

STAFF PAPER

October – 2014

IASB Meeting

Project	Disclosure Initiative		
Paper topic	Amendments to IAS 1: due process steps & balloting		
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Purpose

1. The purpose of this meeting is for the IASB to review the due process steps taken in the narrow-focus project *Disclosure Initiative: Proposed amendments to IAS 1* and decide whether the staff can begin the balloting process for the final amendments to IAS 1 *Presentation of Financial Statements* (the amendments). This paper covers both sets of amendments proposed in the Exposure Draft *Disclosure Initiative: proposed amendments to IAS 1* (the Exposure Draft), namely:
 - (a) the Disclosure Initiative; and
 - (b) the IFRS Interpretations Committee regarding the presentation of items of other comprehensive income arising from equity-accounted investments.
2. This paper also discusses proposals for transition and the effective date for the final amendments.

Structure of this paper

3. This Agenda Paper is set out as follows:
 - (a) Background (paragraphs 4–10);

- (b) Effects analysis (paragraphs 11-13);
- (c) Staff analysis and recommendations (paragraphs 14–20);
- (d) Questions for the IASB; and
- (e) Appendix A: Action taken to meet the due process requirements.

Background

4. The IASB published the Exposure Draft on 25 March 2014. The Exposure Draft included amendments resulting from the:
 - (a) Disclosure Initiative (paragraphs 7–8);
 - (i) Materiality and aggregation
 - (ii) Statement of financial position, P&L and OCI: disaggregation
 - (iii) Statement of financial position, P&L and OCI: subtotals (paragraphs
 - (iv) Notes structure
 - (v) Disclosure of accounting policies
 - (b) IFRS Interpretations Committee (paragraphs 9–10);
 - (i) Presentation of items of other comprehensive income arising from equity-accounted investments
5. The Exposure Draft had a 120-day comment period, which ended on 23 July 2014. 118 comment letters were received. During the same period the staff had also carried out related outreach activities.
6. At the IASB’s September 2014 meeting, the staff presented a summary of the feedback received from the respondents to the Exposure Draft ([Agenda Paper 11C](#) for that meeting).

Disclosure Initiative

7. The Agenda Consultation 2011 recommended that the IASB should review existing disclosure requirements in IFRS and develop a disclosure framework. In

response to this request and to the messages from the Discussion Forum *Financial Reporting Disclosure*, the IASB started an initiative to look at disclosures.

8. The Exposure Draft proposed narrow-focus, clarifying amendments to IAS 1 to address some of the concerns expressed about how some of the presentation and disclosure requirements in IAS 1 were being interpreted and to ensure entities are able to use judgement when applying that Standard.

IFRS Interpretations Committee

9. One submitter asked that the Interpretations Committee revise the presentation requirements in paragraph 82A of IAS 1 to clarify whether the share of items of other comprehensive income arising from equity method investments should be presented separately by nature, or in aggregate as a single line item (classified by whether or not the items will be reclassified (recycled) to profit or loss).
10. The staff proposed that that the timing of the IASB's deliberations on this topic should be linked with those of the Disclosure Initiative's short-term amendments to IAS 1. The staff thought that the publication of a combined Exposure Draft would be more convenient and efficient for both the IASB and its constituents. The IASB agreed to this proposal.

Effects analysis

11. Many respondents expressed support for the proposal in the Exposure Draft and for the IASB undertaking this project. The proposed amendments under the disclosure initiative are meant to clarify the existing presentation and disclosure requirements in IAS 1 and to address perceived barriers to judgement. Consequently, it is not expected that the proposals will necessitate changes to entities' financial statements. Instead the proposed amendments should clarify that entities are able make changes to the way they present or disclose information in their financial statements in accordance with the amended provisions.
12. The feedback from preparers did not highlight any significant cost or reporting burden arising as a result of these proposals. The amendments were seen as

enabling preparers to more clearly and concisely communicate information in their financial statements.

13. In addition, the proposed amendments were generally well-received by users of financial statements. On the basis of the above feedback, staff do not consider that there would be any significant additional costs for users of financial statements.

Staff analysis and recommendation

Re-exposure

14. The staff believe that any subsequent amendments to the proposals in the Exposure Draft are consistent with the broad amendments proposed and do not include fundamental changes. Instead, any change would confirm and clarify the proposals in response to the feedback received. Consequently, we believe that there are no substantive changes being made on which respondents have not had the opportunity to comment. Because it is unlikely that re-exposure would reveal any new concerns, the staff recommend that the IASB should not re-expose the amendments.

Permission to ballot

15. The staff think that the IASB has undertaken all of the due process activities identified as being ‘required’ in the *Due Process Handbook* (see Appendix A). We therefore think that the IASB has undertaken sufficient due process steps to finalise the amendments. If the IASB is satisfied that it has been provided with sufficient analysis, and has undertaken appropriate consultation, to support the publication of the amendments, the staff request permission to start the balloting process.

Dissents

16. No IASB member dissented from the Exposure Draft. Any IASB members who intend to dissent from the final amendments are asked to make their intention known at this meeting.

Proposed timetable for balloting and publication

17. The balloting process of *Disclosure Initiative: Amendments to IAS 1* will commence in October 2014, with publication of the final amendments planned for December 2014.

Transition and effective date

18. The amendments are narrow in scope and are intended only to clarify existing requirements in IAS 1 and hence they do not affect recognition and measurement. It is not proposed that these amendments should result in the reassessment of the judgements about presentation and disclosure made in periods prior to the application of these amendments. Nearly all respondents supported the transition provisions. Consequently, the staff do not think there is a need to provide additional implementation lead time or transitional provisions.
19. The Exposure Draft proposed to allow early adoption and virtually all respondents supported this proposal. Consequently, the staff propose that the effective date for the amendments should be as early as possible, namely 1 January 2016.

Confirmation of due process steps

20. In Appendix A of this paper we have summarised the due process steps we have taken in developing the proposed amendments to IAS 1. We note that the required due process steps for the publication of the proposed amendments have been completed.

Questions for the IASB

1. **Re-exposure:** does the IASB agree with the staff recommendation not to re-expose the amendments?
2. **Permission to ballot:** is the IASB satisfied that the due process requirements have been met and that it has undertaken sufficient consultation and analysis to begin the balloting process for the amendments?
3. **Dissents:** do any members of the IASB plan to dissent from the publication of the amendments?
4. **Effective date:** does the IASB agree that the effective date for the amendments should be 1 January 2016 with early adoption permitted?
5. **Transition Provisions:** do the IASB members agree with the transitional provisions?
6. **Proposed timetable:** Do the IASB members agree with the proposed timetable and give permission to ballot for publication?

Appendix A: Action taken to meet the due process requirements

A1. This appendix shows how the IASB has complied with the due process requirements for final amendments to Standards as set out in the *Due Process Handbook* published in February 2013.

<i>Step</i>	<i>Required/Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
Consideration of information gathered during consultation				
The IASB posts all of the comment letters that are received in relation to the ED on the project pages.	Required if request issued	Letters posted on the project pages.	The IASB has reported on progress as part of its quarterly report at Trustee meetings, including summary statistics of respondents.	<p>Comment letters on the ED have been posted on the project page of the IFRS Foundation website.</p> <p>A feedback summary was presented to the IASB at its September 2014 meeting and is available on the project page of the IFRS Foundation website.</p> <p>Progress has been reported in the quarterly report at Trustee meetings.</p>
Round table meetings between external participants and members of the IASB.	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	No formal round-table meetings were hosted by the IASB because this is a limited-scope project, which intends to make only clarifying amendments. However, the staff have been informed by the public Discussion Forum <i>Financial Reporting Disclosure</i> undertaken by the IASB.

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
<p>IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions.</p>	Required	<p>Meetings held.</p> <p>Project website contains a full description with up-to-date information.</p> <p>Meeting papers posted in a timely fashion.</p> <p>Extent of meetings with consultative group held and confirmation that critical issues have been reviewed with them.</p>	<p>The IASB and the DPOC have discussed progress on major projects, in relation to the due process being conducted.</p> <p>The IASB and the DPOC have reviewed the due process over the project life cycle, and how any issues about the due process have been/are being addressed.</p> <p>The DPOC has met with the Advisory Council to understand stakeholders' perspectives.</p> <p>The DPOC has reviewed and responded to comments on due process as appropriate.</p>	<p>The IASB held public meetings in September 2013, October 2013, November 2013, January 2014, September 2014 and October 2014 where the Board discussed the proposed amendments to IAS 1 arising from the Disclosure Initiative.</p> <p>The IASB held public meetings in September 2013, January 2014, September 2014 and October 2014 at which the Board discussed the proposed amendment to IAS 1 arising from the presentation of items of other comprehensive income arising from equity-accounted investments.</p> <p>Additionally, this issue was discussed by the Interpretations Committee in July 2013.</p> <p>Project pages on the IFRS Foundation website has been in place for both the disclosure initiative amendments and amendments in the presentation of items of other comprehensive income arising from equity-accounted investments over the course of the project. Each contains a full description of the project with meeting papers and decision summaries (all posted on a timely basis).</p> <p>The DPOC has been updated on the status of the Disclosure Initiative amendments in October 2013, January 2014, April 2014 and July 2014 as part of the update on the IASB's technical activities. They will be updated again at the Trustees' meeting in October 2014.</p>

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
Analysis of likely effects of the forthcoming Standard or major amendment, for example, costs or ongoing associated costs.	Required	Publication of the Effects Analysis.	<p>The IASB and the DPOC have reviewed the results of the Effects Analysis and how it has considered such findings in the proposed Standard.</p> <p>The IASB has provided a copy of the Effects Analysis to the DPOC at the point of the Standard's publication</p>	<p>Not required, because these are narrow-focus amendments, not a new Standard or major amendment to an existing Standard.</p> <p>A brief analysis of likely effects is included in the paragraphs 11-13 of this paper.</p>
Email alerts are issued to registered recipients.	Optional	Evidence that alerts have occurred.	The DPOC has received a report of outreach activities.	General IFRS e-alert subscribers have been notified when key documents, eg the Exposure Draft and IASB Update newsletters, are issued. There is also a separate subscriber list for the Disclosure Initiative, which updates the subscribers about the developments in the Disclosure Initiative periodically.
Outreach meetings to promote debate and hear views on proposals that are published for public comment.	Optional	Extent of meetings held, including efforts aimed at investors.	The DPOC has received a report of outreach activities.	For the proposed amendment to IAS 1 under the disclosure initiative, the IASB staff undertook nine outreach meetings during the comment period. These included meetings with investors' representative groups. The staff have also performed outreach with the IASB's advisory bodies Capital Markets Advisory Committee (CMAC), Global Preparers Forum (GPF) & Accounting Standards

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
				<p>Advisory Forum (ASAF) during the project.</p> <p>In addition, for the Proposed amendment to IAS 1 arising from the presentation of items of other comprehensive income arising from equity-accounted investments, the staff performed outreach with International Forum of Accounting Standard Setters (IFASS), International Organization of Securities Commissions (IOSCO), and European Securities and Markets Authority (ESMA). The staff received 15 responses on the topic, as evidenced in the September 2013 Agenda Paper 8D.</p> <p>No further outreach meetings were deemed necessary because of the narrow-focus nature of these amendments.</p>
Regional discussion forums are organised with national standard-setters and the IASB.	Optional	Extent of meetings held.	The DPOC has received a report of outreach activities.	Regional discussion forums were not considered necessary because of the narrow-focus nature of these amendments.
Finalisation				
Due process steps are reviewed by the IASB.	Required	Summary of all due process steps have been discussed by the IASB before a Standard is issued.	The DPOC has received a summary report of the due process steps that have been followed before the Standard is issued.	This agenda paper provides a summary of all due process steps and is to be discussed by the IASB at this October 2014 meeting.
Need for re-exposure of a Standard is	Required	An analysis of the need to re-expose is considered at a	The IASB has discussed its thinking on the	Paragraph 14 of this Agenda Paper provides a summary of why the staff recommend that the IASB

<i>Step</i>	<i>Required/ Optional</i>	<i>Metrics or evidence</i>	<i>Evidence provided to DPOC</i>	<i>Actions</i>
considered.		public IASB meeting, using the agreed criteria.	issue of re-exposure with the DPOC.	should not re-expose the proposed amendments.
The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least a year.	Required	Effective date set, with full consideration of the implementation challenges	The IASB has discussed any proposed shortening of the period for effective application with the DPOC.	<p>Paragraphs 18-19 of this Agenda Paper consider the effective date.</p> <p>It is not proposed that these amendments should result in the reassessment of the judgements about presentation and disclosure made in periods prior to the application of these amendments. Consequently; the staff do not think there is a need to provide additional implementation lead time or a transitional provision. The staff propose that the effective date for the amendments should be as early as possible, namely 1 January 2016.</p>