Hong Kong Institute of
Certified Public Accountants
香港會計師公會

Our Ref.: C/FRSC

Sent electronically through the IASB Website (www.ifrs.org)

22 July 2014

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

Dear Sirs,

IASB Exposure Draft of Disclosure Initiative (Proposed amendments to IAS 1)

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to promulgate financial reporting, auditing and ethical standards for professional accountants in Hong Kong. We welcome the opportunity to provide you with our comments on this Exposure Draft (ED). Our responses to the questions raised in your Invitation to Comment are set out in the Appendix for your consideration.

We appreciate the effort of the IASB to initiate the Disclosure Initiative project with a view of improving disclosure requirements contained in IFRS. In particular, we welcome the proposed narrow-scope amendments contained in this ED to address the significant concerns on disclosure overload as the first step of this project.

We broadly agree with the proposals in the ED so that preparers can apply judgement in disclosing information which is considered to be relevant. In the long-run, we believe more fundamental changes should be proposed by the IASB so as to help avoid the 'checklist' approach adopted within many current accounting standards, which essentially set out lists of detailed disclosure requirements rather than presenting broad disclosure objectives.

If you have any questions regarding the matters raised in our comment letter, please contact Ben Lo, our Associate Director of Standard Setting at ben@hkicpa.org.hk.

Yours faithfully,

Simon Riley
Acting Director, Standard Setting

SR/BL

Encl.

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Hong Kong Institute of CPAs

Comment on IASB Exposure Draft of Disclosure Initiative (Proposed amendments to IAS 1)

<u>Question 1 – Disclosure Initiative amendments</u>

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 welcome the proposed amendments contained in paragraphs 29-31 to clarify the Board's intended application of these paragraphs (in particular, to articulate the concept of materiality also applies to specific disclosures required by an IFRS). As a result, preparers can apply judgement in disclosing information which is considered to be relevant.

However, we do not believe the proposed addition of the words 'or disclose' in paragraph 29 is necessary or desirable. Paragraph 29 appears to set out the requirement concerning how to present information in the financial statements; adding the words 'or disclose' would put the requirement in paragraph 29 and the explanatory guidance in paragraph 30 out of context. A material class of similar items may itself contain two or more very material items. For example, business combinations are presented as one class of similar items, but details of the two or more business combinations are disclosed in the notes. The proposed amendment as worded could be interpreted to mean the information about the two or more very material business combinations are disclosed on a 'as one class' basis.

With respect to the proposed amendments for information to be presented in the financial statements, we agree with the proposed deletion of the term 'as a minimum' in paragraph 54 to remove the misconception that it constitutes a prescriptive list and prevent entities from disaggregating the line items listed.

However, we have concerns regarding the proposed additional wording in paragraph 54 (and similar wording in paragraph 82), which states that 'These line items…users of financial statements'. The proposed wording appears to duplicate the requirement contained in paragraph 55 (and paragraph 85). In this connection, quoting the example of splitting property plant and equipment is unhelpful as the carrying amounts of property plant and equipment in many entities are very material and yet it is not necessary to disaggregate this class into separate line items in the statement of financial position as full details of each class of property plant and equipment are set out in the notes.

Regarding the guidance to use subtotals as proposed in paragraphs 55A and 85A, we suggest some additional clarification of what is meant by 'made up of items recognised and measured in accordance with IFRS' would be helpful to promote consistent application.

On note structure, we support the proposed amendments to paragraphs 113-117. The amendments allow entities to present the explanatory notes in order of importance or to present related information together in cohesive sections. In particular, we welcome the proposal contained in paragraph 115 regarding the requirement to cross-reference to improve understandability and the linkage between different parts of the financial statements.

The proposed deletion of paragraph 120 may have the contrary effect of resulting in even more boilerplate disclosures. Instead we recommend the Board to adopt a holistic approach in changing the whole section on disclosure of accounting policies (currently covered in paragraphs 117-124) so that the volume of information contained in the accounting policy notes of most listed entities can be significantly reduced.

<u>Question 2 – Presentation of items of other comprehensive income arising from equity-accounted investments</u>

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?

In our comment letter on ED of *Presentation of Items of Other Comprehensive Income (Proposed Amendments to IAS 1)* in 2010, we requested the Board to clarify whether such presentation requirement is also applicable to share of other comprehensive income of associates and jointly ventures accounted for using the equity method.

In this connection, we agree with the proposed amendments to provide clarity as the current requirement is considered to be ambiguous. The proposed amendments also ensure consistency with the IASB's intention to amend IAS 1 in 2011 on *Presentation of Items of Other Comprehensive Income*.

<u>Question 3 – Transition provisions and effective date</u>

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?

While we agree with the Board's proposed transition provision in paragraph 139N, we recommend it should be expanded to cover the discussion contained in BC25 so that preparers are made aware of the requirement in presenting comparative information.

~ End ~