committee agree to include in the Basis for Conclusions of IAS 1:
 - (a) an explanation that additional comparative information comprises voluntary information and/or information required by law or other regulations?
 - (b) the rationale for requiring related notes when additional comparative information is provided?
 - (c) the rationale for not requiring related notes to the opening SFP?

Issue 3: opening SFP should be presented only if there is an impact upon the SFP

45. Some respondents⁶ think that the Board should amend paragraph 40A to require that the third SFP should be presented only if there is a material impact upon the SFP, and not if there is only an impact upon the statement of comprehensive income, the statement of changes in equity or the statement of cash flows. For example, if an entity reclassifies expenses in the SCI, IAS 1 should not require the presentation of a third SFP if the reclassification only affected the SCI. One of those respondents (CL 19 SAICA) also points out that the note disclosures in paragraph IAS 1.41 when an entity makes reclassifications should be sufficient information.

Staff analysis and recommendation

46. In the past, this issue has been raised several times by groups of preparers in discussions with the staff from the Financial Statement presentation project, because preparers believe that the costs of providing a third SFP (opening SFP) when the change does not affect the SFP may exceed the benefits of providing such information.
47. Consequently, we **agree** with amending proposed **paragraph 40A** so that the presentation of a third statement of financial position at the beginning of the preceding period only applies when the change in accounting policy, the correction of an error or the reclassification of items in the financial statements has a material effect upon the SFP.
48. Our recommended changes to the draft wording of paragraph 40A in IAS 1 from:
- (a) the currently effective IAS 1 are included in **Appendix A** of this paper;
- and

⁶ CL 6 (individual), CL 19 (SAICA), CL 28(PWC), CL 40(Moore S), CL 49 (KPMG), CL 58 (CAI), CL 59 (CPA Hong Kong).

- (b) the ED published in June 2011 and following our recommendations in this paper are included in **Appendix B** of this paper.

Comparative information—impact on the opening SFP

1. Does the Committee agree that the proposed **paragraph 40A** should be modified to indicate that the presentation of a third statement of financial position applies only when a change in an accounting policy, a retrospective restatement or a reclassification has a material effect on the statement of financial position?

Issue 4: interaction of proposed amendments with other standards

49. Some respondents think that the Board should analyse the interaction of the proposed requirements for comparative information with the requirements in some other standards. We have analysed these concerns below.

IFRS 1

Issues raised by respondents

50. Paragraph 6 requires the presentation of an opening IFRS SFP at the date of transition to IFRSs as shown below:
- 6 An entity shall prepare and present an opening IFRS statement of financial position at the date of transition to IFRSs. This is the starting point for its accounting in accordance with IFRSs.
51. Paragraph 21 cross-references IAS 1 and requires that at least three SFPs, and two of the other statements, must be presented together with related notes as shown below (emphasis added):
- 21 To comply with IAS 1, an entity's first IFRS financial statements **shall include at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in**

equity and related notes, including comparative information.

52. One respondent (CL 6) thinks that the link between IFRS 1 paragraph 21 and proposed paragraph 40A in IAS 1 is irrelevant because the statements prepared under IFRS 1 are not prepared by entities applying IFRS on a continuing basis.
53. Two respondents (CL 28 PWC, CL 47 E&Y) suggest that IFRS 1 paragraph 21 should clarify the circumstances in which related notes to the opening SFP should be required.

Staff analysis and recommendation

54. We understand that the objective of IFRS 1 paragraph 21 is to replicate the requirements of IAS 1 in terms of comparative information for an entity's first IFRS financial statements.
55. However, we do not think that a first-time adopter should be exempted from presenting related notes to the opening SFP, because a first-time adopter might not have presented this information before.
56. Consequently, we think that the requirement in paragraph 21 of IFRS 1 to present three SFPs and related notes should remain and to avoid confusion it should not be cross-referenced to IAS 1.
57. Our recommended changes to the draft wording of paragraph 21 in IFRS 1 are shown below (proposed changes have been underlined). We have also included these changes in Appendix C of this paper.

21 ~~To comply with IAS 1, an~~ An entity's first IFRS financial statements shall include at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information.

IFRS 8

58. One respondent (CL 6) questions whether the requirement in IFRS 8 paragraph 21 when presenting a statement of comprehensive income needs to comply with the requirements in IAS 1 for comparative information. Paragraphs 20–21 of IFRS 8 are reproduced below (emphasis added):

20 An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

21 To give effect to the principle in paragraph 20, an entity shall disclose the following for each period **for which a statement of comprehensive income is presented**:

- (a) general information as described in paragraph 22;
- (b) information about reported segment profit or loss, including specified revenues and expenses included in reported segment profit or loss, segment assets, segment liabilities and the basis of measurement, as described in paragraphs 23–27; and
- (c) reconciliations of the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items to corresponding entity amounts as described in paragraph 28.

Reconciliations of the amounts in the statement of financial position for reportable segments to the amounts in the entity's statement of financial position **are required for each date at which a statement of financial position is presented**. Information for prior periods shall be restated as described in paragraphs 29 and 30.

Staff analysis and recommendation

59. We think that the requirements in IAS 1 for comparative information would be applied when disclosing the information required in IFRS 8 paragraph 21 and that no additional clarification is needed.

IAS 8

60. One respondent (CL 27 KASB) notes that the requirement in paragraphs 44 and 45 of IAS 8, to restate the opening balances of assets, liabilities and equity as early as practicable, is not consistent with the proposed amendments to comparative information in IAS 1. This is because, while these paragraphs refer to restating the opening balances for the earliest period for which a retrospective restatement is practicable, the proposed amendment to paragraph 40A indicates that the earliest period to be presented is the ‘beginning of the required comparative period’.
61. This respondent thinks that paragraphs 44 and 45 in IAS 8 should be amended to indicate that the earliest period to be presented is the opening balance of the previous period as required under proposed paragraph 40A in IAS 1. These paragraphs are reproduced below (emphasis added):

(IAS 8)

44 When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity shall restate the opening balances of assets, liabilities and equity **for the earliest period for which retrospective restatement is practicable** (which may be the current period).

45 When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, the entity shall restate the comparative information to correct the error prospectively **from the earliest date practicable**.

(IAS 1)

40A An entity shall present an **additional statement of financial position as at the beginning of the required comparative period** if it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements and only if it affects the information in the statement of financial position

Staff analysis and recommendation

62. We observe that the information required in accordance with IAS 8 on situations of retrospective restatement (paragraphs 44–45) should be applied in conjunction with the requirements for additional comparative information in the proposed paragraphs 40A–41 in IAS 1. This is mentioned in the Basis for Conclusions (refer to paragraph BC2), where it is stated: ‘The Board noted that the entity would still be required to provide information in accordance with IAS 8’. Consequently, we do not think that further clarification of the requirements in paragraphs 44–45 of IAS 8 is needed.

IAS 34

63. One respondent (CL 47) notes that to ensure consistency with the requirements of IAS 1, the Board should amend paragraph 5(f) of IAS 34 which defines a complete set of financial statements in accordance with IAS 1. Paragraph 5 of IAS 34 is reproduced below (emphasis is added):

- 5 IAS 1 (as revised in 2007) defines a complete set of financial statements as including the following components:
- (a) a statement of financial position as at the end of the period;
 - (b) a statement of comprehensive income for the period;

- (c) a statement of changes in equity for the period;
- (d) a statement of cash flows for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information; and
- (f) a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements

Staff analysis and recommendation

64. We agree that to ensure consistency in the terminology used in paragraph 5(f) of IAS 34 and the proposed paragraph 10(f) in IAS 1, the term ‘beginning of the earliest comparative period’ should be modified to read ‘the beginning of the preceding period’. We have included this proposed change in **Appendix C** of this paper.

Requirements in newly issued standards and other IFRSs

65. One respondent noted (CL 49 KPMG) that recently issued standards provide transitional relief that requires application ‘from the beginning **of the earliest period presented**’.
66. For example, we observe that paragraph C-2 in the **Transition section** of IFRS 11 *Joint Arrangements* states that (emphasis added):

C2 When changing from proportionate consolidation to the equity method, an entity shall recognise its investment in the joint venture as **at the beginning of the earliest period presented**’.

67. In another example, paragraph C5 within the transition guidance of IFRS 10⁷ *Consolidated Financial Statements* states that (emphasis added):

C5 When application of this IFRS for the first time results in an investor no longer consolidating an investee that was consolidated in accordance with IAS 27 (as amended in 2008) and SIC-12, the investor shall measure its retained interest in the investee on the date of initial application at the amount at which it would have been measured if the requirements of this IFRS had been effective when the investor became involved with, or lost control of, the investee. If measurement of the retained interest is impracticable (as defined in IAS 8), **the investor shall apply the requirements of this IFRS for accounting for a loss of control at the beginning of the earliest period for which application of this IFRS is practicable, which may be the current period.** The investor shall recognise any difference between the previously recognised amount of the assets, liabilities and noncontrolling interest and the carrying amount of the investor's involvement with the investee as an adjustment to equity for that period. In addition, the investor shall provide comparative information and disclosures in accordance with IAS 8.

68. In the respondent's view, the Board should consider whether any further consequential amendments are required.

Staff analysis and recommendation

69. We interpret the respondent's comment in terms of whether the terminology employed in the transition paragraphs of newly issued standards (such as IFRS 10 and IFRS 11) requiring the application of the provisions of these standards 'at the

⁷ This paragraph does not reflect the amendments proposed to the Transition Guidance of IFRS 10 included in the ED *Transition Guidance (Amendments to IFRS 10)* which is due for comment by 21 March 2012.

beginning of earliest period presented’ should be made consistent with the terminology employed in the proposed paragraph 40A of IAS 1, which refers to the provision of a third statement of financial position ‘from the beginning of the required comparative period’ (which we have now proposed to replace by ‘the beginning of the preceding period’).

70. We do not think that the transition paragraphs in recently issued standards need amendment in the light of the proposals in IAS 1, because we think that the terminology employed in the transition paragraphs above referred to in, for example, paragraph C-2 in IFRS 11 or paragraph C-5 in IFRS 10, maintain consistency with the guidance for ‘retrospective application’ in paragraphs 22–23 of IAS 8, which states that (emphasis added):

- 22 Subject to paragraph 23, when a change in accounting policy is applied retrospectively in accordance with paragraph 19(a) or (b), **the entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed** for each prior period presented as if the new accounting policy had always been applied.
- 23 When it is impracticable to determine the period-specific effects of changing an accounting policy on comparative information for one or more prior periods presented, **the entity shall apply the new accounting policy to the carrying amounts of assets and liabilities as at the beginning of the earliest period for which retrospective application is practicable**, which may be the current period, and shall make a corresponding adjustment to the opening balance of each affected component of equity for that period.

Interaction between proposed changes to IAS 1 and other standards

1. Does the Committee agree that the terminology employed in transition paragraphs of newly issued standards will not be affected by the proposed changes in IAS 1?

Appendix A—Draft wording of the proposed amendment, showing differences from the currently effective standard

Proposed amendments to IAS 1 *Presentation of Financial Statements*

Paragraphs 10, 38 and 41 are amended. Paragraph 39 is deleted. Paragraph 40 is renumbered as paragraph 38D and is amended. Paragraphs 38A–38C, 40A–40C and 139L are added (new text is underlined and deleted text is struck through).

Complete set of financial statements

- 10 A complete set of financial statements comprises:
- (a) a statement of financial position as at the end of the period;
 - (b) a statement of profit or loss and other comprehensive income for the period;
 - (c) a statement of changes in equity for the period;
 - (d) a statement of cash flows for the period;
 - (e) notes, comprising a summary of significant accounting policies and other explanatory information; ~~and~~
 - (ea) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
 - (f) a statement of financial position as at the beginning of the ~~earliest preceding comparative period (see paragraph 40A) when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.~~ earliest preceding comparative period

An entity may use titles for the statements other than those used in this Standard.

Comparative information

Minimum comparative information

- 38 Except when IFRSs permit or require otherwise, an entity shall ~~disclose~~ present comparative information in respect of the ~~previous~~ preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.
- 38A An entity shall present, as a minimum, two statements of financial position, two statements of comprehensive income, two statements of cash flows and two statements of changes in equity, and related notes.

Additional comparative information

- 38B An entity may present comparative information in addition to the minimum comparative information required by IFRSs as long as that information is prepared in accordance with IFRSs. This comparative information may consist of one or more statements without that additional comparative information comprising a complete set of financial statements. When this is the case, the entity shall present comparative information in the related notes for those additional statements.
- 38C For example, an entity may present amounts for three periods (the current period, the preceding period and one additional comparative period) in its statement of comprehensive income. The entity is not required to present amounts for that third (additional comparative) period in its statements of financial position, cash flows and changes in equity. However, the entity presents comparative information in

the related notes to the financial statements related to that additional statement of comprehensive income.

38D In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the ~~immediately~~ preceding reporting period and that is yet to be resolved. Users may benefit from disclosure of information that the uncertainty existed at the end of the ~~immediately~~ preceding reporting period and from disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

39 ~~[Deleted] An entity disclosing comparative information shall present, as a minimum, two statements of financial position, two of each of the other statements, and related notes. When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. An entity presents statements of financial position as at:~~

- (a) ~~the end of the current period;~~
- (b) ~~the end of the previous period (which is the same as the beginning of the current period), and~~
- (c) ~~the beginning of the earliest comparative period.~~

40 ~~[Deleted] In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the immediately preceding period and that is yet to be resolved. Users benefit from information that the uncertainty existed at the end of the immediately preceding period, and about the steps that have been taken during the period to resolve the uncertainty.~~

Change in accounting policy, retrospective restatement or reclassification

40A **An entity shall present an additional statement of financial position as at the beginning of the preceding period if it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements but only if it has a material effect upon the information in the statement of financial position.**

40B In the circumstances described in paragraph 40A, an entity shall present, as a minimum, three statements of financial position and two of each of the other statements and related notes. The statements of financial position are as at:

- (a) the end of the current period;
- (b) the end of the preceding period; and
- (c) the beginning of the preceding period.

40C However, an entity need not present related notes to the opening statement of financial position required in paragraph 40B(c), other than disclosure of information required by paragraphs 41–44 and IAS 8. The date of that opening statement of financial position shall be as at the beginning of the preceding period regardless of whether an entity’s financial statements present comparative information for earlier periods (as described in paragraph 38B).

41 ~~When the~~ **If an entity changes the presentation or classification of items in its financial statements, the entity it shall reclassify comparative amounts unless reclassification is impracticable. When the an entity reclassifies comparative amounts, the entity it shall disclose (including as at the beginning of the preceding period):**

- (a) **the nature of the reclassification;**
- (b) **the amount of each item or class of items that is reclassified; and**
- (c) **the reason for the reclassification.**

Transition and effective date

139L *Improvements to IFRSs* issued in [date] amended paragraphs 10, 38 and 41, deleted paragraph 39, renumbered paragraph 40 as paragraph 38D and amended it, and added paragraphs 38A –38C and 40A–40C. An entity shall apply those amendments for annual periods beginning on or after 1 July 2013. Earlier application is permitted.

Basis for Conclusions on proposed amendments to IAS 1 *Presentation of Financial Statements*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments.

Paragraphs BC32A –BC32D are added.

Comparative information

Clarification of requirements for comparative information

- BC32A The Board was asked to clarify the requirements for providing comparative information. Specifically, it was asked to consider whether an entity should be required to present a complete set of financial statements when it provides financial statements beyond the minimum comparative information requirements (ie additional comparative information). In response to this request, the Board decided to clarify that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements. The Board also noted that additional comparative information includes (a) information that is presented voluntarily, which must be understood from the perspective of the financial statements as a whole and (b) comparative information required by law or other regulations but which is not required by IFRSs. The Board also decided to amend paragraphs 38–41 of IAS 1 to clarify that, when additional comparative information is provided, this information should be presented in accordance with IFRSs and the entity should present comparative information in the related notes for that additional information. This means, for example, that when an entity applies a change in accounting policy on a retrospective basis, it should adjust that additional comparative information in accordance with the new accounting policy as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Board determined that this requirement for comparative information when an entity presents additional information, achieves a ‘fair presentation’ of the financial statements.
- BC32B In addition, the Board decided to amend the current requirements in IAS 1 that relate to the presentation of a statement of financial position for the beginning of the earliest comparative period presented in cases of changes in accounting policies, retrospective restatements or reclassifications. The Board decided to clarify that the appropriate date for the opening statement of financial position is the beginning of the preceding period.
- BC32C The Board also decided to change the current requirements to no longer require related notes to this opening statement of financial position to be presented. This is to avoid unnecessary repetition of information that can be obtained from the previous financial statements. Also in the light of respondents’ comments on the June 2011 exposure draft, the Board decided to require the presentation of this third statement of financial position only if a change in an accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in the statement of financial position. This is because the Board thinks that the costs of providing an opening statement of financial position when the change does not affect the statement of financial position may exceed the benefits of providing such information. The Board thinks that changes to the requirements in IAS 1 that relate to the presentation of the third statement of financial position ensure useful information is provided to users. The Board noted that the entity would still be required to provide information in accordance with IAS 8.
- BC32D The Board decided to propose that the amendments should be included in annual improvements as a more expedient way to address this issue than through the Financial Statement Presentation project, in the light of the concerns raised by constituents.

Appendix B—Draft wording of the proposed amendment, showing differences from the exposure draft published in June 2011 following our recommendations in this paper

Proposed amendments to IAS 1 *Presentation of Financial Statements*

Paragraph 7 is amended and an accompanying footnote is deleted. Paragraph 9 is deleted. Paragraphs 9A and 9B are added. The heading before paragraph 9 and paragraphs 10, 38 and 41 are amended. Paragraph 39 is deleted. Paragraph 40 is renumbered 38C and amended. Paragraphs 38A and 38B, a heading and paragraphs 40A–40C and 139L are added. In amended text new text is underlined and deleted text is struck through.

Paragraphs 10, 38 and 41 are amended. Paragraph 39 is deleted. Paragraph 40 is renumbered as paragraph 38D and is amended. Paragraphs 38A–38C, 40A–40C and 139L are added (new text is underlined and deleted text is struck through).

Complete set of financial statements

- 10 A complete set of financial statements comprises:
- (a) a statement of financial position as at the end of the period;
 - (b) a statement of profit or loss and other comprehensive income for the period;
 - (c) a statement of changes in equity for the period;
 - (d) a statement of cash flows for the period;
 - (e) notes, comprising a summary of significant accounting policies and other explanatory information;
 - (ea) comparative information in respect of the ~~previous preceding~~ (the required comparative period) as specified in paragraphs 38 and 38A; and
 - (f) a statement of financial position as at the beginning of the ~~required preceding comparative period if applicable~~ (see paragraph 40A).

An entity may use titles for the statements other than those used in this Standard.

Comparative information

Minimum comparative information

- 38 Except when IFRSs permit or require otherwise, an entity shall present comparative information in respect of the ~~required comparative preceding~~ required comparative preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements.
- 38A An entity shall present, as a minimum, two statements of financial position, two statements of comprehensive income, two statements of cash flows and two statements of changes in equity, and related notes.

Additional comparative information

- 38B An entity may present ~~additional~~ comparative information in addition to the minimum comparative information required by IFRSs for periods before the required comparative period as long as that information is prepared in accordance with IFRSs. ~~An entity may present additional~~ This comparative

information ~~may consist of~~ in one or more statements without that additional comparative information comprising a complete set of financial statements. When this is the case, the entity shall present comparative information in the related notes for those additional statements. ~~For example, an entity may present amounts for three periods (the current period, the required comparative period and one additional comparative period) in its statement of comprehensive income. The entity is not required to present amounts for that third (additional comparative) period in its statements of financial position, cash flows and changes in equity. However, the entity presents comparative information in the related notes to the financial statements related to that additional statement of comprehensive income.~~

38C For example, an entity may present amounts for three periods (the current period, the preceding period and one additional comparative period) in its statement of comprehensive income. The entity is not required to present amounts for that third (additional comparative) period in its statements of financial position, cash flows and changes in equity. However, the entity presents comparative information in the related notes to the financial statements related to that additional statement of comprehensive income.

38CD In some cases, narrative information provided in the financial statements for the previous period(s) continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute whose outcome was uncertain at the end of the ~~preceding required comparative~~ period and that is yet to be resolved. Users may benefit from disclosure of information that the uncertainty existed at the end of the ~~preceding required comparative~~ period, and from disclosure of information about the steps that have been taken during the period to resolve the uncertainty.

39 [Deleted]

40 [Deleted]

Change in accounting policy, retrospective restatement or reclassification

40A **An entity shall present an additional statement of financial position as at the beginning of the ~~required comparative preceding~~ period if it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements but only if it has a material effect upon the information in the statement of financial position.**

40B In ~~those~~ the circumstances described in paragraph 40A, an entity shall present, as a minimum, three statements of financial position and two of each of the other statements and related notes. The statements of financial position are as at:

- (a) the end of the current period;
- (b) the end of the ~~required comparative preceding~~ period; and
- (c) the beginning of the ~~required comparative preceding~~ period.

40C However, an entity need not present related notes to the opening statement of financial position required in paragraph 40B(c), other than disclosure of information required by paragraphs 41–44 and IAS 8. The date of that opening statement of financial position shall be as at the beginning of the ~~required comparative preceding~~ period regardless of whether an entity’s financial statements present comparative information for earlier periods (as described in paragraph 38B).

41 **If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless reclassification is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at the beginning of the ~~required comparative preceding~~ period):**

- (a) the nature of the reclassification;
- (b) the amount of each item or class of items that is reclassified; and
- (c) the reason for the reclassification.

Transition and effective date

139L *Improvements to IFRSs* issued in [date] amended paragraphs 10, 38 and 41, deleted paragraph 39, renumbered paragraph 40 as paragraph 38~~CD~~ and amended it, and added paragraphs 38A~~, 38B, 38C~~ and 40A–40C. An entity shall apply those amendments for annual periods beginning on or after 1 July 2013. Earlier application is permitted.

Basis for Conclusions on proposed amendments to IAS 1 *Presentation of Financial Statements*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments

Comparative information

Clarification of requirements for comparative information

BC32A The Board was asked to clarify the requirements for providing comparative information. Specifically, it was asked to consider whether an entity should be required to present a complete set of financial statements when it provides financial statements beyond the minimum comparative information requirements (ie additional comparative information). In response to this request, the Board ~~proposes~~ decided to clarify that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements, ~~because the information would be presented voluntarily.~~ The Board also noted that additional comparative information includes (a) information that is presented voluntarily, which must be understood from the perspective of the financial statements as a whole and (b) comparative information required by law or other regulations but which is not required by IFRSs. The Board also ~~proposes~~ decided to amend paragraphs 38–41 of IAS 1 to clarify that, when additional comparative information is provided, this information should be presented in accordance with IFRSs and the entity should present comparative information in the related notes for that additional information. This means, for example, that when an entity applies a change in accounting policy on a retrospective basis, it should adjust that additional comparative information in accordance with the new accounting policy as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Board determined that this requirement for comparative information when an entity presents additional information, achieves a 'fair presentation' of the financial statements.

BC32B In addition, the Board ~~proposes~~ decided to amend the current requirements in IAS 1 that relate to the presentation of a statement of financial position for the beginning of the earliest comparative period presented in cases of changes in accounting policies, retrospective restatements or reclassifications. The Board ~~proposes~~ decided to clarify that the appropriate date for the opening statement of financial position is the beginning of the ~~required comparative~~ preceding period. ~~This proposal decision is a consequence of the proposed clarification described in paragraph BC32A above when an entity chooses to present additional comparative information. The Board also proposes to change the current requirements so as no longer to require related notes to this opening statement of financial position to be presented. The Board believes that this change ensures useful information is provided to users, without the need for full reproduction of the notes relating to the opening statement of financial position. The Board noted that the entity would still be required to provide information in accordance with IAS 8.~~

BC32C The Board also decided to change the current requirements to no longer require related notes to this opening statement of financial position to be presented. This is to avoid unnecessary repetition of information that can be obtained from the previous financial statements. Also in the light of respondents' comments on the June 2011 exposure draft, the Board decided to require the presentation of this third statement of financial position only if a change in an accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in the statement of financial position. This is because the Board thinks that the costs of providing an opening statement of financial position when the change does not affect the statement of financial position may exceed the benefits of providing such information. The Board thinks that changes to the requirements in IAS 1 that relate to the presentation of the third statement of financial position ensure useful information is provided to users. The Board noted that the entity would still be required to provide information in accordance with IAS 8.

BC32D The Board decided to propose that the amendments should be included in annual improvements as a more expedient way to address this issue than through the Financial Statement Presentation project, in the light of the concerns raised by constituents.

Appendix C—Amendments to guidance on other IFRSs

The following amendments to guidance on other IFRS are necessary to ensure consistency with the revised IAS 1. In the amended paragraphs, new text is underlined and deleted text is struck through.

IFRS 1 – *First-time Adoption of International Financial Reporting Standards*

Proposed amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*

Paragraph 21 is amended and paragraph 39L is added.

Presentation and disclosure

Comparative information

- 21 ~~To comply with IAS 1, an~~ An entity's first IFRS financial statements shall include at least three statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information.

Effective date

- 39L *Improvements to IFRSs* issued in [date] amended paragraph 21 and added paragraph 39L. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact

Basis for Conclusions on IFRS 1 *First-time Adoption of International Financial Reporting Standards*

This Basis for Conclusions accompanies, but is not part of, the proposed amendments

Paragraphs BC89B is added.

BC89BAs part of *Improvements to IFRSs* issued in [date] the Board amended paragraph 21 to avoid a cross-reference with the requirements in paragraph IAS 1 for comparative information. The Board noted that a first-time adopter should not be exempted from presenting three related statements of financial positions and related notes because a first-time adopter might not have presented this information.

IAS 34 – *Interim Financial Reporting*

Proposed amendments to IAS 34 *Interim Financial Reporting*

Paragraph 5 is amended and paragraph 53 is added.

Content of an interim financial report

- 5 IAS 1 (as revised in 2007) defines a complete set of financial statements as including the following components:
- (a) a statement of financial position as at the end of the period;
 - (b) a statement of comprehensive income for the period;
 - (c) a statement of changes in equity for the period;
 - (d) a statement of cash flows for the period;
 - (e) notes, comprising a summary of significant accounting policies and other explanatory information; and
 - (f) a statement of financial position as at the beginning of the earliest preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Effective date

- 53 *Improvements to IFRSs* issued in [date] amended paragraph 5. An entity shall apply those amendments for annual periods beginning on or after 1 January 2013. Earlier application is permitted. If an entity applies the amendments for an earlier period it shall disclose that fact

Basis for Conclusions on proposed amendment to IAS 34 *Interim Financial Reporting*

This Basis for Conclusions accompanies, but is not part of, the proposed amendment.

Paragraph BC6 is added.

Content of an interim financial report

- BC6 As part of *Improvements to IFRSs* issued in [date] the Board amended paragraph 5 to achieve consistency with paragraph 10(f) of IAS 1 *Presentation of Financial Statements*.