

## STAFF PAPER

September 2013

## World Standard Setters meeting

Project	Disclosure Initiative		
Paper topic	Amendments to IAS 1		
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**Background**

1. The Discussion Forum on Financial Reporting Disclosure (the ‘Forum’), which the IASB held in January 2013, explored opportunities to see how disclosures can be improved and simplified within the existing disclosure requirements. The Forum also aimed to identify shorter term projects that could be undertaken to help alleviate some of the problems identified with disclosure in financial reporting.
2. A number of concerns about disclosure were raised at the Forum, in the agenda consultation and in research carried out for the IASB, which the IASB staff think could be addressed by making clarifying, narrow focus amendments to IAS 1 *Presentation of Financial Statements*.

**What we are doing***September 2013 IASB meeting*

3. In September, the IASB staff took a paper proposing some narrow focus amendments to IAS 1 (we have included this paper as Agenda Paper DIS4, for this meeting). Some of these amendments relate to materiality and these have been discussed as part of Agenda Paper DIS2 for this meeting.

4. The other amendments proposed in that IASB September 2013 paper aim to address what the IASB staff view as excessively literal interpretations of some of the guidance in IAS 1:
- (a) ‘IAS 1 requires specific line items to be presented in the primary financial statements with disaggregation of those line items not permitted’ (paragraphs 54 and 82 of IAS 1);
  - (b) ‘an entity cannot deviate from the order of notes to the financial statements listed in paragraph 114 of IAS 1’; and
  - (c) ‘the threshold for disclosing significant accounting policies is lower because of the income taxes example in paragraph 120 of IAS 1’.

These are discussed in paragraphs 36–69 of that paper.

5. Although the IASB staff think that these proposed changes are relatively modest and some may question whether they are needed at all, we do think that they could help to address some problems that we understand have arisen in practice.

**Question 1**

Do you think that these proposed amendments will help to alleviate some of the problems with disclosure specified in Agenda Paper DIS1?

**Question 2**

Are there any other narrow focus amendments that you think could be made to IAS 1 which we have not identified which could be proposed in this project?

*Net debt*

6. The following was noted in the Feedback Statement for the Forum:

Over the last five years investors have consistently asked the IASB to introduce a requirement that entities must disclose and explain their net debt reconciliation. This is an example where users think that adding a requirement might reduce clutter by specifying about how debt information should be disclosed.

Currently, the debt-related disclosure requirements are perceived as being scattered through the financial statements and not connected. The IASB will consider proposing to add such a requirement to IAS 1.

7. IASB staff is planning on taking a paper to the IASB in October 2013 about ‘net debt’ disclosures.
8. Net debt information was discussed by the IASB in late 2009/early 2010 as part of Phase B of the Financial Statement Presentation project. However, that project was paused and the tentative decisions regarding net debt were not taken forward into an Exposure Draft.
9. We are interested in the use of ‘net debt’ disclosures in different jurisdictions and how that information is required or whether it is made voluntarily. We are also interested in WSS views about how net debt reconciliations should be approached in IFRS.

**Question 3**

- a) Is there a requirement for a ‘net debt reconciliation’ or similar in your local GAAP?
- b) If so:
- i. Is it required or permitted?
  - ii. Is ‘net debt’ defined?

**Question 4**

- a) Should the IASB consider proposing a net debt reconciliation requirement in IFRS?
- b) If so:
  - i. Should it be required or expressly permitted?
  - ii. Should the IASB define 'net debt' or should it be defined by the entity applying the requirement?