



Project **IAS 1 *Presentation of Financial Statements***

Topic **Comparative Information**

Introduction

History

1. At its March 2010 meeting, the Committee (fka IFRIC) began preliminary discussions on issues in IAS 1 *Presentation of Financial Statements* related to the requirements for comparative information. These issues are documented in the [March 2010 IFRIC Agenda Paper 6D](#)¹. Specifically, a diversity of views exists as to the requirements for comparative information when an entity provides individual financial statements beyond the minimum comparative information requirements. These issues are a result, at least in part, of guidance added as part of the 2007 revision of IAS 1. Those revisions became effective for annual periods beginning on or after 1 January 2009 (and are therefore applicable for entities with calendar years ending on or after 31 December 2009).
2. At that meeting, the staff requested the Committee provide preliminary views that could be incorporated into the 11 March 2010 Board meeting deliberating the broader *Financial Statement Presentation* (FSP) project. The [11 March 2010 Board Agenda Paper 4](#)² is a ‘sweep issues’ paper for the FSP project and includes these comparative information issues (and other issues).

¹ Observer Note available at <http://www.iasb.org/NR/rdonlyres/6CBB67C9-6E63-4A7E-B560-BFEC2491E8BD/0/1003ap6DobsIFRICIAS1ComparativeInformation.pdf>

² Observer Note available at <http://www.iasb.org/NR/rdonlyres/B61FB4E2-A5D9-46F7-B9AA-286964D6D2CA/0/FSP110310b04obs.pdf>

This paper has been prepared by the technical staff of the IASCF for discussion at a public meeting of the IFRIC.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IFRIC or the IASB. Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRIC or the IASB can make such a determination.

Decisions made by the IFRIC are reported in IFRIC *Update*.

Interpretations are published only after the IFRIC and the Board have each completed their full due process, including appropriate public consultation and formal voting procedures. The approval of an Interpretation by the Board is reported in IASB *Update*.

Objective

3. At this May 2010 meeting, the Committee will review the Board decisions reached during the March 2010 Board meeting that have been incorporated into the FSP exposure draft that will be published in Q2 2010.
4. The staff requests the Committee consider:
 - (a) the Board's decisions included in the FSP ED;
 - (b) whether those decisions should be included in a proposed amendment to the currently effective IAS 1 (revised 2007); and
 - (c) whether a proposed amendment should be included in *Annual Improvements*.
5. The objective of this Agenda Paper is to obtain a Committee [tentative] decision on these issues.

Paper overview

6. This Agenda Paper includes:
 - (a) an [overview of the issues](#);
 - (b) a [summary of the Board decisions included in the FSP project](#);
 - (i) [Issue 1 – comparative information](#), and
 - (ii) [Issue 2 – opening statement of financial position](#);
 - (c) [staff recommendations](#) and other information; and
 - (d) [questions for the IFRIC](#).

Overview of the issues

7. The primary issue is: what must an entity present if it includes a financial statement in excess of the minimum required? For instance, if an entity presents a third statement of comprehensive income. The diversity of views can be separated into two underlying issues:

- (a) **Issue 1** – the requirements for ‘compliance with IFRSs’ and ‘**comparative information**’ and their interaction with the concept of ‘equal prominence’ introduced as part of the 2007 revision of IAS 1.

The two alternatives presented by the staff include:

- (i) **Alternative A** – If an additional financial statement is presented, then all financial statements for that additional period.
- (ii) **Alternative B** – Only the minimum comparative periods are required for a complete set of financial statements. Inclusion of an additional financial statement does not trigger additional statements for that additional period.

- (b) **Issue 2** – The resulting answer to Issue 1 and its interaction with the new requirement for all existing IFRS preparers to present an ‘**opening balance sheet**’ in specific circumstances that was introduced as part of the 2007 revision of IAS 1. The three alternatives presented by the staff include:

- (i) **Alternative C** – the beginning of the earliest comparative period for any financial statement that is presented (**1 January 2007** in the example below),
- (ii) **Alternative D** – the ‘closing’ statement of financial position for one period preceding the statements of financial position already presented by the entity (**31 December 2007** in the example below), or
- (iii) **Alternative E** – the beginning of the minimum comparative period statement of financial position (**1 January 2008** in the example below)?

8. An example is provided for ease of discussion purposes. A calendar year end entity provides the following financial statements for its year ended 31 December 2009:

- (a) 2 statements of financial position as at 31 December 2009 and 2008
- (b) 3 statements of each of the following for the year 2009, 2008 and 2007:
 - (i) Statement of comprehensive income,

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- (ii) Statement of changes in equity, and
- (iii) Statement of cash flows.

9. The following table details the above Alternatives for ease of consideration of the question of the date at which the ‘opening statement of financial position’ should be presented:

	View C (modified)	View D	View E	
2009	As at 31 Dec 2009 2009 Year	As at 31 Dec 2009 2009 Year	As at 31 Dec 2009 2009 Year	Min. requirements
2008	As at 31 Dec 2008 2008 Year	As at 31 Dec 2008 2008 Year	As at 31 Dec 2008 2008 Year	
	-	-	<i>As at 1 Jan 2008</i>	Issue in question
2007	As at 31 Dec 2007 2007 Year <i>As at 1 Jan 2007</i>	<i>As at 31 Dec 2007</i> 2007 Year -	- 2007 Year -	

Summary of Board decisions included in FSP project

Issue 1 – comparative information

10. At its March 2010 meeting, the Committee provided the staff with preliminary views that were provided to the Board. The Committee’s preliminary views are summarised as follows:

- (a) **Extremely strong support for Alternative B** (only the minimum comparative periods are required for a complete set of financial statements). [This was also the FSP staff recommendation in paragraph 21 of the 11 March 2010 Board Agenda Paper 4.] Focus on the ‘complete set’ is with respect to the minimum requirements in IFRSs. Any additional individual statement an entity presents (beyond the minimum requirements) is acceptable as long as that individual

statement (including all relevant footnote disclosures) is in compliance with IFRSs.

11. At the 11 March 2010 meeting, the Board agreed with the Committee's preliminary views and decided that Alternative B should be clarified within the FSP project.

Issue 2 – opening statement of financial position

12. At its March 2010 meeting, the IFRIC provided staff with preliminary views that were provided to the Board. The Committee's preliminary views are summarised as follows:

- (a) **Majority supporting Alternative E** (opening statement of financial position (SFP) at beginning of minimum required periods, i.e. 1 Jan 2008 in example). Alternative E supporters believe that the other options (i.e. Alternative C) would require too much disclosure and would be a burden on preparers; if Alternative B for Issue 1(a) is acceptable (i.e. to only provide the minimum requirements), then Alternative E should also be acceptable; IAS 1 did not intend to create these additional requirements, but acknowledge that this exact issue was likely not previously deliberated.
- (b) **Significant minority supporting modified Alternative C** (opening SFP at beginning of any comparative period presented, with modification to include all other SFPs for periods in which other statements are presented, i.e. 1 Jan 2007 plus 31 Dec 2007 in the example, i.e. 4 balance sheets would be presented in the example). [This was the FSP staff preference in paragraphs 33 and 35 of the 11 March 2010 Board Agenda Paper 4/FASB memo 80 (the *modification* is discussed in paragraph 35).] Alternative C (as modified) supporters believe this is the only logical answer to ensure consistency for all periods presented; note that the 31 Dec 2007 balance sheet must be internally created by the entity to ensure the 2007 and 2008 income statements are correct, so it should not be difficult to obtain this

information; acknowledge this may result in a significant increase in information being presented/ disclosed.

- (c) No support for Alternative D (the closing SFP for period preceding the SFPs already presented, i.e. 31 December 2007 in the example); however, a few said it would be their ‘fall back position’ if their first choice is not selected.
 - (d) Application issue asked by the staff with no conclusions is “if Alternative E is selected, how would the cumulative change be shown in the statement of changes in equity: as at 1 Jan 2007 for the earliest period presented, so all periods are consistent *or* as at 1 Jan 2008 for consistency with the 1 Jan 2008 opening balance sheet – which would result in the 2007 equity accounts being restated but not separately disclosing the effect of the change?”
13. At the 11 March 2010 meeting, the Board agreed with the Committee’s preliminary views and decided that Alternative E should be clarified within the FSP project.
14. Additionally, the Board clarified that the cumulative change should be presented as at the beginning of the earliest comparative period that is required to be presented in accordance with IFRSs. That is, the beginning of the one comparative period required by IFRSs. Additionally, the Board decided that an entity shall apply the requirements in paragraph 41 of IAS 1 (revised 2007).
15. The decisions taken at the 11 March 2010 Board meeting are summarised in the IASB Update as follows:

Both boards had previously decided that a complete set of financial statements includes statements of financial position, comprehensive income, cash flows, and changes in equity, as well as the accompanying notes. An entity is required to present a complete set of financial statements for the current period and for one comparative period. In addition, 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 is required to present a statement of financial position as at the beginning of the *earliest comparative period* (an opening statement of financial position).

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The boards decided that the exposure draft should clarify these requirements as follows:

- only one comparative period is required for a complete set of financial statements. Presenting one or more financial statements for additional comparative periods is acceptable, provided it is not misleading. That is, any additional financial statement presented must be prepared in accordance with current IFRSs/US GAAP and must be presented with the same prominence as the required financial statements.
- an opening statement of financial position for that one comparative period is the only additional statement that an entity is required to present to be in compliance with IFRSs/US GAAP when there is a change in accounting policy, restatement or reclassification. On a separate issue, the boards decided that the exposure draft should clarify that if an item of other comprehensive income relates to, or will relate to, a discontinued operation, it should be identified and presented as such on the statement of comprehensive income.

16. The Board decisions have been incorporated into the draft of the FSP ED. The draft of the FSP ED is not yet available for public distribution.

Staff recommendations

Summary of staff recommendations

17. The staff recommends a proposed amendment to IAS 1 (revised 2007). The staff recommendations are consistent with the March 2010 Committee's preliminary views and the Board's decisions taken on the FSP project. Specifically, the staff recommends the following amendments to IAS 1 (revised 2007):
- (a) 'Comparative information' required by IFRSs be clarified as one period of complete financial statements including an opening statement of financial position, when applicable.
 - (b) Additional comparative information, in excess of the minimum required comparative information, be acceptable as long as the individual

statement, including relevant footnote disclosures, is in compliance with applicable IFRSs.

- (c) The opening statement of financial position is as at the beginning of the one required comparative period, regardless of whether additional comparative information, beyond the minimum required comparative information, is presented. Full notes are not required for that opening statement of financial position.
- (d) Disclosures required by paragraph 41 of IAS 1 (revised 2007) that states:

When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:

- (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.**

18. The staff recommends the proposed amendment to IAS 1 (revised 2007) be included in *Annual Improvements*. Additionally, the staff proposes the proposed amendment be included in the exposure draft *Proposed Improvements to IFRSs* expected to be published in Q3/Q4 2010.

Proposed drafting for review by the IFRIC

19. The staff intends to bring the proposed amendment drafting to the Committee at the July 2010 meeting. This will permit use of the finalised wording included in the FSP ED.
20. [Appendix A](#) sets out the staff's proposed drafting to be included in the IFRIC Update.

Questions for the IFRIC

21. The staff request the Committee to address the following questions:

Question 1 – Comparative information

Does the Committee support the staff recommendation of Alternative B for Issue 1 (comparative information) of this Agenda Paper? That is, only the minimum comparative periods are required for a complete set of financial statements.

Question 2 – Opening statement of financial position

Does the Committee support the staff recommendation of Alternative E for Issue 2 (opening statement of financial position) of this Agenda Paper? That is, if an opening statement of financial position (SFP) is required it shall be presented at beginning of required comparative period.

Question 3 – Disclosures

Does the Committee support the staff recommendation that disclosures are required to explain the cumulative impacts of changes to the financial statements of the reporting entity in circumstances when an opening statement of financial position is required?

Question 4 – Annual Improvements

Does the Committee support the staff recommendation to recommend to the Board that these issues be included in *Annual Improvements* and added to the exposure draft of *Proposed Improvements to IFRSs* expected to be published in Q3/Q4 2010?

Appendix A – Drafting for the IFRIC Update

- A1. The staff proposes the following **drafting** based on the staff recommendations and questions asked of the Committee for draft wording for the IFRIC Update.

IAS 1 *Presentation of Financial Statements* – Comparative Information

The IFRIC discussed issues in IAS 1 *Presentation of Financial Statements* related to the requirements for comparative information specifically when an entity provides some, but not all individual financial statements beyond the minimum comparative information requirements. One issue relates to the interaction of the requirement in paragraph 16 for compliance with IFRSs, the requirement in paragraphs 38 and 39 for comparative information and the concept of 'equal prominence' in paragraph 11. The second issue relates to determining the relevant date in instances when a statement of financial position as at the beginning of the earliest comparative period is required in accordance with paragraph 39 of IAS 1.

The IFRIC noted that paragraphs BC22 and BC32 provide the Board's rationale that includes an emphasis on providing information that enables analysis of the financial statements of the current period. However, the IFRIC also thinks that the current guidance in IAS 1 may lead to diversity in practice in understanding the requirements.

Therefore, the IFRIC decided to recommend the Board add these issues to *Annual Improvements* and clarify that a complete set of financial statements is required to be presented for the current and one previous period and an opening statement of financial position is required as at the start of that previous period, in certain circumstances. Additional financial statements are permitted to be presented beyond the minimum requirements as long as the additional financial statements are presented with equal prominence to the related required financial statements and provide all information required by IFRSs applicable for that financial statement.