BUSINESSEUROPE

International Accounting Standards
Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

23 July 2014

Dear Sirs,

Re: Disclosure Initiative

BUSINESSEUROPE appreciates the opportunity to comment on ED Disclosure Initiative (amendments to IAS 1).

There are a number of points which we have detailed in the appendix to this letter with respect to the suggested amendments, but we believe at the outset that we should clarify that we do not feel that the selected way of introducing these rather minor changes is appropriate. We hold the strong view that the disclosure overload and providing relevant information should be at the heart of any debate labeled "Disclosure Initiative" and we feel that these proposed amendments to IAS 1 are at best only a very small step towards achieving that goal.

BUSINESSEUROPE believes that there is a weakness in the piecemeal approach being adopted by the Board, in that constituents are not in a good position to comment on one aspect without seeing the whole picture. This was also an issue with the previous staged approach for the Conceptual Framework project. In fact, we wondered why a separate ED was required and why these amendments could not either be included in the Annual Improvements or in a more fundamental debate on disclosures.

Yours sincerely,

p.p.

Jérôme P. Chauvin
Deputy Director General

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ANNEX TO BUSINESSEUROPE'S LETTER ON DISCLOSURE INITIATIVE

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?

We agree with the general intention behind the proposed amendments. Although they may be seen as simply clarifying the way in which entities already interpret IAS 1, including paragraph 17(b)/(c), there is a need to improve consistency of application by other parties such as auditors and regulators. However we have some specific concerns that are set out below.

We disagree with the IASB's arguments in BC5. We strongly believe that it <u>is</u> necessary to clarify in the standard itself that a specific disclosure need not be provided if the information is not material, either individually <u>or collectively</u> . We believe that this is at the heart of the debate on disclosure overflow and is interpreted by some auditors and regulators differently. It is also not clear whether paragraph 31 could now be read that immaterial items can only be left out if their inclusion would reduce understandability, which we would not agree with.

We believe that the proposed additions to paragraphs 54 and 82 should be deleted because in effect they simply repeat existing paragraphs 55 and 85 respectively. Also, the addition to paragraph 54 could be read to understand that it is not possible to replace "intangible assets" with more line items, without adding "total" to "intangible assets" to clarify that this is a sub-total. While the elimination of "As a minimum" is welcomed in principle, it needs to be made clear that, in conjunction with paragraph 55 and new paragraphs 30A and 55A, individual immaterial line items listed in paragraph 54 can be aggregated in the statement of financial position.

We would question the purpose of proposed paragraphs 85A and 85B and it is unclear how they should be interpreted. It is very important for constituents to understand the impact as the outcome of the proposed amendments may be that it would actually add to clutter in the financial statements. For example:

- it appears that an "excluded item" is an item not recognised and measured in accordance with IFRS, but what would this mean in practice? An entity may choose to show "non-recurring items" separately, but it seems they would not qualify as excluded items if the amounts are measured and recognised in accordance with IFRS.

- If all subtotals must be made up of items recognised and measured in accordance with IFRS, and the subtotals or totals that they are reconciled to will by definition also be in accordance with IFRS, then excluded items in total must also be recognised and measured in accordance with IFRS?

- is the reconciliation simply part of the statement of profit or loss and other comprehensive income or is it a separate disclosure?

We also consider that other changes are needed which would aid understanding and further improve consistent application:

- In order to ensure that the relevant sections of IAS 1 (for example paragraphs 54, 77, 82 and 112(b)) are suitably covered by the qualifier in paragraph 31, that paragraph should begin "This and some other IFRSs identify ..." , consistent with paragraph 30A. It should then be possible to combine paragraphs 112(b) and (c). It may also be appropriate, in line with the intention behind the proposed changes in the ED, to review and align where necessary the text in other sections of IAS 1, for example paragraphs IN 1, 1 and 47, the second sentence of paragraph 57, paragraphs 58, 86, 97, 103 and IG1 (and the final sentence of the definition of "Notes" in paragraph 7). One reason would be to eliminate "minimum" requirements (in line with paragraph BC4).

- IAS 1 paragraph 10 defines a complete set of financial statements as comprising the individual financial statements and the notes. The text in paragraph 30 is not consistent with this definition, and the phrase "including in the notes" in paragraph 31 is superfluous. It would be helpful if references that that are intended to cover the individual financial statements (and therefore not the notes) use that specific description.

- Certain of the amendments are, as we understand it, intended to distinguish between presentation and disclosure which is an important concept. It would therefore be helpful if the IASB would clarify in IAS 1 itself and not only in paragraph BC7 that "presentation" refers to the information in the individual financial statements and "disclosure" to information in the notes to the financial statements. Paragraph 48 may be a suitable place.

- Given the additional text proposed for paragraph 113, we would suggest that paragraphs 113A, 114 and 116 could be moved to implementation guidance. In any case, it would be more logical for the text in paragraph 115 to come after that in paragraph 116.

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With respect to the additional work discussed in paragraph BC22, we would urge the IASB to then also consider the issue of whether the focus of disclosures on accounting policies should be on those where there is a choice.

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 IASB's proposal.

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?

Subject to our comments in responding to Question 1 above, we agree with the IASB's proposed transitional provisions.

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