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IFRS-Fachausschuss®

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Dear Hans,

IASB Exposure Draft ED/2014/1 Disclosure Initiative - Proposed amendments to IAS 1

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the IASB's Exposure Draft ED/2014/1 (herein referred to as the 'ED'). We appreciate the opportunity to comment on the ED and provide our answers to the specific questions in the ED in the Appendix to this letter.

We consider most of the proposals for narrow focus amendments in the ED reflect a step in the right direction. We propose the following amendments:

a) adding an example for aggregation regarding the presentation of line items in the statements of financial position;
b) clarifying the additional reference to consistency regarding the presentation of additional line items, headers, and subtotals; and
c) rewording "disclosure of accounting policies" into "disclosure of selection and application of accounting policy"

Despite our support for the proposed changes to IAS 1, we would like to express our general concerns about a perceived piecemeal approach for the Disclosure Initiative. It was stated in the IASB's Feedback Statement published in May 2013 that fundamentally improving and strengthening disclosures is not a straight-forward approach. Within this context we believe the IASB needs to have a clearer vision of how to improve disclosures more fundamentally, especially for disclosures in the notes to the primary financial statements. We would not support targeting some quick-wins and taking the risk of stopping half way.

If you would like to discuss our comments and views further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Appendix – Answers to the questions of the Exposure Draft

Question 1 — Disclosure Initiative amendments
The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement. The proposed amendments relate to: (a) materiality and aggregation (see paragraphs 29–31 and BC1–8 of this Exposure Draft); (b) statement of financial position and statement of profit or loss and other comprehensive income (see paragraphs 54, 55A, 82, 85A and 85B and BC9–BC15 of this Exposure Draft); (c) notes structure (see paragraphs 113–117 and BC16–BC19 of this Exposure Draft); and (d) disclosure of accounting policies (see paragraphs 120 and BC20–BC22 of this Exposure Draft). Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

Our response to Question 1 (a)

We generally agree with the proposals. However, we think it would be of help for preparers to provide additional guidance regarding the application of materiality relating to qualitative information in the notes. We are aware that under the Disclosure Initiative the IASB started a separate project on materiality guidance. We think this project should focus on materiality guidance relating to explanatory disclosures in the notes. The guidance should serve preparers making materiality judgements and justifying them.

Our response to Question 1 (b)

We concur with the Basis for Conclusions addressed in BC9-BC15. Nevertheless, we think the IASB should take the following issues into consideration when finalising these amendments:

(i) The proposed amendment in IAS 1.54 provides a disaggregation example of “property, plant and equipment”. For clarification purposes there should also be an aggregation example of line items. For example, the amount of “property, plant and equipment” is not material for the users of the financial statements of many financial institutions and would not, in our view, justify a separate line item on-the-face. Hence, the line item could be aggregated with other line items, eg other tangible assets. Furthermore, such an aggregation example could be used as an indicator that the entity would not need to disclose to a full extent all disclosure requirements regarding property, plant and equipments in accordance with IAS 16 *Property, Plant and Equipment*.

(ii) We understand that these amendments intend to clarify the wording regarding the minimum presentation of line items in the statement of financial position and the statement of profit or loss and other comprehensive income. The removal of “as a minimum” should address the possible misconception that this wording prevents entities from (dis)aggregating the line items listed in IAS 1.54 and IAS 1.82. However, we think the IASB should consider providing additional information and a conclusion why the presentation requirements for line items differ for the statement of financial position and the statement of profit or loss and other comprehensive income compared to the “example approach” of line items in the statement of cash flows. We think the (dis)aggregation requirements of line items should be aligned across the individual primary financial statements.

(iii) It is not clear to us whether the proposed amendments regarding the consistency for additional line items in IAS 1.55 (c) and IAS 1.85A (c) should imply a different level or requirements of consistency compared to the general requirement of consistency of presentation. The general requirements in IAS 1.45-46 state:

Consistency of presentation

45 **An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:**

(a) **it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in IAS 8; or**

(b) **an IFRS requires a change in presentation.**

46 For example, a significant acquisition or disposal, or a review of the presentation of the financial statements, might suggest that the financial statements need to be presented differently. An entity changes the presentation of its financial statements only if the changed presentation provides information that is reliable and more relevant to users of the financial statements and the revised structure is likely to continue, so that comparability is not impaired. When making such changes in presentation, an entity reclassifies its comparative information in accordance with paragraphs 41 and 42.

The proposed amendment in IAS 1 85A (c) states:

85A When an entity presents subtotals in accordance with paragraph 85, those subtotals shall:

> [...];
> (c) be consistent from period to period; and
> [...]

The IASB should provide more information in the Basis for Conclusions why this subparagraph is considered to be necessary and not already covered in the general principle. If the proposed amendment was not intended to be different from the general consistency requirements in IAS 1, we suggest removing the subparagraph and highlighting the aspect in the Basis for Conclusions that the general principles of presentation in IAS 1 do also apply to any additional line items, headers, subtotals etc.

Our response to Question 1 c)

We agree with the proposed amendments. We believe there should be no prescriptive determination of the order of the notes. We consider this amendment a clarification of existing IAS 1 guidance.

Our response to Question 1 d)

We do not agree with the proposals as drafted for IAS 1.117.

We consider that current reporting of significant accounting policies in accordance with IAS 1 is a likely source of boilerplate. In our view, entities often repeat the guidance and requirement of IFRSs without adding relevant information regarding its application/implementation. We believe one of the potential reasons is directly linked with the way the disclosure requirement is worded in IAS 1.

We believe that the wording in IAS 1 regarding the disclosure of the accounting policies should be changed. The IASB should emphasise that the entity's **disclosure of selection and application of accounting policies** should be required in IAS 1.117. Such a change in wording highlights that the pure repetition of accounting standards is not sufficient. For example, in our view, the pure disclosure of the measurement bases is not useful to users. Users need additional information about the underlying critical assumption, eg amortisation/depreciation period for cost based measures and estimate uncertainties regarding fair value or cash flow based measures. Furthermore, our proposed change in wording would be consistent with the terminology used in IAS 8.7.

Question 2 — Presentation of items of other comprehensive income arising from equity-accounted investments
Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paragraphs 82A, BC1–BC6 and the Guidance on implementing IAS 1)? If not, why and what alternative do you propose?

We agree with the proposed amendments to paragraph 82A and the Basis for Conclusions provided in paragraphs BC1-BC6.

Question 3 — Transition provisions and effective date
Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this Exposure Draft (see paragraphs 139N and BC23–BC25)? If not, why and what alternative do you propose?

We agree with the proposed transition provisions for the narrow focus amendments.