STAFF PAPER

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IASB Meeting

Project	**Disclosure Initiative**
Paper topic	Amendments to IAS 1: sweep issue

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Purpose

1. This paper discusses a sweep issue on the final amendments of *Disclosure Initiative: amendments to IAS 1* [Presentation of Financial Statements].

2. The sweep issue relates to the proposed requirement for an entity to disclose if it has applied the amendments early.

Background

3. The initial draft of the final *Disclosure Initiative: amendments to IAS 1* proposed the following for the transition and effective date of the amendments:

> 139P *Disclosure Initiative* (Amendments to IAS 1), issued in [date], amended paragraphs 10, 31, 54, 55, 82A, 85, 113, 114, 117, 119, 122 and added paragraphs 30A, 55A and 85A–85B and deleted paragraphs 115 and 120. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. **If an entity applies those amendments for an earlier period it shall disclose that fact.** [emphasis added]

4. This is in line with the proposed transition and effective date requirements in the Exposure Draft *Disclosure Initiative: Proposed amendments to IAS 1*.

5. Some queries were raised during drafting of the final amendments about whether it is necessary for an entity to disclose if it has applied these amendments early. Those who queried the disclosure thought it should not be required, because the amendments are clarifying in nature and so any related changes made to an entity's financial statements may not be directly attributable to the amendments. In their view, the disclosure was not useful and therefore would be 'clutter', which is contrary to one aim of the amendments, which is to help make disclosures more effective.

Staff analysis

6. We think that these amendments clarify existing requirements in IAS 1. Consequently:

   (a) the amendments do not directly require or permit an entity to change its accounting policies or estimates. Instead, they remove perceived barriers to an entity's ability to use judgement when determining how to present or disclose information.

   (b) changes in presentation and disclosure supported by the *Disclosure Initiative: amendments to IAS 1* could be made irrespective of whether the entity has applied the amendments or not. For example, some entities are already choosing to order their notes in ways different to the 'normal' order listed in IAS 1. Consequently, any related changes made to an entity's financial statements may not be directly attributable to the amendments.

   (c) an entity could apply these amendments and conclude that no changes are required to its financial statements.

7. In addition, if an entity decides, after considering the revised guidance in IAS 1, to change an accounting policy or an accounting estimate, the entity would then be required to follow the requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to provide disclosures relating to those changes (subject to materiality). However, as noted above, these amendments do not

directly require an entity to change its accounting policies or accounting estimates.

8. Consequently, we agree with the comments raised on the draft of the final *Disclosure Initiative: amendments to IAS 1* that it is unnecessary to require an entity to disclose that it has early applied the amendments.

9. For the same reasons stated above, we also think that it is unnecessary for an entity to disclose that it has applied these amendments mandatorily.

10. We note that paragraph 30 of IAS 8 requires an entity to disclose information about new IFRSs that have been issued but the entity has not yet applied. We think the purpose of this disclosure requirement is to provide relevant information about the possible impact of applying a new IFRS in a subsequent period. For the same reasons described in paragraphs 6–7 above, we think disclosing the future impact of applying these amendments to IAS 1 is unlikely to provide relevant, ie material, information because there is no directly attributable impact. An entity need not disclose that the IAS 1 amendments have been issued but not yet applied if the entity determines that such a disclosure would not provide material information.

Staff recommendation and question for the IASB

11. We recommend that the transition provisions should be amended to state that:

> 139P *Disclosure Initiative* (Amendments to IAS 1), issued in [date], amended paragraphs 10, 31, 54, 55, 82A, 85, 113, 114, 117, 119 and 122, added paragraphs 30A, 55A and 85A–85B and deleted paragraphs 115 and 120. An entity shall apply those amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. **An entity need not disclose that it has applied these amendments (whether through early or mandatory application).** [emphasis added].

12. We also recommend that the Basis for Conclusions should explain the reasons for the change in requirement, including that an entity is still required to follow the IAS 8 requirements for changes in accounting policies and estimates that could result from applying these amendments.

Question for the IASB

Do you agree that:

(a) an entity need not disclose that it has applied these amendments (whether through early or mandatory application); and

(b) the Basis for Conclusions should explain the reasons for the change in requirement, including that an entity is still required to follow the IAS 8 requirements for changes in accounting policies and estimates that could result from applying these amendments?