



THE  
INSTITUTE OF  
CHARTERED  
ACCOUNTANTS  
OF SCOTLAND



# Losing the excess baggage –

reducing disclosures in financial  
statements to what's important



Recommendations from a Joint Working Group of the Institute of Chartered  
Accountants of Scotland and the New Zealand Institute of Chartered Accountants

# **Losing the excess baggage - reducing disclosures in financial statements to what's important**

*Recommendations from a Joint Oversight Group of The Institute of Chartered Accountants of Scotland  
and the New Zealand Institute of Chartered Accountants*

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# FOREWORD

We were pleased to be asked, on behalf of the International Accounting Standards Board (IASB), to review the disclosure requirements in existing IFRS and to recommend an approach to reduce the volume of mandatorily provided information.

While the requirements of each standard seemed reasonable at the time of that standard's development, the combined impact of the existing requirements has led to lengthy financial statements cluttered by excessive detail. We have welcomed this opportunity to consider the disclosure requirements and to recommend:

- deleting specific requirements; and
- enhancing the use of materiality in financial reporting disclosures.

We have sought to carry out our work:

- using the principles in the IASB's 2010 Conceptual Framework for Financial Reporting;
- in a systematic and consistent manner across the standards in our review; and
- considering the overall impact of our proposals.

We believe that implementation of our recommendations would reduce the length of financial statements, remove unnecessary detail and enable clearer communication. This would enhance the usefulness of the financial statements and thereby serve better the objective of financial reporting. It would also enable preparers of financial statements to spend less time on preparing numerous detailed disclosures that are often irrelevant and more time on developing meaningful disclosures. In short, the excess baggage would be lost and the focus would be on what's important.

We thank Patricia McBride from NZICA and Amy Hutchinson and David Wood of ICAS for their work and support over the last six months. Their dedication enabled us to meet our reporting deadline notwithstanding the challenge of managing a diverse group, split by hemispheres and in very different time zones.

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The Oversight Group  
July 2011

# SECTION 1: THE PROJECT

## INTRODUCTION

1. The Institute of Chartered Accountants of Scotland (ICAS) and the New Zealand Institute of Chartered Accountants (NZICA) were asked in October 2010 by the International Accounting Standards Board (IASB) to undertake a project to review the levels of disclosure requirements in existing International Financial Reporting Standards (IFRS) and to recommend deletions and changes to disclosure requirements. The assignment was specifically mandated to be a 'short-life' project with an objective of reporting by June/July 2011.
2. This is the report of the joint UK-NZ Oversight Group for the project for which the terms of reference are set out in Appendix 1.
3. In recent years, the financial reporting community has become concerned about the increasing size of financial reports and the danger of readers being so blinded by so much data that the main messages are lost. The increase has two principal causes:
  - many disclosure requirements have been introduced in new or revised international accounting standards over the last ten years without any review of their overall impact on the length or usefulness of the resulting financial statements; and
  - it has been difficult to apply with confidence paragraph 31 of IAS 1 *Presentation of Financial Statements*. That paragraph of IAS 1 states that entities need not provide specific disclosures required by an IFRS if the information is not material. However, this important message has been lost, or at least undermined, by the general lack of emphasis on materiality.
4. This project has therefore sought to tackle these causes by:
  - proposing a refinement of how materiality is considered by distinguishing material items (being items in the statements of financial position, cash flows, comprehensive income and changes in equity) and material information which appears in additional notes to those statements (see paragraphs 10 to 22 below): even though an item might be material, and therefore require separate disclosure on the face of the financial statements or in the notes, it does not follow that additional information about that item is necessarily material;
  - emphasising materiality by adding explicit references to it in each standard; and
  - recommending specific deletions and amendments to the disclosure requirements in existing standards.
5. In presenting in Section 2 of the report on specific changes to the individual standards, we believe that the IASB can move swiftly to consult on these recommendations and, depending on the feedback, to amend existing IFRSs to remove many disclosures that are hindering, rather than helping, users in reading financial statements and should assist in ensuring those financial statements focus on what is important to the user. There will be other benefits in terms of reducing the costs of producing, and circulating, reports. But our prime objective has been to remove excess baggage. We believe the principles and approach we have adopted in our work

should also be of interest to other projects considering proposed disclosure frameworks for future standards. In accordance with our terms of reference agreed with the IASB, our project has covered all continuing existing IASs and IFRSs up to and including IFRS 8, except for IAS 26 on retirement benefit plans and IAS 34 on interim financial reporting. We have not included particular standards that the IASB has revised in recent months or are expected to revise later in 2011. However, if feedback on our proposals is supportive, we believe that the principles applied in developing our proposals also could be applied to these new standards recently issued or expected to be issued over the next year.

## KEY PRINCIPLES UNDERLYING OUR APPROACH

6. At the outset of its work, the Oversight Group determined that the task should be approached in a systematic fashion and be based on the principles underlying all of the IASB’s work, as set out in its 2010 Conceptual Framework for Financial Reporting. The Framework provides guidance on the objective and qualitative characteristics of financial reporting, which can be applied to disclosure. The box below highlights key paragraphs from the Framework and, where appropriate, the Group’s comment on their application to the project. We have worked within the existing recognition and measurement requirements. This constraint has meant that the presentation and disclosure requirements we recommend have to support existing, rather than any other possible, recognition and measurements requirements.

<b>IASB Conceptual Framework for Financial Reporting</b>	<b>Our comment on application to the project</b>
<p><b>OB2</b> “The objective of general purpose financial statements is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.”</p>	<p>Those listed in OB2 are considered to be the primary users and relate principally to private sector entities. In undertaking the project, the Oversight Group recognises that IFRS is used by the public sector in a number of jurisdictions, in which context the primary users of an entity’s financial statements are a wider grouping than investors, lenders and other creditors.</p>
<p><b>QC6</b> “Relevant financial information is capable of making a difference in the decisions made by users.”</p>	<p>Disclosures should not be required simply to provide more detail. Each disclosure should pass the test of being capable of making a difference to users’ decisions.</p>

<p><b>QC11</b> “Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity.”</p>	<p>Materiality is a key concept when deciding whether or not a disclosure should be provided. Greater emphasis on materiality is needed.</p>
<p><b>QC12</b> “Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be <i>complete, neutral</i> and <i>free from error</i>. Of course, perfection is seldom, if ever, achievable. The Board’s objective is to maximise those qualities to the extent possible. A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, including all necessary descriptions and explanations. For example, a complete depiction of a group of assets would include, at a minimum, a description of the nature of the assets in the group, a numerical depiction of all of the assets in the group, and a description of what the numerical depiction represents (for example, original cost, adjusted cost or fair value). For some items, a complete depiction may also entail explanations of significant facts about the quality and nature of the items, factors and circumstances that might affect their quality and nature, and the process used to determine the numerical depiction.”</p>	<p>Only for some items is additional information required. Even for material items, additional information about those items is not necessarily material.</p>
<p><b>QC20</b> “Information about a reporting entity is more useful if it can be compared with similar information about other entities and with similar information about the same entity for another period or another date. .... Comparability is not uniformity.”</p>	<p>If financial statements items and note disclosures, which would otherwise be taken by users to be consistent and comparable, are not in fact so, additional disclosures may be needed to explain why they are not consistent and comparable.</p>
<p><b>QC30</b> “Classifying, characterising and presenting information clearly and concisely makes it understandable. ....”</p> <p><b>QC32</b> Financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently.”</p>	<p>Removing the clutter created by numerous detailed disclosures will make the financial statements clearer, more concise and hence more understandable.</p>

## OUR APPROACH TO REVIEWING THE STANDARDS

7. In addition to the key principles from the Conceptual Framework, discussed above, the matters set out below guided the Group's work. Many of these are also based directly on the Conceptual Framework while the others, such as the first one below, are points which the Group considered of particular relevance to how the work was approached. This approach was developed in the early stages so that the task of reviewing individual standards could be done, as far as possible, on a systematic and consistent basis.
- Disclosure requirements have built up, standard by standard, over many years. A 'top-down' lens should be applied to consider the balance across the disclosures and their relative importance to users.
  - Disclosures in financial reporting standards should be considered in the context of meeting the needs of the maximum number of primary users. This does not prevent the reporting entity providing additional information that is most useful to a particular subset. However, to meet the information needs of the maximum number of primary users, financial statements should not include extensive additional information for a particular subset of users, because to do so would result in lengthy detailed disclosures that reduce the usefulness of the financial statements to the majority of primary users.
  - Financial statement disclosures do not and cannot provide all of the information that existing and potential investors, lenders and other creditors (the primary users) need. This point is valid for all other users.
  - Information should be provided to help the primary users to assess the prospects for future net cash inflows to an entity. To do so, they also need information about the resources of the entity, claims against the entity, and how efficiently and effectively the entity's management have discharged their responsibilities in the use of the entity's resources. The term 'management' is used in the IASB conceptual framework to refer to the 'management and governing board of an entity' and is used in the same sense in this document. Management thus includes directors.
  - The Conceptual Framework does not use the term 'stewardship' but it describes what the term captures. The concept is an important objective of financial reporting and how management makes efficient and effective use of the resources provided should be considered when reviewing disclosure requirements.
  - Standard setters sometimes have been requested to consider mandating disclosure requirements that support regulatory objectives, including enforcement and policy objectives such as financial stability. The Group considered that meeting such needs should not be a guiding principle for its work for three reasons. First, while financial reporting may assist regulators with meeting such objectives, doing so is not the primary objective of financial reporting. Second, regulators and other setters of policy generally have the ability to specify disclosure requirements to meet their regulatory and policy objectives. Third, IFRSs are to be capable of global application. If they were to seek to meet the needs of regulators in each particular geographical area, they would contain data which did not constitute information relevant to primary users. Paragraph OB10 of the Conceptual Framework states that general purpose financial reports "are not primarily directed to these other groups" such as regulators and members of the general public.

- IFRSs are developed for use by capital market participants and for application in the global environment. However, disclosure issues may arise at national level due to:
  - a) some countries applying IFRS to a wider set of business (for-profit) entities and public benefit entities (public sector entities and not-for-profit entities) for which the standards may not have originally been intended;
  - b) variation in the size of capital markets in the various jurisdictions and different views held by securities market regulators on whether the same financial information should be disclosed by all public issuers regardless of size; and
  - c) specific issues deemed to be relevant to that country where disclosure is not required by IFRS.

Different national governments, regulators or standard setters could therefore require additional detail or adopt differential disclosure requirements, based on size or other characteristics, if this was thought necessary to the local environment. Such local issues were not considered as part of our project.

- In our work we have not used the issue of commercial sensitivity to determine whether there should be a disclosure. It is for an entity's management to consider commercial sensitivity and justify the impact this has on disclosures in its financial statements.
- Some standards contain requirements designed to 'keep preparers honest'. That is, they aim to prevent inappropriate behaviours rather than to encourage relevant and reliable reporting. We considered that such disclosures should be retained only where they contributed directly to providing relevant and representationally faithful information.
- Disclosures should be made as far as possible in clear, concise, plain language.
- Disclosures should help 'tell the story' about the performance, position and prospects of the entity.
- As far as possible, disclosures should not be duplicated within a single set of financial statements.
- Cost is a pervasive constraint on useful financial reporting. The costs associated with providing disclosures should be assessed against the benefits they yield in terms of providing useful information to financial statement users generally. However, in recommending deletions, the Group has focused on increasing the usefulness of financial statements rather than on reducing the costs of preparation of those financial statements.

8. In considering each of the existing IASB standards, the following specific steps were undertaken to:
  - determine the specific disclosure objective of each standard and to propose, where necessary, that objectives are clearly stated;
  - assess the extent to which the existing disclosure requirements meet the principles in paragraphs 6 and 7 and the specific disclosure objective; and
  - propose deletions and changes to the existing disclosure requirements based on the above assessment.

As part of the third step, the Group sought to:

- delete merely ‘encouraged’ disclosures. If a disclosure is needed, it should be specifically required. IAS 1 already contains an over-arching requirement to ensure all necessary information is provided;
  - reduce the number of detailed reconciliations required in IFRS. These currently result in the disclosure of items that are not material. A summary of material changes should usually suffice;
  - respond to the issue raised in paragraph 3 by being clearer in individual standards that disclosures are required only where the information is material. Rather than relying on preparers to interpret paragraph 31 of IAS 1, the Group has assisted that judgment by changing individual standards to emphasise materiality. By doing so, we believe preparers are more likely to cut out unnecessary disclosures; and
  - introduce the option for preparers not to repeat their summary of accounting policies in all financial statements but instead to give a reference to where those material accounting policies may be found e.g. an entity’s website. New or amended policies for that accounting period would continue to be required to be disclosed in the relevant financial statements.
9. Finally, for each standard we considered the proposed disclosure requirements in totality to determine whether, as a whole, they met the key principles for disclosure.

## **APPLYING MATERIALITY**

10. From its review of the wording in IAS 1 *Presentation of Financial Statements* and the 2010 Conceptual Framework for Financial Reporting, the Group noted that the IASB has essentially identified three categories of possible financial reporting disclosures. The categories address whether the information is:
- a material item;
  - material information; or
  - not material.
11. Paragraph 7 of IAS 1 addresses the materiality of an item as follows:
- “omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”***
12. While the word ‘item’ is not defined in IAS 1, it is commonly used to describe items that are included in the statement of financial position, statement of comprehensive income, separate income statement (if presented), statement of changes in equity or statement of cash flows. Paragraphs 29 and 30 of IAS 1 read as follows:

***“an entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are ~~immaterial~~ not material.*** [Change proposed by the Group for consistency.]

***Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items in those statements. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.”***

13. Material information is covered in two places in the IASB literature. Paragraph QC11 of the Conceptual Framework notes the following:

***“information is material if omitting or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude or both, of the items to which the information relates in the context of an individual entity’s financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.”***

14. Paragraph 7 of IAS 1 contains the following:

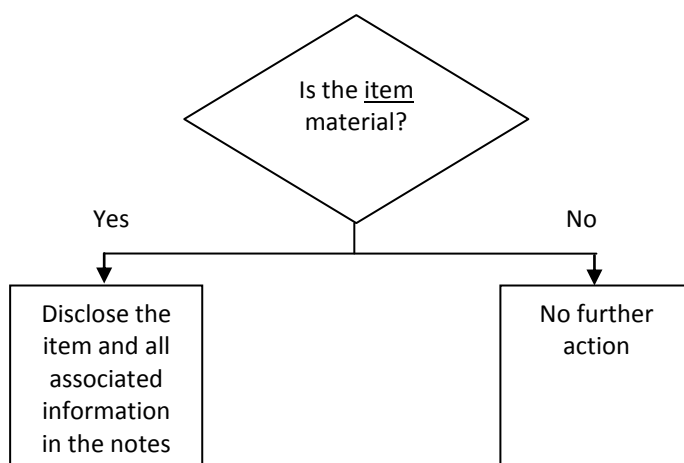
***“notes contain information in addition to that presented in the statement of financial position, statement of comprehensive income, separate income statement (if presented), statement of changes in equity and statement of cash flows. Notes provide narrative descriptions or desegregations of items presented in those statements and information about items that do not qualify for recognition in the statements.”***

15. Paragraph 31 of IAS 1 reads as follows:

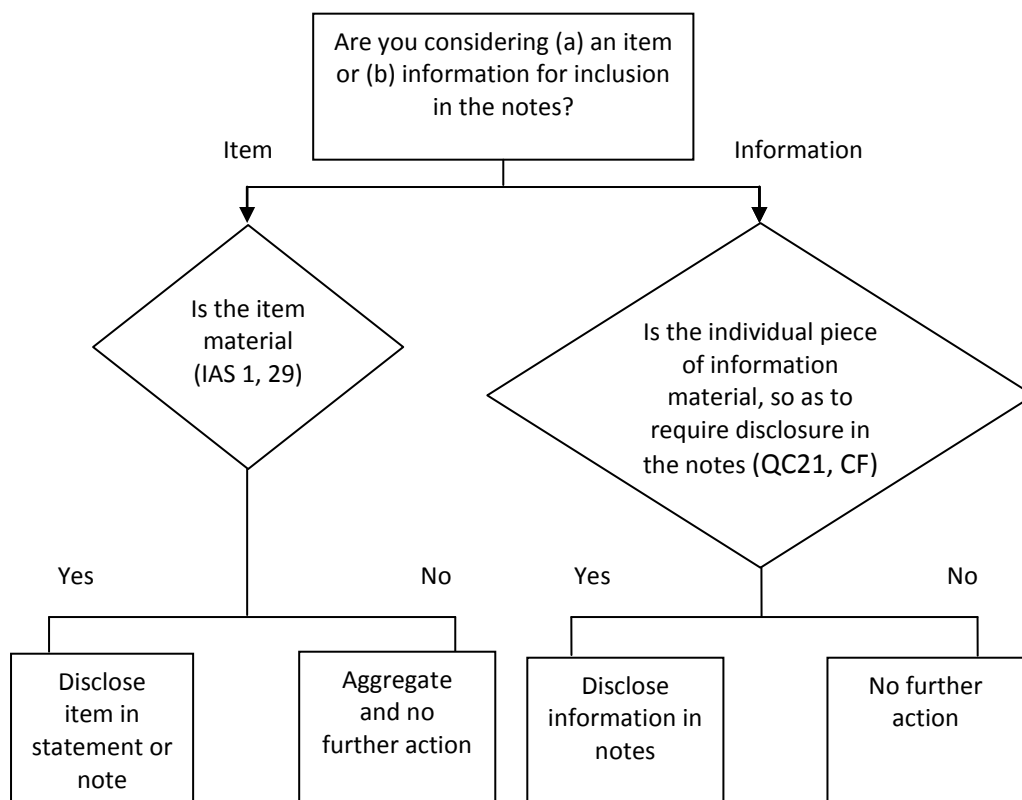
***“an entity need not provide a specific disclosure required by an IFRS if the information is not material.”***

16. In short, notes provide additional information. The fact that an item is material does not mean that additional information relating to that item must also be material. Each piece of potential information has to be judged against the surrounding circumstances. More information will be needed for items of particular significance to the reporting entity.

17. For example, in a power generation business, information on the item ‘tangible fixed assets relating to power generation’ is likely to be material. In a financial services company, while tangible fixed assets may be disclosed in the statement of financial position, they are likely to be relatively small. Consequently additional information in the notes is likely to be not material in such a business. In both of these businesses, if the share-based payment is not material, then further information in the notes will also be not material. On the other hand, while a defined benefit pension amount may be relatively small as an item on the statement of financial position, the potential volatility in this item may mean that additional information on this item in the notes would be material to the users of those financial statements.
18. Hitherto users of IFRS have typically applied one test as follows:



19. The Group considers that users of IFRS should in the future consider separately (i) whether an item is material and (ii) whether individual pieces of information are material such that they warrant disclosure in the additional notes. Consideration should be given to individual pieces of information relating to material items, as well as information that does not relate to specific items but is required for the financial statements to meet the objective of financial reporting.
20. The revised approach may be typified in the following diagram.



21. Not material is simply the residual class. If an item or information fails to qualify as material, as set out above, then it is deemed not material and does not require disclosure.
22. In proposing amendments to the existing IFRSs, the Group sought to emphasise materiality and the distinction between material items and material information.

## OTHER APPROACHES

23. The Group considered and rejected different approaches as part of its work. In particular, it rejected having only disclosure objectives/principles in each standard. In our view, moving solely to a disclosure principles approach would be seen as a step too far for those involved in financial reporting at this time. In arriving at this view, the Group noted that some commentators refer to following factors as influencing the current disclosure regime:
  - some users, or at least some financial analysts, may want more disclosure and rarely concede that there is something they can do without;
  - preparers may find that the current extensive disclosures inhibit them from focussing on clear communication. On the other hand, the current approach may be perceived as less risky, in that preparers may prefer to include extensive immaterial information rather than take the risk that judgements made to exclude such information will be 'second-guessed' subsequently;

- auditors may prefer the current extensive disclosure regime as it leads to fewer judgement calls and thus fewer disputes and less risk; and
- regulators may prefer the detailed regime as it is easier to enforce.

In the light of these perceptions, retaining key detailed disclosures requirements, where these result in disclosure of material information, provides useful guidance to preparers and auditors to meet the overall disclosure objective for each standard and useful reassurance to users and regulators that material items and material information will continue to be disclosed. The emphasis on materiality contained in these recommendations will require greater judgement to be exercised by all involved in the financial reporting process, including preparers, auditors, and users of financial statements. The Group accepts that this is an inevitable price to pay to achieve the objective. It is only by the application of judgement in a structured approach that the excess baggage can be removed.

24. A disclosure regime based upon a single principles-based disclosure standard or based solely on disclosure principles in individual topic standards may be an appropriate future objective. But, in the Group's view, the proposed approach is the right step at this time, particularly if the proposals are to be implemented in the near future. If ongoing deliberations around the world were to result in an approach based solely on a general disclosure framework, the present recommendations would serve as a useful stepping stone from the current prescription to a general framework.
25. The Group also explored introducing the concept of 'significant', being something bigger than 'material', which would lead to additional disclosures in the notes to the financial statements of information about 'significant' items only and would thus allow less disclosure for items which were simply material but not 'significant'. This concept has appeared in IASs and IFRSs with various descriptors (significant, key, major). If this approach were to be adopted more broadly, a definition of 'significant' would be needed. However, it was not clear how this could be achieved given the current guidance on materiality and in a way consistent with the Conceptual Framework. The Group concluded that the approach set out in paragraphs 10 to 22 above provides the desired result of applying more extensively the concept of materiality in financial reporting.

## **IN CONCLUSION**

26. A final step was to test the impact of the Group's recommendations. The model financial statements, published by an accountancy firm, and which do not illustrate all potential disclosures at present, were used to indicate what would be deleted or changed if the standards were revised as proposed and materiality applied as recommended. The result for the disclosures required by the standards reviewed in this project was a 37% reduction in the length of the financial statements. Looking at the financial statements overall, and thus including disclosures required by standards not included in this review, the impact would be a 30% reduction in length.

27. This finding supports the Group's views on the potential impact. Consequently, we are confident that, if our recommendations are implemented, this will result in shorter financial statements containing meaningful information and less irrelevant detail, and thereby serving better the needs of users of the financial statements.

## SECTION 2: PROPOSED CHANGES TO DISCLOSURE REQUIREMENTS – STANDARD BY STANDARD

This section contains all disclosure requirements from the IFRSs and IASs under review, and shows our proposed amendments to these. For each standard a disclosure objective is proposed (if this is not already clearly stated within the standard) which in most cases will be located at the beginning of the standard. The disclosure requirements are presented with proposed deletions shown in strike-through and proposed amendments underlined. Comments on the reasons for deleting, amending or retaining requirements are presented alongside the relevant paragraphs.

All standards mandatorily applicable at the current date have been reviewed, with the following exceptions:

IAS 26 <i>Accounting and Reporting by Retirement Benefit Plans</i>	}	These relate to separate reports.
IAS 34 <i>Interim Financial Reporting</i>		
IFRS 4 <i>Insurance Contracts</i>	}	These topics have been under revision during the course of this project.
IFRS 9 <i>Financial Instruments</i>		
IAS 11 <i>Construction Contracts</i>		
IAS 17 <i>Leases</i>		
IAS 18 <i>Revenue</i>		
IAS 27 <i>Consolidated and Separate Financial Statements</i>		
IAS 28 <i>Investments in Associates</i>		
IAS 31 <i>Investments in Joint Ventures</i>		
IAS 32 <i>Financial Instruments: Presentation</i>	}	No disclosure requirements
IAS 39 <i>Financial Instruments: Recognition and Measurement</i>		

The standards reviewed are as follows:

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IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	15
IFRS 2 <i>Share-based Payment</i>	19
IFRS 3 <i>Business Combinations</i>	22
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	27
IFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	30
IFRS 7 <i>Financial Instruments: Disclosures</i>	31
IFRS 8 <i>Operating Segments</i>	55
IAS 1 <i>Presentation of Financial Statements</i>	61
IAS 2 <i>Inventories</i>	74
IAS 7 <i>Statement of Cash Flows</i>	76

IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	79
IAS 10 <i>Events after the Reporting Period</i>	82
IAS 12 <i>Income Taxes</i>	84
IAS 16 <i>Property, Plant and Equipment</i>	89
IAS 19 <i>Employee Benefits</i>	92
IAS 20 <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	99
IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>	100
IAS 23 <i>Borrowing Costs</i>	102
IAS 24 <i>Related Party Disclosures</i>	103
IAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	107
IAS 33 <i>Earnings per Share</i>	109
IAS 36 <i>Impairment of Assets</i>	113
IAS 37 <i>Provisions, Contingent Assets and Contingent Liabilities</i>	119
IAS 38 <i>Intangible Assets</i>	121
IAS 40 <i>Investment Properties</i>	124
IAS 41 <i>Agriculture</i>	128

## IFRS 1 *First-time Adoption of International Financial Reporting Standards*

### 1. Disclosure objective

The objective of IFRS 1 is to ensure that an entity's first IFRS financial statements, and its interim financial reports for part of the period covered by those financial statements, contain high quality information that is transparent for users and comparable over all periods presented. (paragraph 1)

### 2. Likely disclosure objective

The disclosure objective is clearly specified.

### 3. Disclosure requirements

Requirement	Comment
6 An entity shall prepare and present an opening IFRS statement of financial position at the date of transition to IFRSs. This is the starting point for its accounting in accordance with IFRSs.	Given the special purpose of IFRS 1, this disclosure is considered appropriate.
<p>20 This Standard does not provide exemptions from the presentation and disclosure requirements in other IFRSs.</p> <p>21 To comply with IAS 1, an entity's IFRS financial statements shall include <del>two at least three</del> statements of financial position, two statements of comprehensive income, two separate income statements (if presented), two statements of cash flows and two statements of changes in equity and related notes, including comparative information.</p> <p>22 Some entities present historical summaries of selected data for periods before the first period for which they present full comparative information in accordance with IFRSs. This IFRS does not require such summaries to comply with the recognition and measurement requirements of IFRSs. Furthermore, some entities present comparative information in accordance with previous GAAP as well as the comparative information required by IAS 1. In any financial statements containing historical summaries or comparative information in accordance with previous GAAP, an entity shall:</p> <p>(a) label the previous GAAP information prominently as not being prepared in accordance with IFRSs; and</p> <p>(b) disclose the nature of the main adjustments that would make it comply with IFRSs. An entity need not quantify those adjustments.</p>	<p>Given the special purpose of IFRS 1, this disclosure is considered appropriate.</p> <p>In IAS 1, the requirement for a third statement of financial position is deleted.</p>
<p>23 <b>An entity shall explain how the transition from previous GAAP to IFRSs affected its reported financial position, financial performance and cash flows.</b></p> <p>24 To comply with paragraph 23, an entity's first IFRS financial statements shall include:</p> <p>(a) <del>reconciliations</del> a summary of <u>material differences between</u> its equity reported in accordance with previous GAAP <del>to</del> and its equity in accordance with IFRSs for both of the following dates:</p> <p>(i) the date of transition to IFRSs; and</p> <p>(ii) the end of the latest period presented in the entity's most</p>	<p>Given the special purpose of IFRS 1, this disclosure is considered appropriate.</p> <p>Only change is to add emphasis on materiality.</p>

Requirement	Comment
<p style="text-align: center;">recent annual financial statements in accordance with previous GAAP.</p> <p>(b) <del>a reconciliation summary of material differences between</del> its total comprehensive income in accordance with IFRSs for the latest period in the entity's most recent annual financial statements <del>and The starting point for that reconciliation shall be</del> total comprehensive income in accordance with previous GAAP for the same period or, if an entity did not report such a total, profit or loss under previous GAAP.</p> <p>(c) if the entity recognised or reversed any <u>material</u> impairment losses for the first time in preparing its opening IFRS statement of financial position, the disclosures that IAS 36 <i>Impairment of Assets</i> would have required if the entity had recognised those impairment losses or reversals in the period beginning with the date of transition to IFRSs.</p> <p>25 The reconciliations required by paragraph 24(a) and (b) shall give sufficient detail to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income. If an entity presented a statement of cash flows under its previous GAAP, it shall also explain the material adjustments to the statement of cash flows.</p> <p>26 If an entity becomes aware of errors made under previous GAAP, the reconciliations required by paragraphs 24(a) and (b) shall distinguish the correction of those errors from changes in accounting policies.</p> <p>27 IAS 8 does not apply to the changes in accounting policies an entity makes when it adopts IFRSs or to changes in those policies until after it presents its first IFRS financial statements. Therefore, IAS 8's requirements for disclosures about changes in accounting policies do not apply in an entity's first IFRS financial statements.</p> <p>27A If during the period covered by its first IFRS financial statements an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the changes between its first IFRS interim financial report and its first IFRS financial statements, in accordance with paragraph 23, and it shall update the reconciliations required by paragraph 24(a) and (b).</p> <p>28 If an entity did not present financial statements for previous periods, its first to IFRS financial statements shall disclose that fact.</p>	
<p>30 If an entity uses fair value in its opening IFRS statement of financial position as deemed cost for an item of property, plant and equipment, an investment property or an intangible asset (see paragraphs D5 and D7), the entity's first IFRS financial statements shall disclose, for each <u>material</u> line item in the opening IFRS statement of financial position:</p> <p>(a) the aggregate of those fair values; and</p> <p>(b) the aggregate adjustment to the carrying amounts reported under previous GAAP.</p> <p>31 Similarly, if an entity uses a deemed cost in its opening IFRS statement of financial position for an investment in a subsidiary, jointly controlled entity or associate in its separate financial statements (see paragraph D15), the entity's first IFRS separate financial statements shall disclose, <u>if material</u>:</p>	<p>Given the special purpose of IFRS 1, this disclosure is considered appropriate. Only change is to add emphasis on materiality.</p>

Requirement	Comment
<p>(a) the aggregate deemed cost of those investments for which deemed cost is their previous GAAP carrying amount;</p> <p>(b) the aggregate deemed cost of those investments for which deemed cost is fair value; and</p> <p>(c) the aggregate adjustment to the carrying amounts reported under previous GAAP.</p> <p>31A If an entity uses the exemption in paragraph D8A(b) for oil and gas assets, it shall disclose that fact and the basis on which carrying amounts determined under previous GAAP were allocated.</p> <p>31B If an entity uses the exemption in paragraph D8B for operations subject to rate regulation, it shall disclose that fact and the basis on which carrying amounts were determined under previous GAAP.</p>	
<p>32 To comply with paragraph 23, if an entity presents an interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements, the entity shall satisfy the following requirements in addition to the requirements of IAS 34:</p> <p>(a) Each such interim financial report shall, if the entity presented an interim financial report for the comparable interim period of the immediately preceding financial year, include:</p> <p>(i) a <del>reconciliation summary of material differences between</del> its equity in accordance with previous GAAP at the end of that comparable interim period <del>to</del> and its equity under IFRSs at that date; and</p> <p>(ii) a <del>reconciliation summary of material differences between</del> its total comprehensive income in accordance with IFRSs for that comparable interim period (current and year to date); <del>and</del> <del>The starting point for that reconciliation shall be</del> total comprehensive income in accordance with previous GAAP for that period or, if an entity did not report such a total, profit or loss in accordance with previous GAAP.</p> <p>(b) In addition to the <del>reconciliations</del> <u>summaries</u> required by (a), an entity's first interim financial report in accordance with IAS 34 for part of the period covered by its first IFRS financial statements shall include the reconciliations described in paragraph 24(a) and (b) (supplemented by the details required by paragraphs 25 and 26) or a cross reference to another published document that includes these reconciliations.</p> <p>(c) If an entity changes its accounting policies or its use of the exemptions contained in this IFRS, it shall explain the <u>material</u> changes in each such interim financial report in accordance with paragraph 23 and update the reconciliations required by (a) and (b).</p> <p>33 IAS 34 requires minimum disclosures, which are based on the assumption that users of the interim financial report also have access to the most recent annual financial statements. However, IAS 34 also requires an entity to disclose 'any events or transactions that are material to an understanding of the current interim period'. Therefore, if a first-time adopter did not, in its most recent annual financial statements in accordance with previous GAAP, disclose information material to an understanding of the current interim period, its interim financial report</p>	<p>Given the special purpose of IFRS 1, this disclosure is considered appropriate.</p> <p>Amended is to add emphasis on materiality, and reconciliations replaced by summaries of material differences.</p>

<b>Requirement</b>	<b>Comment</b>
shall disclose that information or include a cross-reference to another published document that includes it.	

#### **4. Conclusion**

The disclosure requirements of IFRS 1 are appropriate for the purpose of this first-time adoption. The only changes proposed are to add emphasis on materiality.

## IFRS 2 *Share-based Payment*

### 1. Disclosure objective

An entity shall disclose material information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period (paragraph 44).

### 2. Likely disclosure objective

The disclosure objective is clearly specified and only amended to emphasise materiality.

### 3. Disclosure requirements

Requirement	Comment
<p><b>44</b> An entity shall disclose information that enables users of the financial statements to understand the nature and extent of <u>material</u> share-based payment arrangements that existed during the period.</p>	<p>Disclosure objective – amended to emphasise materiality.</p>
<p>45 To give effect to the principle in paragraph 44, the entity shall disclose at least the following, <u>although an entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44</u> :</p> <p>(a) a description of each type of <u>material</u> share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (e.g. whether in cash or equity). <del>An entity with substantially similar types of share-based payment arrangements may aggregate this information, unless separate disclosure of each arrangement is necessary to satisfy the principle in paragraph 44.</del></p> <p>(b) <del>the number and weighted average exercise prices of share options for each of the following groups of options:</del></p> <ul style="list-style-type: none"> <li><del>(i) — outstanding at the beginning of the period;</del></li> <li><del>(ii) — granted during the period;</del></li> <li><del>(iii) — forfeited during the period;</del></li> <li><del>(iv) — exercised during the period;</del></li> <li><del>(v) — expired during the period;</del></li> <li><del>(vi) — outstanding at the end of the period; and</del></li> <li><del>(vii) — exercisable at the end of the period.</del></li> </ul> <p>(c) for share options exercised during the period, the <u>number and the weighted average share price</u> at the date of exercise. If options were exercised on a regular basis throughout the period, the entity may instead disclose the weighted average share price during the period.</p> <p>(d) for share options outstanding at the end of the period, <u>the number and weighted average exercise price of share options exercisable at the end of the period</u>, the range of exercise prices and weighted average remaining contractual life. If the range of exercise prices is wide, the outstanding options shall be divided into ranges that are</p>	<p>Apply the ‘materiality’ override to all disclosure requirements, not just (a).</p> <p>(a) is transferred to lead in to paragraph above.</p> <p>(b) is deleted as (c) and (d) capture the key information.</p> <p>Amendment to (c) is transferred from (b)(iv).</p> <p>Amendment to (d) is transferred from (b)(vii).</p>

Requirement	Comment
<p>meaningful for assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of those options.</p>	
<p><b>46 An entity shall disclose <u>material</u> information that enables users of the financial statements to understand how the fair value of the goods or services received, or the fair value of the equity instruments granted, during the period was determined.</b></p>	<p>Principle – amended to emphasise materiality.</p>
<p>47 If the entity has measured the fair value of goods or services received as consideration for equity instruments of the entity indirectly, by reference to the fair value of the equity instruments granted, to give effect to the principle in paragraph 46, the entity shall disclose at least the following:</p> <p>(a) for <del>equity instruments</del> <del>share options</del> granted during the period, the weighted average fair value of those options at the measurement date and information on how that fair value was measured, including <u>the valuation techniques and inputs used</u>:</p> <p>(i) <del>the option pricing model used and the inputs to that model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends, the risk-free interest rate and any other inputs to the model, including the method used and the assumptions made to incorporate the effects of expected early exercise;</del></p> <p>(ii) <del>how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and</del></p> <p>(iii) <del>whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.</del></p> <p>(b) <del>for other equity instruments granted during the period (i.e. other than share options), the number and weighted average fair value of those equity instruments at the measurement date, and information on how that fair value was measured, including:</del></p> <p>(i) <del>if fair value was not measured on the basis of an observable market price, how it was determined;</del></p> <p>(ii) <del>whether and how expected dividends were incorporated into the measurement of fair value; and</del></p> <p>(iii) <del>whether and how any other features of the equity instruments granted were incorporated into the measurement of fair value.</del></p> <p>(c) for share-based payment arrangements that were modified during the period:</p> <p>(i) an explanation of those modifications;</p> <p>(ii) the incremental fair value granted (as a result of those modifications); and</p> <p>(iii) information on how the incremental fair value granted was measured, consistently with the requirements set out in (a) <del>and (b)</del> above, where applicable.</p>	<p>Retain - relevant information (a)(i) - (iii) and (b) deleted – excessively prescriptive detail is an anti-abuse measure and is more detailed than IFRS 13.</p>
<p>48 If the entity has measured directly the fair value of goods or services received during the period, the entity shall disclose how that fair value was</p>	<p>Retain - relevant information</p>

Requirement	Comment
determined, e.g. whether fair value was measured at a market price for those goods or services.	
49 If the entity has rebutted the presumption in paragraph 13, it shall disclose that fact, and give an explanation of why the presumption was rebutted.	Retain – relevant information
<b>50 An entity shall disclose <u>material</u> information that enables users of the financial statements to understand the effect of share-based payment transactions on the entity’s profit or loss for the period and on its financial position.</b>	Principle – amended to emphasise materiality.
51 To give effect to the principle in paragraph 50, the entity shall disclose at least the following: (a) the total expense recognised for the period arising from share-based payment transactions in which the goods or services received did not qualify for recognition as assets and hence were recognised immediately as an expense, <del>including separate disclosure of that portion of the total expense that arises from transactions accounted for as equity-settled share-based payment transactions;</del> (b) for liabilities arising from share-based payment transactions: (i) the total carrying amount at the end of the period; <del>and</del> (ii) <del>the total intrinsic value at the end of the period of liabilities for which the counterparty’s right to cash or other assets had vested by the end of the period (e.g. vested share appreciation rights).</del>	Recommend reducing the details of the disclosures.
<del>52 If the information required to be disclosed by this IFRS does not satisfy the principles in paragraphs 44, 46 and 50, the entity shall disclose such additional information as is necessary to satisfy them.</del>	Delete – general principle in IAS 1.

#### 4. Conclusion

The disclosure requirements in IFRS 2 are already principle-based, so the only proposed changes relate to a reduction of some of the detail and to add emphasis on materiality.

## IFRS 3 *Business Combinations*

### 1. Disclosure objective

The objective of this IFRS is to ... establish principles and requirements for how the acquirer ... determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of ~~the~~ material business combinations. (paragraph 1)

### 2. Likely disclosure objective

The disclosure objective is clearly specified and only amended to emphasise materiality.

### 3. Disclosure requirements

Requirement	Comment
<p>59 <b>The acquirer shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of a <u>material</u> business combination that occurs either:</b></p> <p><del>(a) during the current reporting period; or</del></p> <p><del>(b) after the end of the reporting period but before the financial statements are authorised for issue.</del></p> <p>60 To meet the objective in paragraph 59, the acquirer shall disclose the information specified in paragraphs B64—<del>B66.6.</del><u>B65.</u></p>	<p>Principle amended to emphasise materiality. 59(b) triggers B66 and is deleted because it is addressed in IAS 10.</p>
<p>61 <b>The acquirer shall disclose <u>material</u> information that enables users of its financial statements to evaluate the financial effects of adjustments recognised in the current reporting period that relate to business combinations that occurred in the period or previous reporting periods.</b></p> <p>62 To meet the objective in paragraph 61, the acquirer shall disclose the information specified in paragraph B67.</p> <p>63 If the specific disclosures required by this and other IFRSs do not meet the objectives set out in paragraphs 59 and 61, the acquirer shall disclose whatever additional information is necessary to meet those objectives.</p>	<p>Principle amended to emphasise materiality.</p>
<p>B64 To meet the objective in paragraph 59, the acquirer shall disclose the following information for each <u>material</u> business combination that occurs during the reporting period:</p> <p>(a) the name and a description of the acquiree.</p> <p>(b) the acquisition date.</p> <p><del>(c) the percentage of voting equity interests acquired.</del></p> <p>(d) <del>the primary reasons for the business combination and a description of how the acquirer obtained control of the acquiree.</del></p> <p><del>(e) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, intangible assets that do not qualify for separate recognition or other factors.</del></p> <p>(f) the acquisition-date fair value of the total consideration transferred and the acquisition-date fair value of each <u>material</u></p>	<p>Amended to emphasise materiality.</p> <p>(c) is deleted as is adequately covered by (d).</p> <p>(d) removed ‘primary reasons’ for business combination as normally duplicates other disclosures.</p> <p>(e) deleted as is usually an uninformative disclosure.</p> <p>(f) amended to use the term ‘material’ consistently.</p> <p>(h) deleted – there is no rationale for requiring specific disclosures on receivables, and is adequately</p>

Requirement	Comment
<p><del>major</del> class of consideration, such as:</p> <ul style="list-style-type: none"> <li>(i) cash;</li> <li>(ii) other tangible or intangible assets, including a business or subsidiary of the acquirer;</li> <li>(iii) liabilities incurred, for example, a liability for contingent consideration; and</li> <li>(iv) equity interests of the acquirer, including the number of instruments or interests issued or issuable and the method of determining the fair value of those instruments or interests.</li> </ul> <p>(g) for <u>material</u> contingent consideration arrangements and indemnification assets:</p> <ul style="list-style-type: none"> <li>(i) the amount recognised as of the acquisition date;</li> <li>(ii) a description of the arrangement and the basis for determining the amount of the payment; and</li> <li>(iii) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, the acquirer shall disclose that fact.</li> </ul> <p><del>(h) for acquired receivables:</del></p> <ul style="list-style-type: none"> <li><del>(i) the fair value of the receivables;</del></li> <li><del>(ii) the gross contractual amounts receivable; and</del></li> <li><del>(iii) the best estimate at the acquisition date of the contractual cash flows not expected to be collected.</del></li> </ul> <p><del>The disclosures shall be provided by major class of receivable, such as loans, direct finance leases and any other class of receivables.</del></p> <ul style="list-style-type: none"> <li>(i) the amounts recognised as of the acquisition date for each <del>major</del> <u>material</u> class of assets acquired and liabilities assumed.</li> </ul> <p><del>(j) for each contingent liability recognised in accordance with paragraph 23, the information required in paragraph 85 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose:</del></p> <ul style="list-style-type: none"> <li><del>(i) the information required by paragraph 86 of IAS 37; and</del></li> <li><del>(ii) the reasons why the liability cannot be measured reliably.</del></li> </ul> <p><del>(k) the total amount of goodwill that is expected to be deductible for tax purposes.</del></p> <p><del>(l) for transactions that are recognised separately from the acquisition of assets and assumption of liabilities in the business combination in accordance with paragraph 51:</del></p> <ul style="list-style-type: none"> <li><del>(i) a description of each transaction;</del></li> <li><del>(ii) how the acquirer accounted for each transaction;</del></li> <li><del>(iii) the amounts recognised for each transaction and the line item in the financial statements in which each</del></li> </ul>	<p>covered by (i).</p> <p>(i) ‘major’ replaced by ‘material’ for consistency</p> <p>(j) deleted as is covered by IAS 37.</p> <p>(k) deleted as is highly detailed and specific.</p> <p>(l) and (m) deleted - paragraph 51 relates to pre-existing relationships, so this is not part of the business combination.</p> <p>(q)(ii) deleted as (q)(i) is considered sufficient.</p>

Requirement	Comment
<p style="text-align: center;"><del>amount is recognised; and</del></p> <p>(iv) <del>if the transaction is the effective settlement of a pre-existing relationship, the method used to determine the settlement amount.</del></p> <p>(m) <del>the disclosure of separately recognised transactions required by (l) shall include the amount of acquisition-related costs and, separately, the amount of those costs recognised as an expense and the line item or items in the statement of comprehensive income in which those expenses are recognised. The amount of any issue costs not recognised as an expense and how they were recognised shall also be disclosed.</del></p> <p>(n) in a bargain purchase (see paragraphs 34–36):</p> <p style="padding-left: 20px;">(i) the amount of any <u>material</u> gain recognised in accordance with paragraph 34 and the line item in the statement of comprehensive income in which the gain is recognised; and</p> <p style="padding-left: 20px;">(ii) a description of the reasons why the transaction resulted in a <u>material</u> gain.</p> <p>(o) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date:</p> <p style="padding-left: 20px;">(i) the amount of <u>any material</u> <del>the</del> non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount; and</p> <p style="padding-left: 20px;">(ii) for each <u>material</u> non-controlling interest in an acquiree measured at fair value, the valuation techniques and key model inputs used for determining that value.</p> <p>(p) in a business combination achieved in stages:</p> <p style="padding-left: 20px;">(i) the acquisition-date fair value of <u>any material</u> <del>the</del> equity interest in the acquiree held by the acquirer immediately before the acquisition date; and</p> <p style="padding-left: 20px;">(ii) the amount of any <u>material</u> gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination (see paragraph 42) and the line item in the statement of comprehensive income in which that gain or loss is recognised.</p> <p>(q) the following information:</p> <p style="padding-left: 20px;">(i) the amounts of revenue and profit or loss of the acquiree since the acquisition date included in the consolidated statement of comprehensive income for the reporting period; and</p> <p style="padding-left: 20px;">(ii) <del>the revenue and profit or loss of the combined entity for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been as of the beginning of the annual reporting period</del></p> <p>If disclosure of any of the information required by this subparagraph is impracticable, the acquirer shall disclose that</p>	

Requirement	Comment
<p>fact and explain why the disclosure is impracticable. This IFRS uses the term ‘impracticable’ with the same meaning as in IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>	
<p><del>B65 — For individually immaterial business combinations occurring during the reporting period that are material collectively, the acquirer shall disclose in aggregate the information required by paragraph B64(e)–(g).</del></p>	<p>Delete – if information is material, it would be needed for each business combination.</p>
<p><del>B66 — If the acquisition date of a business combination is after the end of the reporting period but before the financial statements are authorised for issue, the acquirer shall disclose the information required by paragraph B64 unless the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue. In that situation, the acquirer shall describe which disclosures could not be made and the reasons why they cannot be made.</del></p>	<p>Delete – information required by IAS 10 should be sufficient.</p>
<p>B67 To meet the objective in paragraph 61, the acquirer shall disclose the following information for each material business combination <del>or in the aggregate for individually immaterial business combinations that are material collectively:</del></p> <p>(a) <del>if the initial accounting for a business combination is incomplete (see paragraph 45) for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally:</del></p> <p style="padding-left: 20px;"><del>(i) — the reasons why the initial accounting for the business combination is incomplete;</del></p> <p style="padding-left: 20px;"><del>(ii) — the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and</del></p> <p style="padding-left: 20px;"><del>(iii) — the nature and amount of any measurement period adjustments recognised during the reporting period in accordance with paragraph 49.</del></p> <p>(b) for each reporting period after the acquisition date until the entity collects, sells or otherwise loses the right to a contingent consideration asset, or until the entity settles a contingent consideration liability or the liability is cancelled or expires:</p> <p style="padding-left: 20px;">(i) any <u>material</u> changes in the recognised amounts; <del>including any differences arising upon settlement; and</del></p> <p style="padding-left: 20px;">(ii) any <u>material</u> changes in the range of outcomes (undiscounted) and the reasons for those changes; <del>and</del></p> <p style="padding-left: 20px;"><del>(iii) — the valuation techniques and key model inputs used to measure contingent consideration.</del></p> <p>(c) <del>for contingent liabilities recognised in a business combination, the acquirer shall disclose the information required by paragraphs 84 and 85 of IAS 37 for each class of provision.</del></p> <p style="padding-left: 20px;"><del>(i) — the gross amount and accumulated impairment losses at the beginning of the reporting period.</del></p> <p style="padding-left: 20px;"><del>(ii) — additional goodwill recognised during the reporting period, except goodwill included in a disposal group</del></p>	<p>Amended to emphasise materiality, and detailed disclosures deleted to ensure that only key information is disclosed.</p>

Requirement	Comment
<p>that, on acquisition, meets the criteria to be classified as held for sale in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>.</p> <p><del>(iii) adjustments resulting from the subsequent recognition of deferred tax assets during the reporting period in accordance with paragraph 67.</del></p> <p><del>(iv) goodwill included in a disposal group classified as held for sale in accordance with IFRS 5 and goodwill derecognised during the reporting period without having previously been included in a disposal group classified as held for sale.</del></p> <p><del>(v) impairment losses recognised during the reporting period in accordance with IAS 36. (IAS 36 requires disclosure of information about the recoverable amount and impairment of goodwill in addition to this requirement.)</del></p> <p><del>(vi) net exchange rate differences arising during the reporting period in accordance with IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>.</del></p> <p><del>(vii) any other changes in the carrying amount during the reporting period.</del></p> <p><del>(viii) the gross amount and accumulated impairment losses at the end of the reporting period.</del></p> <p><del>(e) the amount and an explanation of any gain or loss recognised in the current reporting period that both:</del></p> <p><del>(i) relates to the identifiable assets acquired or liabilities assumed in a business combination that was effected in the current or previous reporting period; and</del></p> <p><del>(ii) is of such a size, nature or incidence that disclosure is relevant to understanding the combined entity's financial statements.</del></p>	

#### 4. Conclusion

The disclosure requirements of IFRS 3 can be reduced.

## IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

### 1. Disclosure Objective

An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of material discontinued operations and disposals of non-current assets (or disposal groups). (paragraph 30)

### 2. Likely disclosure objective

The stated disclosure objective is appropriate, with one amendment to emphasise materiality.

### 3. Disclosure requirements

Requirement	Comment
<p><b>30</b> An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of <u>material</u> discontinued operations and disposals of non-current assets (or disposal groups).</p>	<p>Retain – disclosures principle, only change is to emphasise materiality.</p>
<p>33 An entity shall disclose:</p> <p>(a) a single amount in the statement of comprehensive income comprising the total of:</p> <p>(i) the post-tax profit or loss of discontinued operations; and</p> <p>(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.</p> <p>(b) an analysis of the single amount in (a), <u>if material</u>, into:</p> <p>(i) the revenue, expenses and pre-tax profit or loss of discontinued operations;</p> <p>(ii) <del>the related income tax expense as required by paragraph 81(h) of IAS 12;</del></p> <p>(iii) the gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation; <del>and</del></p> <p>(iv) <del>the related income tax expense as required by paragraph 81(h) of IAS 12.</del></p> <p><del>The analysis may shall be presented in the notes or in the statement of comprehensive income. If it is presented in the statement of comprehensive income it shall be presented in a section identified as relating to discontinued operations, i.e. separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).</del></p> <p>(c) the net cash flows attributable to the operating, investing and financing activities of <u>material</u> discontinued operations. These disclosures <del>may shall</del> be presented <del>either in the notes or in the financial statements.</del> These disclosures are not required for</p>	<p>amended to emphasise materiality.</p> <p>(b)(ii) &amp; (iv) deleted – cross-reference not required.</p> <p>Option to present information on the face of the income statement is deleted, to avoid cluttering the main statements with detailed information.</p>

Requirement	Comment
<p>disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see paragraph 11).</p> <p>(d) the amount of income from continuing operations and from discontinued operations attributable to owners of the parent. These disclosures <del>shall</del> may be presented <del>either in the notes or in the statement of comprehensive income.</del></p>	
<p>33A <del>If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), a section identified as relating to discontinued operations is presented in that separate statement.</del></p>	Delete – cross-reference is not required.
<p>34 <del>An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.</del></p>	Delete – general requirement for comparatives is included in IAS 1.
<p>35 <u>Material</u> adjustments in the current period to amounts previously presented in discontinued operations that are directly related to the disposal of a discontinued operation in a prior period shall be classified separately in discontinued operations. The nature and amount of such adjustments shall be disclosed. <del>Examples of circumstances in which these adjustments may arise include the following:</del></p> <p>(a) <del>the resolution of uncertainties that arise from the terms of the disposal transaction, such as the resolution of purchase price adjustments and indemnification issues with the purchaser.</del></p> <p>(b) <del>the resolution of uncertainties that arise from and are directly related to the operations of the component before its disposal, such as environmental and product warranty obligations retained by the seller.</del></p> <p>(c) <del>the settlement of employee benefit plan obligations, provided that the settlement is directly related to the disposal transaction.</del></p>	Amended to emphasise materiality. Examples deleted as these are likely to encourage excessive disclosures.
<p>36A An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33–36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32.</p>	Retain – clarifies scope
<p>38 An entity shall present a <u>material</u> non-current asset classified as held for sale and the assets of a <u>material</u> disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a <u>material</u> disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. The <del>major material</del> classes of assets and liabilities classified as held for sale shall be separately disclosed in the notes, except as permitted by paragraph 39. An entity shall present separately any <u>material</u> cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.</p>	‘Major’ replaced by ‘material’ for consistency
<p>39 If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 1), disclosure of the <del>major material</del> classes of assets and liabilities is not</p>	As above

Requirement	Comment
required.	
<p>41 <u>For material disposal groups and non-current assets</u>, an entity shall disclose the following information in the notes in the period in which the non-current asset (or disposal group) has been either classified as held for sale or sold:</p> <ul style="list-style-type: none"> <li>(a) a description of the non-current asset (or disposal group);</li> <li>(b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;</li> <li>(c) the gain or loss recognised in accordance with paragraphs 20–22 and, if not separately presented in the statement of comprehensive income, the caption in the statement of comprehensive income that includes that gain or loss;</li> <li>(d) if applicable, the segment in which the non-current asset (or disposal group) is presented in accordance with IFRS 8 <i>Operating Segments</i>.</li> </ul>	Amended to emphasise materiality
<p>42 If either paragraph 26 or paragraph 29 applies, an entity shall disclose, in the period of the decision to change the plan to sell the non-current asset (or disposal group), a description of the facts and circumstances leading to the decision and the effect of the decision on the results of operations for the period and any prior periods presented.</p>	Retain – necessary requirement.

#### 4. Conclusion

The disclosures in IFRS 5 can be reduced.

## IFRS 6 *Exploration for and Evaluation of Mineral Resources*

### 1. Disclosure objective

IFRS 6 requires “disclosures the disclosure of material information that identifies and explains the amounts in the entity’s financial statements arising from the exploration for and evaluation of mineral resources and helps users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognised” (paragraph 2(c)).

### 2. Likely disclosure objective

The disclosure objective is clearly specified and amended only to emphasise materiality.

### 3. Disclosure requirements

Requirement	Comment
23 An entity shall disclose <u>material</u> information that identifies and explains the amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources.	Retain – principle is appropriate. Amended to emphasise materiality.
24 To comply with paragraph 23, an entity shall disclose: (a) <del>its accounting policies for exploration and evaluation expenditures including the recognition of exploration and evaluation assets.</del> (b) the amounts of assets, liabilities, income and expense and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.	(a) is deleted as it duplicates IAS 8.
25 An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either IAS 16 or IAS 38 consistent with how the assets are classified.	Retain – necessary cross-reference to other standards.

### 4. Conclusion

The disclosure requirements in IFRS 6 are principles-based and little change is required.

## IFRS 7 *Financial Instruments: Disclosures*

### 1. Disclosure Objective

The objective of this IFRS is to require entities to provide material information disclosures in their financial statements that enables users to evaluate:

- (a) the significance of financial instruments for the entity's financial position and performance; and
- (b) the nature and extent of material risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. (paragraph 1)

### 2. Likely disclosure objective

The disclosure objective is clearly specified and only amended to emphasise materiality

### 3. Disclosure requirements

Requirement	Comment
<p>1A <u>The entity shall consider the risks arising from financial instruments within the context of the entity's operations. The relevance of disclosures will depend on the entity's use of financial instruments and the extent to which risks arise from those financial instruments. Where material risks arise from specific financial instruments (such as may occur with hedging instruments for commodity producers) or from the nature of the business (such as for financial institutions), the entity makes disclosures that explain the significance of financial instruments to the entity's financial position, performance and cash flows and the nature and extent of the risks arising from these instruments. Where the entity enters into relatively simple financial instruments to support its main line of business (for example, as a retailer) the relative use of, and risks from, those instruments are likely to be low. This IFRS expects the disclosures to be at a level that reflects the significance of the financial instruments to the entity.</u></p>	<p>Additional introductory paragraph proposed to emphasise that the nature and extent of financial instruments disclosures is dependent on the significance of financial instruments to the entity's financial performance, position and cash flows.</p>
<p>6 When this IFRS requires disclosures by class of financial instrument, an entity shall group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. <del>An entity shall provide sufficient information to permit reconciliation to the line items presented in the statement of financial position.</del></p>	<p>Retain – this method of classification is likely to result in the most useful information. (Also see comments on paragraph 8 below).</p>

Requirement	Comment
<p>B1 Paragraph 6 requires an entity to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes described in paragraph 6 are determined by the entity and are, thus, distinct from the categories of financial instruments specified in IAS 39 (which determine how financial instruments are measured and where changes in fair value are recognised).</p> <p>B2 In determining classes of financial instrument, an entity shall, at a minimum:</p> <p>(a) distinguish instruments measured at amortised cost from those measured at fair value.</p> <p>(b) treat as a separate class or classes those financial instruments outside the scope of this Standard.</p> <p>B3 An entity decides, in the light of its circumstances, how much detail it provides to satisfy the requirements of this Standard, how much emphasis it places on different aspects of the requirements and how it aggregates information to display the overall picture without combining information with different characteristics. It is necessary to strike a balance between overburdening financial statements with excessive detail that may not assist users of financial statements and obscuring important information as a result of too much aggregation. For example, an entity shall not obscure important information by including it among a large amount of insignificant detail. Similarly, an entity shall not disclose information that is so aggregated that it obscures important differences between individual transactions or associated risks.</p>	<p>Retain – useful explanatory material.</p>
<p>7 <b>An entity shall disclose <u>material</u> information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance.</b></p>	<p>The general principle is appropriate, and is amended only to emphasise materiality.</p>
<p>8 <del>An entity shall disclose the carrying amount of each material class of financial instrument, either in the statement of financial position or in the notes. The carrying amounts of each of the following categories, as defined in IAS 39, shall be disclosed either in the statement of financial position or in the notes:</del></p> <p><del>(a) financial assets at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39;</del></p> <p><del>(b) held to maturity investments;</del></p> <p><del>(c) loans and receivables;</del></p> <p><del>(d) available for sale financial assets;</del></p> <p><del>(e) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition and (ii) those classified as held for trading in accordance with IAS 39; and</del></p> <p><del>(f) financial liabilities measured at amortised cost.</del></p>	<p>Recommend deletion based on comments on paragraph 6 above.</p>

Requirement	Comment
<p>9 If the entity has designated a <del>loan or receivable (or group of loans or receivables)</del> <u>material financial liabilities</u> as at fair value through profit or loss, it shall disclose:</p> <p>(a) <del>the maximum exposure to credit risk (see paragraph 36(a)) of the loan or receivable (or group of loans or receivables) at the end of the reporting period.</del></p> <p>(b) <del>the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk.</del></p> <p>(c) the amount of change, during the period and cumulatively, in the fair value of <del>the loan or receivable (or group of loans or receivables)</del> <u>financial liability</u> that is attributable to changes in <del>the its own</del> <u>credit risk of the financial asset</u> determined either:</p> <p>(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to <i>market risk</i>; or</p> <p>(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the <del>asset</del> <u>liability</u>.</p> <p><del>Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.</del></p> <p>(d) <del>the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the loan or receivable was designated.</del></p>	<p>Paragraphs 9 and 10 combined and reduced as they both relate to the impact of credit risk on the fair value of specific assets and liabilities designated as at fair value through profit and loss.</p> <p>Requirements in respect of financial assets deleted – the Basis for Conclusions only explains why these disclosures are considered helpful for liabilities and there appears to be no need for these disclosures. The disclosure should only be required for material items. Other disclosures on credit risk are covered at paragraph 36.</p>
<p>10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of IAS 39, it shall disclose:</p> <p>(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability determined either:</p> <p>(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk (see Appendix B, paragraph B4); or</p> <p>(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability.</p> <p><del>Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, a commodity price, a foreign exchange rate or an index of prices or rates. For contracts that include a unit linking feature, changes in</del></p>	<p>As above, combined with paragraph 9.</p>

Requirement	Comment
<p><del>market conditions include changes in the performance of the related internal or external investment fund.</del></p> <p><del>(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.</del></p>	
<p>11 <del>The entity shall disclose:</del></p> <p><del>(a) the methods used to comply with the requirements in paragraphs 9(c) and 10(a).</del></p> <p><del>(b) if the entity believes that the disclosure it has given to comply with the requirements in paragraph 9(c) or 10(a) does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.</del></p>	Delete – excessive detail.
<p>B4 If an entity designates a financial liability as at fair value through profit or loss, paragraph <del>9(c)</del> <del>10(a)</del> requires it to disclose the amount of change in the fair value of the financial liability that is attributable to changes in the liability's credit risk. Paragraph <del>2(c)(i)</del> <del>10(a)(4)</del> permits an entity to determine this amount as the amount of change in the liability's fair value that is not attributable to changes in market conditions that give rise to market risk. If the only relevant changes in market conditions for a liability are changes in an observed (benchmark) interest rate, this amount can be estimated as follows:</p> <p>(a) First, the entity computes the liability's internal rate of return at the start of the period using the observed market price of the liability and the liability's contractual cash flows at the start of the period. It deducts from this rate of return the observed (benchmark) interest rate at the start of the period, to arrive at an instrument-specific component of the internal rate of return.</p> <p>(b) Next, the entity calculates the present value of the cash flows associated with the liability using the liability's contractual cash flows at the end of the period and a discount rate equal to the sum of (i) the observed (benchmark) interest rate at the end of the period and (ii) the instrument-specific component of the internal rate of return as determined in (a).</p> <p>(c) The difference between the observed market price of the liability at the end of the period and the amount determined in (b) is the change in fair value that is not attributable to changes in the observed (benchmark) interest rate. This is the amount to be disclosed.</p> <p>This example assumes that changes in fair value arising from factors other than changes in the instrument's credit risk or changes in interest rates are not significant. If the instrument in the example contains an embedded derivative, the change in fair value of the embedded derivative is excluded in determining the amount to be disclosed in accordance with paragraph 10(a).</p>	Retain – useful application guidance.
12 If the entity has reclassified a financial asset (in accordance with	Paragraphs 12 and 12A are combined

Requirement	Comment
<p>paragraphs <del>50B, D, E,</del> 51–54 of IAS 39) as one measured:</p> <p>(a) at cost or amortised cost, rather than at fair value; or</p> <p>(b) at fair value, rather than at cost or amortised cost,</p> <p>it shall disclose the amount reclassified into and out of each category and the reason for that reclassification.</p> <p><del>12A</del> If the entity has reclassified a financial asset out of the fair value through profit or loss category in accordance with paragraph 50B or 50D of IAS 39 or out of the available for sale category in accordance with paragraph 50E of IAS 39, it shall disclose:</p> <p><del>(a) the amount reclassified into and out of each category;</del></p> <p><del>(b) for each reporting period until derecognition, the carrying amounts and fair values of all financial assets that have been reclassified in the current and previous reporting periods;</del></p> <p><del>(c) if a financial asset was reclassified in accordance with paragraph 50B, the rare situation, and the facts and circumstances indicating that the situation was rare;</del></p> <p><del>(d) for the reporting period when the financial asset was reclassified, the fair value gain or loss on the financial asset recognised in profit or loss or other comprehensive income in that reporting period and in the previous reporting period;</del></p> <p><del>(e) for each reporting period following the reclassification (including the reporting period in which the financial asset was reclassified) until derecognition of the financial asset, the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income if the financial asset had not been reclassified, and the gain, loss, income and expense recognised in profit or loss; and</del></p> <p><del>(f) the effective interest rate and estimated amounts of cash flows the entity expects to recover, as at the date of reclassification of the financial asset.</del></p>	<p>and additional disclosures deleted – the amount of, and explanation for, the reclassifications are considered sufficient.</p>
<p>14 An entity shall disclose, <u>if material</u>:</p> <p>(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and</p> <p>(b) the terms and conditions relating to its pledge.</p>	<p>Retain – amended to emphasise materiality.</p>
<p>15 When an entity holds <u>material</u> collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:</p> <p>(a) the fair value of the collateral held;</p> <p>(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and</p> <p>(c) the terms and conditions associated with its use of the collateral.</p>	<p>Retain – for material items.</p>

Requirement	Comment
<p>16 <del>When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.</del></p>	<p>Delete – there is no reason to require additional disclosure when one method of recording impairment is chosen over another.</p>
<p>17 If an entity has issued a <del>an</del> <u>material</u> instrument that contains both a liability and an equity component (see paragraph 28 of IAS 32) and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.</p>	<p>Retain – for material items.</p>
<p>18 For loans payable recognised at the end of the reporting period, an entity shall disclose <u>material information about any defaults and breaches and action taken to address these.</u></p> <p>(a) <del>details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;</del></p> <p>(b) <del>the carrying amount of the loans payable in default at the end of the reporting period; and</del></p> <p>(c) <del>whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.</del></p> <p>19 <del>If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18, an entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).</del></p>	<p>Paragraphs 18 and 19 re-drafted as higher-level principle – current level of detail is excessive.</p>
<p>20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes, <u>if material</u>:</p> <p>(a) <u>net gains or losses on financial instruments measured at fair value through profit or loss;</u></p> <p>(b) <u>net gains or losses on financial instruments measured at fair value through other comprehensive income;</u></p> <p>(c) <u>total interest income and total interest expense for instruments not measured at fair value; and</u></p> <p>(d) <u>total impairment loss on financial assets.</u></p> <p><del>net gains or net losses on:</del></p> <p>(i) <del>financial assets or financial liabilities at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition, and those on financial assets or financial liabilities that are classified as held for trading in accordance with IAS 39;</del></p> <p>(ii) <del>available-for-sale financial assets, showing</del></p>	<p>Amended to focus on material items – the current level of detail could result in items that are not material being disclosed.</p>

Requirement	Comment
<p>separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified from equity to profit or loss for the period;</p> <ul style="list-style-type: none"> <li>(iii) — held to maturity investments;</li> <li>(iv) — loans and receivables; and</li> <li>(v) — financial liabilities measured at amortised cost;</li> </ul> <p>(b) — total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not at fair value through profit or loss;</p> <p>(c) — fee income and expense (other than amounts included in determining the effective interest rate) arising from:</p> <ul style="list-style-type: none"> <li>(i) — financial assets or financial liabilities that are not at fair value through profit or loss; and</li> <li>(ii) — trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions;</li> </ul> <p>(d) — interest income on impaired financial assets accrued in accordance with paragraph AG93 of IAS 39; and</p> <p>(e) — the amount of any impairment loss for each class of financial asset.</p>	
<p>21 — In accordance with paragraph 117 of <i>IAS 1 Presentation of Financial Statements</i> (as revised in 2007), an entity discloses, in the summary of significant accounting policies, the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.</p>	<p>Delete paragraphs 21, B5 - IAS 1 addresses disclosures of accounting policies and it is not necessary to duplicate or add significant detail.</p>
<p>B5 — Paragraph 21 requires disclosure of the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. For financial instruments, such disclosure may include:</p> <ul style="list-style-type: none"> <li>(a) — for financial assets or financial liabilities designated as at fair value through profit or loss: <ul style="list-style-type: none"> <li>(i) — the nature of the financial assets or financial liabilities the entity has designated as at fair value through profit or loss;</li> <li>(ii) — the criteria for so designating such financial assets or financial liabilities on initial recognition; and</li> <li>(iii) — how the entity has satisfied the conditions in paragraph 9, 11A or 12 of IAS 39 for such designation. For instruments designated in accordance with paragraph (b)(i) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of the circumstances underlying the measurement or</li> </ul> </li> </ul>	

Requirement	Comment
<p><del>recognition inconsistency that would otherwise arise. For instruments designated in accordance with paragraph (b)(ii) of the definition of a financial asset or financial liability at fair value through profit or loss in IAS 39, that disclosure includes a narrative description of how designation at fair value through profit or loss is consistent with the entity's documented risk management or investment strategy.</del></p> <p><del>(b) — the criteria for designating financial assets as available for sale.</del></p> <p><del>(c) — whether regular way purchases and sales of financial assets are accounted for at trade date or at settlement date (see paragraph 38 of IAS 39).</del></p> <p><del>(d) — when an allowance account is used to reduce the carrying amount of financial assets impaired by credit losses:</del></p> <p style="padding-left: 20px;"><del>(i) — the criteria for determining when the carrying amount of impaired financial assets is reduced directly (or, in the case of a reversal of a write-down, increased directly) and when the allowance account is used; and</del></p> <p style="padding-left: 20px;"><del>(ii) — the criteria for writing off amounts charged to the allowance account against the carrying amount of impaired financial assets (see paragraph 16).</del></p> <p><del>(e) — how net gains or net losses on each category of financial instrument are determined (see paragraph 20(a)), for example, whether the net gains or net losses on items at fair value through profit or loss include interest or dividend income.</del></p> <p><del>(f) — the criteria the entity uses to determine that there is objective evidence that an impairment loss has occurred (see paragraph 20(e)).</del></p> <p><del>(g) — when the terms of financial assets that would otherwise be past due or impaired have been renegotiated, the accounting policy for financial assets that are the subject of renegotiated terms (see paragraph 36(d)).</del></p> <p>Paragraph 122 of IAS 1 (as revised in 2007) also requires entities to disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.</p>	

Requirement	Comment
<p>22 An entity shall disclose the following separately for each <u>material</u> type of hedge described in IAS 39 (i.e. fair value hedges, cash flow hedges, and hedges of net investments in foreign operations):</p> <ul style="list-style-type: none"> <li>(a) a description of each type of hedge;</li> <li>(b) a description of the financial instruments designated as hedging instruments and their fair values at the end of the reporting period; and</li> <li>(c) the nature of the risks being hedged.</li> </ul>	<p>Retain - disclosures of types of hedges do not appear excessive when restricted to material items.</p>
<p>23 For <u>material</u> cash flow hedges, an entity shall disclose:</p> <ul style="list-style-type: none"> <li><del>(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;</del></li> <li><del>(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;</del></li> <li>(c) the amount that was recognised in other comprehensive income during the period; <u>and</u></li> <li><del>(d) any material reclassifications from equity to profit or loss for the period, the amount that was reclassified from equity to profit or loss for the period, showing the amount included in each line item in the statement of comprehensive income; and</del></li> <li><del>(e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.</del></li> </ul>	<p>Simplify to require basic information on reclassifications.</p>
<p>24 An entity shall disclose separately:</p> <ul style="list-style-type: none"> <li>(a) in <u>material</u> fair value hedges, <u>net gains or losses</u><del>(+)</del> <del>on the hedging instrument; and</del> <ul style="list-style-type: none"> <li><del>(i) on the hedged item attributable to the hedged risk.</del></li> </ul> </li> <li>(b) the ineffectiveness recognised in profit or loss that arises from cash flow hedges.</li> <li>(c) the ineffectiveness recognised in profit or loss that arises from hedges of net investments in foreign operations.</li> </ul>	<p>Simplify to disclosures on a net basis.</p>
<p>25 <del>Except as set out in paragraph 29, for each class of financial assets and financial liabilities (see paragraph 6), an entity shall disclose the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount.</del></p>	<p>Delete – excessive disclosures as cost is the measurement basis used.</p>
<p><del>26 In disclosing fair values, an entity shall group financial assets and financial liabilities into classes, but shall offset them only to the extent that their carrying amounts are offset in the statement of financial position.</del></p>	<p>Delete - unnecessary to add to the offsetting requirements in IAS 32.</p>
<p><del>27 An entity shall disclose for each class of financial instruments the methods and, when a valuation technique is used, the assumptions applied in determining fair values of each class of financial assets or financial liabilities. For example, if applicable,</del></p>	<p>Delete - addressed by the estimation uncertainly and judgment disclosures in IAS 1.</p>

Requirement	Comment
<p><del>an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates. If there has been a change in valuation technique, the entity shall disclose the change and the reasons for making it.</del></p>	
<p>27A <u>For material classes of financial instrument measured at fair value, the entity shall disclose information about the inputs and assumptions used to determine fair value. This includes information that enables users to evaluate the extent to which fair values are based on information other than observable market data. To make these disclosures, the following hierarchy may be used, dependent on the significance of financial instruments to the entity’s business model: To make the disclosures required by paragraph 27B an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:</u></p> <p>(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);</p> <p>(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices) (Level 2); and</p> <p>(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</p> <p>The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.</p>	<p>Amended to include the fair value hierarchy as an example only – this is likely to be used by entities where financial instruments are central to their business model. For other entities, the hierarchy is not considered essential.</p>
<p><del>27B For fair value measurements recognised in the statement of financial position an entity shall disclose for each class of financial instruments:</del></p> <p>(a) <del>the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety, segregating fair value measurements in accordance with the levels defined in paragraph 27A.</del></p> <p>(b) <del>any significant transfers between Level 1 and Level 2 of the fair value hierarchy and the reasons for those transfers. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities.</del></p> <p>(c) <del>for fair value measurements in Level 3 of the fair value hierarchy, a reconciliation from the beginning balances to</del></p>	<p>Delete – the level of detail is considered excessive. An explanation of the inputs and assumptions used in measuring fair value for material items, as required by paragraph 27A, should be sufficient.</p>

Requirement	Comment
<p>the ending balances, disclosing separately changes during the period attributable to the following:</p> <ul style="list-style-type: none"> <li>(i) total gains or losses for the period recognised in profit or loss, and a description of where they are presented in the statement of comprehensive income or the separate income statement (if presented);</li> <li>(ii) total gains or losses recognised in other comprehensive income;</li> <li>(iii) purchases, sales, issues and settlements (each type of movement disclosed separately); and</li> <li>(iv) transfers into or out of Level 3 (eg transfers attributable to changes in the observability of market data) and the reasons for those transfers. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.</li> </ul> <p>(d) the amount of total gains or losses for the period in (c)(i) above included in profit or loss that are attributable to gains or losses relating to those assets and liabilities held at the end of the reporting period and a description of where those gains or losses are presented in the statement of comprehensive income or the separate income statement (if presented).</p> <p>(c) for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to a reasonably possible alternative assumption was calculated. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognised in other comprehensive income, total equity.</p> <p>An entity shall present the quantitative disclosures required by this paragraph in tabular format unless another format is more appropriate.</p>	
<p>28 If the market for a financial instrument is not active, an entity establishes its fair value using a valuation technique (see paragraphs AG74–AG79 of IAS 39). Nevertheless, the best evidence of fair value at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless conditions described in paragraph AG76 of IAS 39 are met. It follows that there could be a difference between the fair value at initial recognition and the amount that would be determined at that date using the valuation technique. If such a <u>material</u> difference exists, an entity shall disclose, by class of financial instrument:</p> <ul style="list-style-type: none"> <li>(a) its accounting policy for recognising that difference in profit or loss to reflect a change in factors (including time) that market participants would consider in setting a</li> </ul>	<p>Amend to require this disclosure only if the difference is material.</p>

Requirement	Comment
<p>price (see paragraph AG76A of IAS 39); and</p> <p>(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.</p>	
<p><del>29</del> <del>Disclosures of fair value are not required:</del></p> <p><del>(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short term trade receivables and payables;</del></p> <p><del>(b) for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments, that is measured at cost in accordance with IAS 39 because its fair value cannot be measured reliably; or</del></p> <p><del>(c) for a contract containing a discretionary participation feature (as described in IFRS 4) if the fair value of that feature cannot be measured reliably.</del></p>	<p>Deletion follows from the proposed deletion of paragraph 25.</p>
<p><del>30</del> <del>In the cases described in paragraph 29(b) and (c), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those financial assets or financial liabilities and their fair value, including:</del></p> <p><del>(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;</del></p> <p><del>(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably;</del></p> <p><del>(c) information about the market for the instruments;</del></p> <p><del>(d) information about whether and how the entity intends to dispose of the financial instruments; and</del></p> <p><del>(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.</del></p>	<p>As above</p>
<p><b>31 An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of <u>material</u> risks arising from financial instruments to which the entity is exposed at the end of the reporting period.</b></p>	<p>Retain - the general principle is appropriate, amended only to emphasise materiality.</p>
<p>B6 The disclosures required by paragraphs 31–42 shall be either given in the financial statements or incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.</p>	<p>Retain – explanatory information.</p>
<p>33 For each <u>material</u> type of risk arising from financial instruments, an entity shall disclose:</p>	<p>Amended to emphasise materiality and rely on normal comparative</p>

Requirement	Comment
<p>(a) the exposures to risk and how they arise;</p> <p>(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and</p> <p>(c) <del>any changes in (a) or (b) from the previous period.</del></p>	disclosures.
<p>34 For each <u>material</u> type of risk arising from financial instruments, an entity shall disclose:</p> <p>(a) summary quantitative data about its exposure to that risk at the end of the reporting period. <del>This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in IAS 24 <i>Related Party Disclosures</i>), for example the entity's board of directors or chief executive officer.</del></p> <p>(b) the disclosures required by paragraphs 36–42, to the extent not provided in accordance with (a).</p> <p>(c) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).</p>	Amended to emphasise materiality. Deleted sentence makes the standard more confusing and difficult to apply in practice.
<p><del>B7 Paragraph 34(a) requires disclosures of summary quantitative data about an entity's exposure to risks based on the information provided internally to key management personnel of the entity. When an entity uses several methods to manage a risk exposure, the entity shall disclose information using the method or methods that provide the most relevant and reliable information. IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> discusses relevance and reliability.</del></p> <p>B8 Paragraph 34(c) requires disclosures about concentrations of risk. Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification of concentrations of risk requires judgement taking into account the circumstances of the entity. Disclosure of concentrations of risk shall include:</p> <p>(a) a description of how management determines concentrations;</p> <p>(b) a description of the shared characteristic that identifies each concentration (e.g. counterparty, geographical area, currency or market); and</p> <p>(c) the amount of the risk exposure associated with all financial instruments sharing that characteristic.</p>	B7 relates to paragraph 34(a) which has been deleted.
<p><del>35 If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.</del></p>	Delete – covered by general provisions in IAS 1.
<p>36 <u>To meet the objective in paragraph 34(a), an entity shall disclose the following, where the information is material: An entity shall disclose by class of financial instrument:</u></p> <p>(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements <del>(eg netting agreements that do not qualify</del></p>	Simplified with reference to the underlying objective, and to present the requirement in paragraph 36 as examples, thereby emphasising that more detailed disclosures are only required where the information is material.

Requirement	Comment
<p><del>for offset in accordance with IAS 32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.</del></p> <p>(b) a description of collateral held as security and of other credit enhancements and <del>their financial effect (eg a quantification of the extent to which collateral and other credit enhancements mitigate credit risk.)</del> in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or <del>represented by the carrying amount of a financial instrument.</del></p> <p>(c) information about the credit quality of financial assets that are neither past due nor impaired.</p>	
<p>B9 Paragraph 36(a) requires disclosure of the amount that best represents the entity's maximum exposure to credit risk. For a financial asset, this is typically the gross carrying amount, net of:</p> <p>(a) any amounts offset in accordance with IAS 32; and</p> <p>(b) any impairment losses recognised in accordance with IAS 39.</p> <p>B10 Activities that give rise to credit risk and the associated maximum exposure to credit risk include, but are not limited to:</p> <p>(a) granting loans and receivables to customers and placing deposits with other entities. In these cases, the maximum exposure to credit risk is the carrying amount of the related financial assets.</p> <p>(b) entering into derivative contracts, eg foreign exchange contracts, interest rate swaps and credit derivatives. When the resulting asset is measured at fair value, the maximum exposure to credit risk at the end of the reporting period will equal the carrying amount.</p> <p>(c) granting financial guarantees. In this case, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability.</p> <p>(d) making a loan commitment that is irrevocable over the life of the facility or is revocable only in response to a material adverse change. If the issuer cannot settle the loan commitment net in cash or another financial instrument, the maximum credit exposure is the full amount of the commitment. This is because it is uncertain whether the amount of any undrawn portion may be drawn upon in the future. This may be significantly greater than the amount recognised as a liability.</p>	Retain – explanatory information
<p>37 An entity shall disclose by <u>material</u> class of financial asset:</p> <p>(a) an analysis of the age of financial assets that are past due as at the end of the reporting period <u>distinguishing between those that are impaired and those that are not</u></p>	Simplified with an emphasis on materiality.

Requirement	Comment
<p><del>impaired, but not impaired; and</del></p> <p><del>(b) an analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired.</del></p>	
<p>38 When an entity obtains <u>material</u> financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (e.g. guarantees), and such assets meet the recognition criteria in other Standards, an entity shall disclose for such assets held at the reporting date:</p> <p>(a) the nature and carrying amount of the assets; and</p> <p>(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.</p>	Amended to focus on material items.
<p>39 An entity shall disclose:</p> <p>(a) a maturity analysis for <del>non-derivative</del> financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities <u>at undiscounted amounts separated between derivative and non-derivative financial liabilities.</u></p> <p><del>(b) a maturity analysis for derivative financial liabilities. The maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (see paragraph B11B).</del></p> <p><del>(c) a description of how it manages the liquidity risk inherent in (a) and (b).</del></p>	Simplified and amended to incorporate paragraph B11D
<p><del>B10A In accordance with paragraph 34(a) an entity discloses summary quantitative data about its exposure to liquidity risk on the basis of the information provided internally to key management personnel. An entity shall explain how those data are determined. If the outflows of cash (or another financial asset) included in those data could either:</del></p> <p><del>(a) occur significantly earlier than indicated in the data, or</del></p> <p><del>(b) be for significantly different amounts from those indicated in the data (e.g. for a derivative that is included in the data on a net settlement basis but for which the counterparty has the option to require gross settlement);</del></p> <p><del>the entity shall state that fact and provide quantitative information that enables users of its financial statements to evaluate the extent of this risk unless that information is included in the contractual maturity analyses required by paragraph 39(a) or (b).</del></p> <p><del>B11 In preparing the maturity analyses required by paragraph 39(a) and (b), an entity uses its judgement to determine an appropriate number of time bands. For example, an entity might determine that the following time bands are appropriate:</del></p> <p><del>(a) not later than one month;</del></p>	Unnecessary additional disclosures/guidance. B11D included in paragraph 39.

Requirement	Comment
<p>(b) — later than one month and not later than three months;  (c) — later than three months and not later than one year; and  (d) — later than one year and not later than five years.</p> <p>B11A — In complying with paragraph 39(a) and (b), an entity shall not separate an embedded derivative from a hybrid (combined) financial instrument. For such an instrument, an entity shall apply paragraph 39(a).</p> <p>B11B — Paragraph 39(b) requires an entity to disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. For example, this would be the case for:</p> <p>(a) — an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.</p> <p>(b) — all loan commitments.</p> <p>B11C — Paragraph 39(a) and (b) requires an entity to disclose maturity analyses for financial liabilities that show the remaining contractual maturities for some financial liabilities. In this disclosure:</p> <p>(a) when a counterparty has a choice of when an amount is paid, the liability is allocated to the earliest period in which the entity can be required to pay. For example, financial liabilities that an entity can be required to repay on demand (e.g. demand deposits) are included in the earliest time band.</p> <p>(b) when an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay. For example, an undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.</p> <p>(c) for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.</p> <p>B11D — The contractual amounts disclosed in the maturity analyses as required by paragraph 39(a) and (b) are the contractual undiscounted cash flows, for example:</p> <p>(a) — gross finance lease obligations (before deducting finance charges);</p> <p>(b) — prices specified in forward agreements to purchase financial assets for cash;</p> <p>(c) — net amounts for pay-floating/receive-fixed interest rate swaps for which net cash flows are exchanged;</p> <p>(d) — contractual amounts to be exchanged in a derivative financial instrument (e.g. a currency swap) for which gross cash flows are exchanged; and</p> <p>(e) — gross loan commitments.</p> <p>Such undiscounted cash flows differ from the amount included</p>	

Requirement	Comment
<p><del>in the statement of financial position because the amount in that statement is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the end of the period.</del></p> <p><del>B11E Paragraph 39(e) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required in paragraph 39(a) and (b). An entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk (e.g. financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.</del></p> <p><del>B11F Other factors that an entity might consider in providing the disclosure required in paragraph 39(e) include, but are not limited to, whether the entity:</del></p> <ul style="list-style-type: none"> <li><del>(a) has committed borrowing facilities (e.g. commercial paper facilities) or other lines of credit (e.g. stand-by credit facilities) that it can access to meet liquidity needs;</del></li> <li><del>(b) holds deposits at central banks to meet liquidity needs;</del></li> <li><del>(c) has very diverse funding sources;</del></li> <li><del>(d) has significant concentrations of liquidity risk in either its assets or its funding sources;</del></li> <li><del>(e) has internal control processes and contingency plans for managing liquidity risk;</del></li> <li><del>(f) has instruments that include accelerated repayment terms (e.g. on the downgrade of the entity's credit rating);</del></li> <li><del>(g) has instruments that could require the posting of collateral (e.g. margin calls for derivatives);</del></li> <li><del>(h) has instruments that allow the entity to choose whether it settles its financial liabilities by delivering cash (or another financial asset) or by delivering its own shares; or</del></li> <li><del>(i) has instruments that are subject to master netting agreements.</del></li> </ul>	
<p>40 Unless an entity complies with paragraph 41, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) a sensitivity analysis for each <u>material</u> type of market risk to which the entity is exposed at the end of the reporting period, showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date; <u>and</u></li> <li>(b) the methods and assumptions used in preparing the sensitivity analysis; <u>and</u></li> <li><del>(c) changes from the previous period in the methods and assumptions used, and the reasons for such changes.</del></li> </ul>	Amended to focus on material risks.

Requirement	Comment
<p>B17 Paragraph 40(a) requires a sensitivity analysis for each type of market risk to which the entity is exposed. In accordance with paragraph B3, an entity decides how it aggregates information to display the overall picture without combining information with different characteristics about exposures to risks from significantly different economic environments. For example:</p> <ul style="list-style-type: none"> <li>(a) an entity that trades financial instruments might disclose this information separately for financial instruments held for trading and those not held for trading.</li> <li>(b) an entity would not aggregate its exposure to market risks from areas of hyperinflation with its exposure to the same market risks from areas of very low inflation.</li> </ul> <p>If an entity has exposure to only one type of market risk in only one economic environment, it would not show disaggregated information.</p>	<p>Retain - examples or useful guidance</p>
<p>B18 Paragraph 40(a) requires the sensitivity analysis to show the effect on profit or loss and equity of reasonably possible changes in the relevant risk variable (e.g. prevailing market interest rates, currency rates, equity prices or commodity prices). For this purpose:</p> <ul style="list-style-type: none"> <li>(a) entities are not required to determine what the profit or loss for the period would have been if relevant risk variables had been different. Instead, entities disclose the effect on profit or loss and equity at the end of the reporting period assuming that a reasonably possible change in the relevant risk variable had occurred at the end of the reporting period and had been applied to the risk exposures in existence at that date. For example, if an entity has a floating rate liability at the end of the year, the entity would disclose the effect on profit or loss (ie interest expense) for the current year if interest rates had varied by reasonably possible amounts.</li> <li>(b) entities are not required to disclose the effect on profit or loss and equity for each change within a range of reasonably possible changes of the relevant risk variable. Disclosure of the effects of the changes at the limits of the reasonably possible range would be sufficient.</li> </ul>	
<p>B19 In determining what a reasonably possible change in the relevant risk variable is, an entity should consider:</p> <ul style="list-style-type: none"> <li>(a) the economic environments in which it operates. A reasonably possible change should not include remote or 'worst case' scenarios or 'stress tests'. Moreover, if the rate of change in the underlying risk variable is stable, the entity need not alter the chosen reasonably possible change in the risk variable. For example, assume that interest rates are 5 per cent and an entity determines that a fluctuation in interest rates of <math>\pm 50</math> basis points is reasonably possible. It would disclose the effect on profit or loss and equity if interest rates were to change to 4.5 per cent or 5.5 per cent. In the next period, interest rates have increased to 5.5 per cent. The entity continues to believe that interest rates may fluctuate by <math>\pm 50</math> basis</li> </ul>	

Requirement	Comment
<p>points (ie that the rate of change in interest rates is stable). The entity would disclose the effect on profit or loss and equity if interest rates were to change to 5 per cent or 6 per cent. The entity would not be required to revise its assessment that interest rates might reasonably fluctuate by <math>\pm 50</math> basis points, unless there is evidence that interest rates have become significantly more volatile.</p> <p>(b) the time frame over which it is making the assessment. The sensitivity analysis shall show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.</p>	
<p>B20 Paragraph 41 permits an entity to use a sensitivity analysis that reflects interdependencies between risk variables, such as a value-at-risk methodology, if it uses this analysis to manage its exposure to financial risks. This applies even if such a methodology measures only the potential for loss and does not measure the potential for gain. Such an entity might comply with paragraph 41(a) by disclosing the type of value-at-risk model used (e.g. whether the model relies on Monte Carlo simulations), an explanation about how the model works and the main assumptions (e.g. the holding period and confidence level). Entities might also disclose the historical observation period and weightings applied to observations within that period, an explanation of how options are dealt with in the calculations, and which volatilities and correlations (or, alternatively, Monte Carlo probability distribution simulations) are used.</p>	
<p>B21 An entity shall provide sensitivity analyses for the whole of its business, but may provide different types of sensitivity analysis for different classes of financial instruments.</p>	
<p>B24 A sensitivity analysis is disclosed for each currency to which an entity has significant exposure.</p>	
<p>B25 Other price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. To comply with paragraph 40, an entity might disclose the effect of a decrease in a specified stock market index, commodity price, or other risk variable. For example, if an entity gives residual value guarantees that are financial instruments, the entity discloses an increase or decrease in the value of the assets to which the guarantee applies.</p>	
<p>B27 In accordance with paragraph 40(a), the sensitivity of profit or loss (that arises, for example, from instruments classified as at fair value through profit or loss and impairments of available-for-sale financial assets) is disclosed separately from the sensitivity of equity (that arises, for example, from instruments classified as available for sale).</p>	
<p>B28 Financial instruments that an entity classifies as equity instruments are not remeasured. Neither profit or loss nor equity will be affected by the equity price risk of those instruments. Accordingly, no sensitivity analysis is required.</p>	

Requirement	Comment
<p>41 If an entity prepares a sensitivity analysis, such as value-at-risk, that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis specified in paragraph 40. The entity shall also disclose:</p> <ul style="list-style-type: none"> <li>(a) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and</li> <li>(b) an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of the assets and liabilities involved.</li> </ul>	<p>Retain – alternative source of disclosures.</p>
<p>42 When the sensitivity analyses disclosed in accordance with paragraph 40 or 41 are unrepresentative of a risk inherent in a financial instrument (for example because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.</p>	<p>Retain – relevant information.</p>
<p><del>42A The disclosure requirements in paragraphs 42B–42H relating to transfers of financial assets supplement the other disclosure requirements of this IFRS. An entity shall present the disclosures required by paragraphs 42B–42H in a single note in its financial statements. An entity shall provide the required disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. For the purposes of applying the disclosure requirements in those paragraphs, an entity transfers all or a part of a financial asset (the transferred financial asset), if, and only if, it either:</del></p> <ul style="list-style-type: none"> <li><del>(a) transfers the contractual rights to receive the cash flows of that financial asset; or</del></li> <li><del>(b) retains the contractual rights to receive the cash flows of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.</del></li> </ul>	<p>Delete – in general, the requirements on transferred financial assets are considered excessively detailed. Disclosures such as these that are designed to address recognition and measurement problems should be kept to a minimum.</p>
<p>42B An entity shall disclose information that enables users of its financial statements:</p> <ul style="list-style-type: none"> <li>(a) to understand the relationship between <u>material</u> transferred financial assets that are not derecognised in their entirety and the associated liabilities; and</li> <li>(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in <u>material</u> derecognised financial assets.</li> </ul>	<p>The general principle is appropriate – amended to focus on materiality.</p>
<p>42D An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each material class of transferred financial assets, that are not derecognised in their entirety, <u>where this provides material information</u>:</p>	<p>Deletion of excessive detail.</p>

Requirement	Comment
<p>(a) the nature of the transferred assets.</p> <p>(b) the nature of the risks and rewards of ownership to which the entity is exposed.</p> <p>(c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.</p> <p><del>(d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).</del></p> <p>(e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.</p> <p><del>(f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 20(e)(ii) and 30 of IAS 39), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.</del></p>	
<p><del>B32 Paragraph 42D requires disclosures when part or all of the transferred financial assets do not qualify for derecognition. Those disclosures are required at each reporting date at which the entity continues to recognise the transferred financial assets, regardless of when the transfers occurred.</del></p>	<p>Delete - disclosures on initial transfer is sufficient.</p>
<p>42E To meet the objectives set out in paragraph 42B(b), when an entity derecognises <u>material</u> transferred financial assets in their entirety (see paragraph 20(a) and (c)(i) of IAS 39) but has continuing involvement in them, the entity shall disclose, for each type of continuing involvement at each reporting date, <u>where it provides material information</u>:</p> <p>(a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, <del>and the line items in which the carrying amount of those assets and liabilities are recognised.</del></p> <p><del>(b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.</del></p> <p>(c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, <del>and information showing how the maximum exposure to loss is determined.</del></p> <p>(d) <u>the gain or loss recognised at the date of transfer of the assets.</u></p> <p>(e) <u>any further qualitative or quantitative information that is</u></p>	<p>Amended to emphasise materiality, highly detailed disclosures have been deleted or summarised.</p>

Requirement	Comment
<p><del>necessary to meet the objective in 42B(b).</del></p> <p><del>(d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (eg the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.</del></p> <p><del>(e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.</del></p> <p><del>(f) qualitative information that explains and supports the quantitative disclosures required in (a) – (e).</del></p>	
<p><del>B33 Paragraphs 42E–42H require qualitative and quantitative disclosures for each type of continuing involvement in derecognised financial assets. An entity shall aggregate its continuing involvement into types that are representative of the entity's exposure to risks. For example, an entity may aggregate its continuing involvement by type of financial instrument (e.g. guarantees or call options) or by type of transfer (e.g. factoring of receivables, securitisations and securities lending).</del></p>	<p>Follows from deletions above</p>
<p><del>B34 Paragraph 42E(c) requires an entity to disclose a maturity analysis of the undiscounted cash outflows to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the derecognised financial assets, showing the remaining contractual maturities of the entity's continuing involvement. This analysis distinguishes cash flows that are required to be paid (e.g. forward contracts), cash flows that the entity may be required to pay (e.g. written put options) and cash flows that the entity might choose to pay (e.g. purchased call options).</del></p> <p><del>B35 An entity shall use its judgement to determine an appropriate number of time bands in preparing the maturity analysis required by paragraph 42E(c). For example, an entity might determine that the following maturity time bands are appropriate:</del></p> <p><del>(a) not later than one month;</del></p> <p><del>(b) later than one month and not later than three months;</del></p> <p><del>(c) later than three months and not later than six months;</del></p> <p><del>(d) later than six months and not later than one year;</del></p> <p><del>(e) later than one year and not later than three years;</del></p> <p><del>(f) later than three years and not later than five years; and</del></p> <p><del>(g) more than five years.</del></p> <p><del>B36 If there is a range of possible maturities, the cash flows are included on the basis of the earliest date on which the entity can be required or is permitted to pay.</del></p> <p><del>B37 The qualitative information required by paragraph 42E(f) includes a description of the derecognised financial assets and</del></p>	<p>Paragraph 42E(c) and (f) deleted above.</p>

Requirement	Comment
<p>the nature and purpose of the continuing involvement retained after transferring those assets. It also includes a description of the risks to which an entity is exposed, including:</p> <ul style="list-style-type: none"> <li>(a) a description of how the entity manages the risk inherent in its continuing involvement in the derecognised financial assets.</li> <li>(b) whether the entity is required to bear losses before other parties, and the ranking and amounts of losses borne by parties whose interests rank lower than the entity's interest in the asset (ie its continuing involvement in the asset).</li> <li>(c) a description of any triggers associated with obligations to provide financial support or to repurchase a transferred financial asset.</li> </ul>	
<p><del>42F — An entity may aggregate the information required by paragraph 42E in respect of a particular asset if the entity has more than one type of continuing involvement in that derecognised financial asset, and report it under one type of continuing involvement.</del></p>	<p>Paragraph 42E deleted above.</p>
<p><del>42G — In addition, an entity shall disclose for each type of continuing involvement:</del></p> <ul style="list-style-type: none"> <li><del>(a) the gain or loss recognised at the date of transfer of the assets.</del></li> <li><del>(b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (eg fair value changes in derivative instruments).</del></li> <li><del>(c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (eg if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period):</del> <ul style="list-style-type: none"> <li><del>(i) when the greatest transfer activity took place within that reporting period (eg the last five days before the end of the reporting period),</del></li> <li><del>(ii) the amount (eg related gains or losses) recognised from transfer activity in that part of the reporting period, and</del></li> <li><del>(iii) the total amount of proceeds from transfer activity in that part of the reporting period.</del></li> </ul> </li> </ul> <p><del>An entity shall provide this information for each period for which a statement of comprehensive income is presented.</del></p>	<p>Delete – excessive detail. 42G (a) moved to 42E above.</p>
<p><del>B38 — Paragraph 42G(a) requires an entity to disclose the gain or loss on derecognition relating to financial assets in which the entity has continuing involvement. The entity shall disclose if a gain or loss on derecognition arose because the fair values of the components of the previously recognised asset (i.e. the interest in the asset derecognised and the interest retained by the entity) were different from the fair value of the previously recognised asset as a whole.</del></p>	<p>Delete – unnecessary detail.</p>

Requirement	Comment
<p><del>In that situation, the entity also shall disclose whether the fair value measurements included significant inputs that were not based on observable market data, as described in paragraph 27A.</del></p>	
<p><del>42H — An entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph 42B.</del></p>	Delete – covered by general provisions in IAS 1.
<p><del>B39 — The disclosures required in paragraphs 42D–42G may not be sufficient to meet the disclosure objectives in paragraph 42B. If this is the case, the entity shall disclose whatever additional information is necessary to meet the disclosure objectives. The entity shall decide, in the light of its circumstances, how much additional information it needs to provide to satisfy the information needs of users and how much emphasis it places on different aspects of the additional information. It is necessary to strike a balance between burdening financial statements with excessive detail that may not assist users of financial statements and obscuring information as a result of too much aggregation.</del></p>	Delete – covered by general provisions in IAS 1.

#### 4. Conclusion

The disclosure requirements of IFRS 7 can be significantly reduced.

## IFRS 8 *Operating Segments*

### 1. Disclosure objective

An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. (paragraph 1)

### 2. Likely disclosure objective

The disclosure objective is extremely broad. We suggest re-wording it to read ‘An entity shall disclose material information to enable users of its financial statements to evaluate the performance of, and capital invested in, its reportable segments.’

### 3. Disclosure requirements

Requirement	Comment
<p>11 An entity shall report separately information about each operating segment that:</p> <ul style="list-style-type: none"> <li>(a) has been identified in accordance with paragraphs 5–10 or results from aggregating two or more of those segments in accordance with paragraph 12, and</li> <li>(b) exceeds the quantitative thresholds in paragraph 13.</li> </ul> <p>Paragraphs 14–19 specify other situations in which separate information about an operating segment shall be reported.</p>	<p>Retain – basic requirement</p>
<p>12 Operating segments often exhibit similar long-term financial performance if they have similar economic characteristics. For example, similar long-term average gross margins for two operating segments would be expected if their economic characteristics were similar. Two or more operating segments may be aggregated into a single operating segment if aggregation is consistent with the core principle of this IFRS, the segments have similar economic characteristics, and the segments are similar in each of the following respects:</p> <ul style="list-style-type: none"> <li>(a) the nature of the products and services;</li> <li>(b) the nature of the production processes;</li> <li>(c) the type or class of customer for their products and services;</li> <li>(d) the methods used to distribute their products or provide their services; and</li> <li>(e) if applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.</li> </ul>	<p>Retain – basic requirements</p>
<p>13 An entity shall report separately information about an operating segment that meets any of the following quantitative thresholds:</p> <ul style="list-style-type: none"> <li>(a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments.</li> <li>(b) The absolute amount of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that</li> </ul>	

Requirement	Comment
<p>reported a loss.</p> <p>(c) Its assets are 10 per cent or more of the combined assets of all operating segments.</p> <p>Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.</p>	
<p>17 If management judges that an operating segment identified as a reportable segment in the immediately preceding period is of continuing significance, information about that segment shall continue to be reported separately in the current period even if it no longer meets the criteria for reportability in paragraph 13.</p> <p>18 If an operating segment is identified as a reportable segment in the current period in accordance with the quantitative thresholds, segment data for a prior period presented for comparative purposes shall be restated to reflect the newly reportable segment as a separate segment, even if that segment did not satisfy the criteria for reportability in paragraph 13 in the prior period, unless the necessary information is not available and the cost to develop it would be excessive.</p> <p>19 There may be a practical limit to the number of reportable segments that an entity separately discloses beyond which segment information may become too detailed. Although no precise limit has been determined, as the number of segments that are reportable in accordance with paragraphs 13–18 increases above ten, the entity should consider whether a practical limit has been reached.</p>	Retain – basic requirements
<p><b>20 An entity shall disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.</b></p> <p>21 To give effect to the principle in paragraph 20, an entity shall disclose the following for each period for which a statement of comprehensive income is presented:</p> <p>(a) general information as described in paragraph 22;</p> <p>(b) information about reported segment profit or loss, <del>including specified revenues and expenses included in reported segment profit or loss, segment assets, segment liabilities and the basis of measurement,</del> as described in paragraphs 23–27; and</p> <p>(c) <del>reconciliations</del> <u>a summary</u> of <u>material differences between</u> the totals of segment revenues, reported segment profit or loss, segment assets, segment liabilities and other material segment items <del>to and the</del> corresponding entity amounts as described in paragraph 28.</p> <p><del>Reconciliations</del> <u>A summary</u> of <u>the material differences between</u> the amounts in the statement of financial position for reportable segments <del>and</del> <u>to</u> the amounts in the entity's statement of financial position are required for each date at which a statement of financial position is presented. Information for prior periods shall be restated as described in paragraphs 29 and 30.</p>	<p>See comments on details below.</p> <p>Reconciliations replaced by summary of material differences</p>
<p>22 An entity shall disclose the following general information:</p> <p>(a) factors used to identify the entity's reportable segments, including</p>	Retain – basic requirement

Requirement	Comment
<p>the basis of organisation (for example, whether management has chosen to organise the entity around differences in products and services, geographical areas, regulatory environments, or a combination of factors and whether operating segments have been aggregated), and</p> <p>(b) types of products and services from which each reportable segment derives its revenues.</p>	
<p>23 An entity shall report a measure of profit or loss for each reportable segment. An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker. An entity shall also disclose <u>separately material items of income and expense</u> <del>the following about for</del> each reportable segment if the specified amounts are included in the measure of segment profit or loss reviewed by the chief operating decision maker, or are otherwise regularly provided to the chief operating decision maker, even if not included in that measure of segment profit or loss.</p> <p><del>(a) revenues from external customers;</del></p> <p><del>(b) revenues from transactions with other operating segments of the same entity;</del></p> <p><del>(c) interest revenue;</del></p> <p><del>(d) interest expense;</del></p> <p><del>(e) depreciation and amortisation;</del></p> <p><del>(f) material items of income and expense disclosed in accordance with paragraph 97 of IAS 1 <i>Presentation of Financial Statements</i> (as revised in 2007);</del></p> <p><del>(g) the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;</del></p> <p><del>(h) income tax expense or income; and</del></p> <p><del>(i) material non-cash items other than depreciation and amortisation.</del></p> <p><del>An entity shall report interest revenue separately from interest expense for each reportable segment unless a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. In that situation, an entity may report that segment's interest revenue net of its interest expense and disclose that it has done so.</del></p>	<p>The general requirement in IAS 1 to disclose separately material items is sufficient, the level of detail here could result in disclosures that are not material.</p>
<p><del>24 An entity shall disclose the following about each reportable segment if the specified amounts are included in the measure of segment assets reviewed by the chief operating decision maker or are otherwise regularly provided to the chief operating decision maker, even if not included in the measure of segment assets:</del></p> <p><del>(a) the amount of investment in associates and joint ventures accounted for by the equity method, and</del></p> <p><del>(b) the amounts of additions to non-current assets<sup>1</sup> other than financial instruments, deferred tax assets, post-employment benefit</del></p>	<p>Delete – unclear why these specific requirements are considered useful.</p>

<sup>1</sup> For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting period.

Requirement	Comment
<p style="text-align: center;"><del>assets (see IAS 19 Employee Benefits paragraphs 54 – 58) and rights arising under insurance contracts.</del></p>	
<p>27 An entity shall provide an explanation of the measurements of segment profit or loss, segment assets and segment liabilities for each reportable segment. An entity shall disclose the following, <u>if material</u>:</p> <ul style="list-style-type: none"> <li>(a) the basis of accounting for any transactions between reportable segments.</li> <li>(b) the nature of any <u>material</u> differences between the measurements of the reportable segments’ profits or losses and the entity’s profit or loss before income tax expense or income and discontinued operations (if not apparent from the reconciliations described in paragraph 28). Those differences could include accounting policies and policies for allocation of centrally incurred costs that are necessary for an understanding of the reported segment information.</li> <li>(c) the nature of any <u>material</u> differences between the measurements of the reportable segments’ assets and the entity’s assets (<u>if segment assets are reported in accordance with paragraph 23 and if</u> not apparent from the reconciliations described in paragraph 28). Those differences could include accounting policies and policies for allocation of jointly used assets that are necessary for an understanding of the reported segment information.</li> <li>(d) the nature of any <u>material</u> differences between the measurements of the reportable segments’ liabilities and the entity’s liabilities (<u>if segment liabilities are reported in accordance with paragraph 23 and if</u> not apparent from the reconciliations described in paragraph 28). Those differences could include accounting policies and policies for allocation of jointly utilised liabilities that are necessary for an understanding of the reported segment information.</li> <li>(e) the nature of any <u>material</u> changes from prior periods in the measurement methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss.</li> <li>(f) the nature and effect of any <u>material</u> asymmetrical allocations to reportable segments. For example, an entity might allocate depreciation expense to a segment without allocating the related depreciable assets to that segment.</li> </ul>	<p>Disclosure of policies is necessary as the entity may not use GAAP measures. Amended to emphasise materiality.</p> <p>Disclosures (c) and (d) are only required if segment assets and liabilities are reported because they are reported to the chief operating decision maker (see paragraph 23).</p>
<p>28 An entity shall provide <del>a summary of material differences reconciliations</del> of all of the following:</p> <ul style="list-style-type: none"> <li>(a) the total of the reportable segments’ revenues to the entity’s revenue.</li> <li>(b) the total of the reportable segments’ measures of profit or loss to the entity’s profit or loss before tax expense (tax income) and discontinued operations. However, if an entity allocates to reportable segments items such as tax expense (tax income), the entity may reconcile the total of the segments’ measures of profit or loss to the entity’s profit or loss after those items.</li> <li>(c) the total of the reportable segments’ assets to the entity’s assets, <u>if segment assets are reported in accordance with paragraph 23.</u></li> <li>(d) the total of the reportable segments’ liabilities to the entity’s</li> </ul>	<p>Amended so that only material differences require to be disclosed.</p> <p>Disclosures (c) and (d) are only required if segment assets and liabilities are reported to the chief operating decision maker (see paragraph 23).</p> <p>Delete (e) and the final paragraph as unnecessary.</p>

Requirement	Comment
<p>liabilities if segment liabilities are reported in accordance with paragraph 23.</p> <p><del>(e) — the total of the reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity.</del></p> <p><del>All material reconciling items shall be separately identified and described. For example, the amount of each material adjustment needed to reconcile reportable segment profit or loss to the entity's profit or loss arising from different accounting policies shall be separately identified and described.</del></p>	
<p>29 If an entity changes the structure of its internal organisation in a manner that causes the composition of its reportable segments to change, the corresponding information for earlier periods, including interim periods, shall be restated unless the information is not available and the cost to develop it would be excessive. The determination of whether the information is not available and the cost to develop it would be excessive shall be made for each individual item of disclosure. Following a change in the composition of its reportable segments, an entity shall disclose whether it has restated the corresponding items of segment information for earlier periods.</p> <p>30 If an entity has changed the structure of its internal organisation in a manner that causes the composition of its reportable segments to change and if segment information for earlier periods, including interim periods, is not restated to reflect the change, the entity shall disclose in the year in which the change occurs segment information for the current period on both the old basis and the new basis of segmentation, unless the necessary information is not available and the cost to develop it would be excessive.</p>	Retain – basic requirements.
<p>31 Paragraphs 32–34 apply to all entities subject to this IFRS including those entities that have a single reportable segment. Some entities' business activities are not organised on the basis of differences in related products and services or differences in geographical areas of operations. Such an entity's reportable segments may report revenues from a broad range of essentially different products and services, or more than one of its reportable segments may provide essentially the same products and services. Similarly, an entity's reportable segments may hold assets in different geographical areas and report revenues from customers in different geographical areas, or more than one of its reportable segments may operate in the same geographical area. Information required by paragraphs 32–34 shall be provided only if it is not provided as part of the reportable segment information required by this IFRS.</p>	Retain – explanatory information.
<p>32 <del>An entity shall report the revenues from external customers for each product and service, or each group of similar products and services, unless the necessary information is not available and the cost to develop it would be excessive, in which case that fact shall be disclosed. The amounts of revenues reported shall be based on the financial information used to produce the entity's financial statements.</del></p>	Delete – excessive detail.
<p>33 <u>If material, an entity shall disclose information that enables users of its financial statements to understand the extent of its operations and transactions outside of its country of domicile. An entity shall report the following geographical information, unless the necessary information is not available and the cost to develop it would be excessive:</u></p>	Summarised version of detailed requirements.

Requirement	Comment
<p>(a) <del>revenues from external customers (i) attributed to the entity's country of domicile and (ii) attributed to all foreign countries in total from which the entity derives revenues. If revenues from external customers attributed to an individual foreign country are material, those revenues shall be disclosed separately. An entity shall disclose the basis for attributing revenues from external customers to individual countries.</del></p> <p>(b) <del>non current assets<sup>2</sup> other than financial instruments, deferred tax assets, post employment benefit assets, and rights arising under insurance contracts (i) located in the entity's country of domicile and (ii) located in all foreign countries in total in which the entity holds assets. If assets in an individual foreign country are material, those assets shall be disclosed separately. The amounts reported shall be based on the financial information that is used to produce the entity's financial statements. If the necessary information is not available and the cost to develop it would be excessive, that fact shall be disclosed. An entity may provide, in addition to the information required by this paragraph, subtotals of geographical information about groups of countries.</del></p>	
<p>34 An entity shall provide information about the extent of its reliance on its major customers. <del>If revenues from transactions with a single external customer amount to 10 per cent or more of an entity's revenues, the entity shall disclose that fact, the total amount of revenues from each such customer, and the identity of the segment or segments reporting the revenues.</del> The entity need not disclose the identity of a major customer or the amount of revenues that each segment reports from that customer. For the purposes of this IFRS, a group of entities known to a reporting entity to be under common control shall be considered a single customer. However, judgement is required to assess whether a government (including government agencies and similar bodies whether local, national or international) and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities.</p>	<p>Suggest amend to reduce disclosure to nature of economic dependence.</p>

#### 4. Conclusion

The disclosure requirements of IFRS 8 can be reduced.

<sup>2</sup> ~~For assets classified according to a liquidity presentation, non-current assets are assets that include amounts expected to be recovered more than twelve months after the reporting period.~~

## IAS 1 *Presentation of Financial Statements*

### 1. Disclosure Objective

Not stated.

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is to provide material information to enable users to gain an understanding of the entity, its financial statements and its capital structure.

### 3. Disclosure requirements

Requirement	Comment
<p>29 <b>An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are <u>not immaterial</u>.</b></p> <p>30 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.</p> <p>31 <b>An entity need not provide a specific disclosure required by this standard or another IFRS if the <u>item or information is not material</u>. <u>An entity shall therefore determine whether the specific disclosure requirement applies to:</u></b></p> <p><b>(a) <u>a material item - which is disclosed in the financial statements or notes, in accordance with the requirements in this standard or another IFRS;</u></b></p> <p><b>(b) <u>material information, including information relating to a material item recognised in the financial statements and other information relevant to an understanding of the financial statements – which is disclosed only if the information itself is material;</u></b></p> <p><b>(c) <u>items and information that are not material – which need not be disclosed.</u></b></p>	<p>Paragraphs on materiality should be moved to the start of IAS 1 to emphasise their centrality to disclosure.</p> <p>Paragraph 29 amended to ensure consistency with paragraph 31 which has been extended to emphasise consideration of material items and material information.</p>
<p>10 A complete set of financial statements comprises:</p> <p>(a) a statement of financial position as at the end of the period;</p> <p>(b) a statement of comprehensive income for the period;</p> <p>(c) a statement of changes in equity for the period;</p> <p>(d) a statement of cash flows for the period;</p> <p>(e) notes, comprising a summary of significant accounting policies and other explanatory information. <del>; and</del></p> <p><del>(f) a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.</del></p> <p>An entity may use titles for the statements other than those used in this</p>	<p>Third statement of financial position and related notes considered excessive. The benefits of such are not justified by the additional complexity and cost of making this disclosure.</p>

Requirement	Comment
Standard.	
<p>15 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the <i>Framework</i>. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.</p>	<p>Paragraphs 15, 18 and 19 do not contain explicit disclosure requirements and are included here for context only.</p>
<p>16 An entity whose financial statements comply with IFRSs shall make an explicit and unreserved statement of such compliance in the notes. An entity shall not describe financial statements as complying with IFRSs unless they comply with all the requirements of IFRSs.</p>	<p>Retain requirements in paragraphs 16, 20 - 24: true and fair view is fundamental</p>
<p>18 An entity cannot rectify inappropriate accounting policies either by disclosure of the accounting policies used or by notes or explanatory material.</p>	
<p>19 In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the <i>Framework</i>, the entity shall depart from that requirement in the manner set out in paragraph 20 if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure.</p>	
<p>20 When an entity departs from a requirement of an IFRS in accordance with paragraph 19, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;</li> <li>(b) that it has complied with applicable IFRSs, except that it has departed from a particular requirement to achieve a fair presentation;</li> <li>(c) the title of the IFRS from which the entity has departed, the nature of the departure, including the treatment that the IFRS would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in the <i>Framework</i>, and the treatment adopted; and</li> <li>(d) for each period presented, the financial effect of the departure on each item in the financial statements that would have been reported in complying with the requirement.</li> </ul>	
<p>21 When an entity has departed from a requirement of an IFRS in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 20(c) and (d).</p>	
<p>22 Paragraph 21 applies, for example, when an entity departed in a prior period from a requirement in an IFRS for the measurement of assets or liabilities and that departure affects the measurement of changes in assets and liabilities recognised in the current period's financial statements.</p>	
<p>23 In the extremely rare circumstances in which management concludes that compliance with a requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the <i>Framework</i>, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing:</p> <ul style="list-style-type: none"> <li>(a) the title of the IFRS in question, the nature of the requirement, and</li> </ul>	

Requirement	Comment
<p>the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in the <i>Framework</i>; and</p> <p>(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.</p> <p>24 For the purpose of paragraphs 19–23, an item of information would conflict with the objective of financial statements when it does not represent faithfully the transactions, other events and conditions that it either purports to represent or could reasonably be expected to represent and, consequently, it would be likely to influence economic decisions made by users of financial statements. When assessing whether complying with a specific requirement in an IFRS would be so misleading that it would conflict with the objective of financial statements set out in the <i>Framework</i>, management considers:</p> <p>(a) why the objective of financial statements is not achieved in the particular circumstances; and</p> <p>(b) how the entity’s circumstances differ from those of other entities that comply with the requirement. If other entities in similar circumstances comply with the requirement, there is a rebuttable presumption that the entity’s compliance with the requirement would not be so misleading that it would conflict with the objective of financial statements set out in the <i>Framework</i>.</p>	
<p>25 <b>When preparing financial statements, management shall make an assessment of an entity’s ability to continue as a going concern. .... When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.</b></p> <p>26 In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.</p>	<p>No change – going concern is a fundamental issue.</p>
	<p>Paragraphs 29-31 moved to beginning of Standard.</p>
<p>36 <b>An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements,:</b></p>	<p>Delete requirement (b) as it is uninformative.</p>

Requirement	Comment
<p><del>(a) — the reason for using a longer or shorter period., and</del>  <del>(b) — the fact that amounts presented in the financial statements are not entirely comparable.</del></p>	
<p>38 Except when IFRSs permit or require otherwise, an entity shall disclose comparative information in respect of the previous period for all <b>material</b> amounts reported in the current period's financial statements <b>(whether or not they were material in the previous period)</b>. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.</p>	<p>Amended to emphasise materiality.</p>
<p>39 An entity disclosing comparative information shall present, as a minimum, two statements of financial position, two of each of the other statements, and related notes. <del>When an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements or when it reclassifies items in its financial statements, it shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes. An entity presents statements of financial position as at:</del></p> <p>(a) the end of the current period, <u>and</u></p> <p>(b) the end of the previous period (which is the same as the beginning of the current period), <del>and</del></p> <p><del>(c) — the beginning of the earliest comparative period.</del></p> <p>41 <b>When the entity changes the presentation or classification of items in its financial statements, the entity shall reclassify comparative amounts unless reclassification is impracticable. When the entity reclassifies comparative amounts, the entity shall disclose:</b></p> <p>(a) the nature of the reclassification;</p> <p>(b) the amount of each item or class of items that is reclassified; and</p> <p>(c) the reason for the reclassification.</p> <p>42 <b>When it is impracticable to reclassify comparative amounts, an entity shall disclose:</b></p> <p>(a) the reason for not reclassifying the amounts, and</p> <p>(b) the nature of the adjustments that would have been made if the amounts had been reclassified.</p>	<p>Changes are consistent with those made to paragraph 10.</p>
<p>54 <del>As a minimum, †</del><b>The statement of financial position shall include line items that present the following amounts, <u>where these are material</u>:</b></p> <p>(a) property, plant and equipment;</p> <p>(b) investment property;</p> <p>(c) intangible assets;</p> <p>(d) financial assets (excluding amounts shown under (e), (h) and (i));</p> <p>(e) investments accounted for using the equity method;</p> <p>(f) biological assets;</p> <p>(g) inventories;</p> <p>(h) trade and other receivables;</p> <p>(i) cash and cash equivalents;</p> <p>(j) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>;</p>	<p>Amended to emphasise materiality.</p>

Requirement	Comment
<ul style="list-style-type: none"> <li>(k) trade and other payables;</li> <li>(l) provisions;</li> <li>(m) financial liabilities (excluding amounts shown under (k) and (l));</li> <li>(n) liabilities and assets for current tax, as defined in IAS 12 <i>Income Taxes</i>;</li> <li>(o) deferred tax liabilities and deferred tax assets, as defined in IAS 12;</li> <li>(p) liabilities included in disposal groups classified as held for sale in accordance with IFRS 5;</li> <li>(q) non-controlling interest, presented within equity; and</li> <li>(r) issued capital and reserves attributable to owners of the parent.</li> </ul>	
<p>55 An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.</p>	Retain – basic requirement
<p>60 An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 66–76 except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.</p>	Retain - basic requirement
<p>61 Whichever method of presentation is adopted, an entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled:</p> <ul style="list-style-type: none"> <li>(a) no more than twelve months after the reporting period, and</li> <li>(b) more than twelve months after the reporting period.</li> </ul>	Retain - basic requirement
<p>77 An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations.</p>	Retain - basic requirement
<p>79 An entity shall disclose <del>the following</del> <u>for each class of equity instrument (or equivalent)</u>, either in the statement of financial position or the statement of changes in equity, or in the notes: <u>information about the number of equity instruments, their par value (if any), and any rights, preferences and restrictions attaching to that class, including any restrictions on the distribution of dividends and repayment of capital.</u></p> <ul style="list-style-type: none"> <li>(a) <del>for each class of share capital:</del> <ul style="list-style-type: none"> <li>(i) <del>the number of shares authorised;</del></li> <li>(ii) <del>the number of shares issued and fully paid, and issued but not fully paid;</del></li> <li>(iii) <del>par value per share, or that the shares have no par value;</del></li> <li>(iv) <del>a reconciliation of the number of shares outstanding at the beginning and at the end of the period;</del></li> <li>(v) <del>the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;</del></li> <li>(vi) <del>shares in the entity held by the entity or by its subsidiaries or associates; and</del></li> <li>(vii) <del>shares reserved for issue under options and contracts for the</del></li> </ul> </li> </ul>	Detailed requirements are reduced, and the term 'equity instrument' used in place of 'share capital' as it is more generic.

Requirement	Comment
<p style="text-align: center;"><del>sale of shares, including terms and amounts; and</del>  <del>(b) — a description of the nature and purpose of each reserve within equity.</del></p>	
<p>79A <del>Information about sub-classifications within equity are relevant to the decision-making needs of users of financial statements when they indicate legal or other restrictions on the ability of the entity to distribute or otherwise apply its equity. Such information may also reflect the fact that parties with ownership interests in the entity have differing rights in relation to the receipt of dividends or the repayment of contributed equity.</del></p>	<p>Paragraph added to explain the disclosure in paragraph 79.</p>
<p><del>80 — An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 79(a) showing changes during the period in each category of equity interest, and the rights, preferences and restrictions attaching to each category of equity interest.</del></p>	<p>Now covered by the re-drafted paragraph 79.</p>
<p><del>80A — If an entity has reclassified:</del>  <del>(a) — a puttable financial instrument classified as an equity instrument, or</del>  <del>(b) — an instrument that imposes on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and is classified as an equity instrument</del>  <del>— between financial liabilities and equity, it shall disclose the amount reclassified into and out of each category (financial liabilities or equity), and the timing and reason for that reclassification.</del></p>	<p>Combined with paragraph 136A below.</p>
<p>82 <del>As a minimum,</del> The statement of comprehensive income shall include line items that present the following amounts for the period, <u>where these are material</u>:</p> <ul style="list-style-type: none"> <li>(a) revenue;</li> <li>(b) finance costs;</li> <li>(c) share of the profit or loss of associates and joint ventures accounted for using the equity method;</li> <li>(d) tax expense;</li> <li>(e) a single amount comprising the total of: <ul style="list-style-type: none"> <li>(i) the post-tax profit or loss of discontinued operations and</li> <li>(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;</li> </ul> </li> <li>(f) profit or loss;</li> <li>(g) each component of other comprehensive income classified by nature (excluding amounts in (h));</li> <li>(h) share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and</li> <li>(i) total comprehensive income.</li> </ul>	<p>Amended to emphasise materiality.</p>
<p>83 An entity shall disclose the following items in the statement of comprehensive income as allocations for the period:</p> <ul style="list-style-type: none"> <li>(a) profit or loss for the period attributable to: <ul style="list-style-type: none"> <li>(i) non-controlling interests, and</li> <li>(ii) owners of the parent</li> </ul> </li> <li>(b) total comprehensive income for the period attributable to:</li> </ul>	<p>Retain – basic requirement</p>

Requirement	Comment
(i) non-controlling interests, and (ii) owners of the parent.	
84 An entity may present in a separate income statement (see paragraph 81) the line items in paragraph 82(a)–(f) and the disclosures in paragraph 83(a).	Retain - basic requirement
85 An entity shall present additional line items, headings and subtotals in the statement of comprehensive income and the separate income statement (if presented), when such presentation is relevant to an understanding of the entity's financial performance.	Retain - basic requirement
<del>90 An entity shall disclose the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments, either in the statement of comprehensive income or in the notes.</del>	Delete - covered by IAS 12.
92 An entity shall disclose reclassification adjustments relating to components of other comprehensive income	Retain - basic requirement
<del>97 When items of income or expense are material, an entity shall disclose their nature and amount separately.</del>	Delete - covered in section on materiality.
98 Circumstances that would give rise to the separate disclosure of items of income and expense include: (a) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs; (b) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring; (c) disposals of items of property, plant and equipment; (d) disposals of investments; (e) discontinued operations; (f) litigation settlements; and (g) other reversals of provisions.	Examples are deleted as they may encourage a greater level of disclosure than is necessary.
99 An entity shall present an analysis of expenses recognised in profit or loss using a classification <del>on either their nature or their function within the entity, whichever provides information that is reliable and more relevant appropriate to the entity's operations. An entity shall aggregate expense categories that are not material.</del>	Amended – disclosure of expenses by nature or function is excessively detailed.
<del>400 Entities are encouraged to present the analysis in paragraph 99 in the statement of comprehensive income or in the separate income statement (if presented).</del>	'Encouraged' disclosures are deleted.
<del>401 Expenses are subclassified to highlight components of financial performance that may differ in terms of frequency, potential for gain or loss and predictability. This analysis is provided in one of two forms.</del>	As paragraph 99 above
402 The first form of analysis is the 'nature of expense' method. An entity aggregates expenses within profit or loss according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs), and does not reallocate them among functions within the entity. This method may be simple to apply because no allocations of expenses to functional classifications are necessary. An example of a classification using the nature of expense method is as follows:  Revenue <span style="float: right;">X</span>	As paragraph 99 above

Requirement	Comment																
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"><del>Other income</del></td> <td style="width: 40%; text-align: right;"><del>₪</del></td> </tr> <tr> <td><del>Changes in inventories of finished goods and work in progress</del></td> <td></td> </tr> <tr> <td><del>Raw materials and consumables used</del></td> <td></td> </tr> <tr> <td><del>Employee benefits expense</del></td> <td></td> </tr> <tr> <td><del>Depreciation and amortisation expense</del></td> <td></td> </tr> <tr> <td><del>Other expenses</del></td> <td></td> </tr> <tr> <td><del>Total expenses</del></td> <td style="text-align: right;"><del>(₪)</del></td> </tr> <tr> <td><del>Profit before tax</del></td> <td style="text-align: right;"><del>₪</del></td> </tr> </table>	<del>Other income</del>	<del>₪</del>	<del>Changes in inventories of finished goods and work in progress</del>		<del>Raw materials and consumables used</del>		<del>Employee benefits expense</del>		<del>Depreciation and amortisation expense</del>		<del>Other expenses</del>		<del>Total expenses</del>	<del>(₪)</del>	<del>Profit before tax</del>	<del>₪</del>	
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<del>Profit before tax</del>	<del>₪</del>																
<p>403 — <del>The second form of analysis is the ‘function of expense’ or ‘cost of sales’ method and classifies expenses according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses. This method can provide more relevant information to users than the classification of expenses by nature, but allocating costs to functions may require arbitrary allocations and involve considerable judgement. An example of a classification using the function of expense method is as follows:</del></p> <table style="width: 100%; border-collapse: collapse;"> <tr><td><del>Revenue</del></td></tr> <tr><td><del>Cost of sales</del></td></tr> <tr><td><del>Gross profit</del></td></tr> <tr><td><del>Other income</del></td></tr> <tr><td><del>Distribution costs</del></td></tr> <tr><td><del>Administrative expenses</del></td></tr> <tr><td><del>Other expenses</del></td></tr> <tr><td><del>Profit before tax</del></td></tr> </table>	<del>Revenue</del>	<del>Cost of sales</del>	<del>Gross profit</del>	<del>Other income</del>	<del>Distribution costs</del>	<del>Administrative expenses</del>	<del>Other expenses</del>	<del>Profit before tax</del>	As paragraph 99 above								
<del>Revenue</del>																	
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<del>Administrative expenses</del>																	
<del>Other expenses</del>																	
<del>Profit before tax</del>																	
<p>104 <del>An entity classifying expenses by function shall disclose additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense.</del></p>	As paragraph 99 above																
<p>106 An entity shall present a statement of changes in equity as required by paragraph 10. The statement of changes in equity includes the following information:</p> <ol style="list-style-type: none"> <li>(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;</li> <li>(b) <del>for each component of equity,</del> the effects of retrospective application or retrospective restatement recognised in accordance with IAS 8, <u>on total equity</u>; and</li> <li>(c) [deleted]</li> <li>(d) <u>total distributions to and total contributions from owners, for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:</u></li> </ol>	Detailed information is moved to paragraph 107 so that it may be presented in the notes, thus de-cluttering the main statement.																

Requirement	Comment
<p><del>(i) — profit or loss;</del>  <del>(ii) — each item of other comprehensive income; and</del>  <del>(iii) — transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.</del></p>	
<p><del>106A — For each component of equity an entity shall present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item.</del></p>	<p>Unnecessary duplication.</p>
<p>107 An entity shall present, either in the statement of changes in equity or in the notes:</p> <p><del>(a) the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share.</del></p> <p><del>(b) for each material component of equity, a summary of the material movements between the carrying amount at the beginning and at the end of the period.</del></p>	<p>Moved from paragraph 106 and reduced – a summary of material changes is required instead of reconciliation.</p>
<p>112 The notes shall:</p> <p>(a) present information about the basis of presentation of the financial statements and the specific accounting policies used in accordance with paragraphs 117-124;</p> <p>(b) disclose the information required by IFRSs that is not presented elsewhere in the financial statements; and</p> <p>(c) provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them.</p>	<p>Retain – basic requirement, see comments on paragraph 117 below.</p>
<p>117 An entity shall disclose <del>in the summary of significant accounting policies, either:</del></p> <p><del>(a) the measurement basis (or bases) used in preparing the financial statements, and</del></p> <p><del>(b)(a) the other accounting policies used that are relevant and material to an understanding of the financial statements; or</del></p> <p><del>(b) a statement providing details of where the disclosure of those material accounting policies can be found. For example, these could be provided on an entity's website.</del></p>	<p>Disclosures could be reduced by permitting entities to disclose the accounting policies note outside the financial statements. As this note often does not change from year to year and largely reflects compliance with IFRS it may not be particularly informative. An extensive accounting policies note also risks obscuring the key information i.e. changes in accounting policy (which is disclosed under IAS 8).</p>
<p><del>118 — It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.</del></p>	<p>An extensive accounting policies note also risks obscuring the key information i.e. changes in accounting policy (which is disclosed under IAS 8).</p>
<p>119 In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. <del>Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in IFRSs. An example is disclosure of whether a venturer recognises its interest in a jointly controlled entity using proportionate consolidation or the equity method</del></p>	<p>Information on measurement bases is deleted as is disclosed under the relevant standards.</p>

Requirement	Comment
<p>(see IAS 31 <i>Interests in Joint Ventures</i>). Some IFRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, IAS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment.</p> <p>120 Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. For example, users would expect an entity subject to income taxes to disclose its accounting policies for income taxes, including those applicable to deferred tax liabilities and assets. When an entity has significant foreign operations or transactions in foreign currencies, users would expect disclosure of accounting policies for the recognition of foreign exchange gains and losses.</p> <p>121 An accounting policy may be <u>material</u> <del>significant</del> because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRSs but the entity selects and applies in accordance with IAS 8.</p>	
<p>122 <b>An entity shall disclose, in the summary of <del>significant</del> accounting policies or other notes <u>if the option in paragraph 117(b) is adopted</u>, the judgements, <del>apart from those involving estimations (see paragraph 125)</del>, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. <u>These judgements will include, but not be limited to, information about the assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.</u></b></p> <p>123 In the process of applying the entity's accounting policies, management makes various judgements, <del>apart from those involving estimations, that can significantly affect the amounts it recognises in the financial statements. For example, management makes judgements in determining matters such as:</del></p> <ul style="list-style-type: none"> <li>(a) whether financial assets are held-to-maturity investments;</li> <li>(b) when substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities;</li> <li>(c) whether, in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue; and</li> <li>(d) whether the substance of the relationship between the entity and a special purpose entity indicates that the entity controls the special purpose entity.</li> </ul> <p>124 Some of the disclosures made in accordance with paragraph 122 are <u>already</u> required by other IFRSs <u>and the disclosures need not be duplicated</u>. For example, IAS 27 requires an entity to disclose the reasons why the entity's ownership interest does not constitute control, in respect of an investee that is not a subsidiary even though more than half of its voting or potential voting power is owned directly or indirectly through subsidiaries. IAS 40 <i>Investment Property</i> requires disclosure of the criteria developed by the entity to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, when classification of the property is difficult.</p> <p>125 <b><del>An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall</del></b></p>	<p>Combined paragraphs - Basic requirement that need not be repeated in other standards.</p>

Requirement	Comment
<p><del>include details of:</del></p> <p><del>(a) their nature, and</del></p> <p><del>(b) their carrying amount as at the end of the reporting period.</del></p>	
<p>126 Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. For example, in the absence of recently observed market prices, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment, the effect of technological obsolescence on inventories, provisions subject to the future outcome of litigation in progress, and long-term employee benefit liabilities such as pension obligations. These estimates involve assumptions about such items as the risk adjustment to cash flows or discount rates, future changes in salaries and future changes in prices affecting other costs.</p>	
<p><del>127 The assumptions and other sources of estimation uncertainty disclosed in accordance with paragraph 125 relate to the estimates that require management's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex, and the potential for a consequential material adjustment to the carrying amounts of assets and liabilities normally increases accordingly.</del></p>	
<p>128 The disclosures in paragraph <del>122</del><del>425</del> are not required for assets and liabilities with a significant risk that their carrying amounts might change materially within the next financial year if, at the end of the reporting period, they are measured at fair value based on recently observed market prices. Such fair values might change materially within the next financial year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting period.</p>	
<p>129 An entity presents the disclosures in paragraph <del>122</del><del>425</del> in a manner that helps users of financial statements to understand the judgements that management makes about the future and about other sources of estimation uncertainty. The nature and extent of the information provided vary according to the nature of the assumption and other circumstances. Examples of the types of disclosures an entity makes are:</p> <ul style="list-style-type: none"> <li>(a) the nature of the assumption or other estimation uncertainty;</li> <li>(b) the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity;</li> <li>(c) the expected resolution of an uncertainty and the range of reasonably possible outcomes within the next financial year in respect of the carrying amounts of the assets and liabilities affected; and</li> <li>(d) an explanation of changes made to past assumptions concerning those assets and liabilities, if the uncertainty remains unresolved.</li> </ul>	
<p>130 This Standard does not require an entity to disclose budget information or forecasts in making the disclosures in paragraph <del>122</del><del>425</del>.</p>	
<p>131 Sometimes it is impracticable to disclose the extent of the possible effects of an assumption or another source of estimation uncertainty at the end of the reporting period. In such cases, the entity discloses that it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the asset or liability affected. In all cases, the entity discloses the nature and carrying amount of the specific asset or liability (or class of assets or liabilities)</p>	

Requirement	Comment
<p>affected by the assumption.</p> <p><del>132 The disclosures in paragraph 122 of particular judgements that management made in the process of applying the entity's accounting policies do not relate to the disclosures of sources of estimation uncertainty in paragraph 125.</del></p> <p><del>133 Other IFRSs require the disclosure of some of the assumptions that would otherwise be required in accordance with paragraph 125. For example, IAS 37 requires disclosure, in specified circumstances, of major assumptions concerning future events affecting classes of provisions. IFRS 7 requires disclosure of significant assumptions the entity uses in estimating the fair values of financial assets and financial liabilities that are carried at fair value. IAS 16 requires disclosure of significant assumptions that the entity uses in estimating the fair values of revalued items of property, plant and equipment.</del></p>	
<p><b>134 An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.</b></p> <p>135 To comply with paragraph 134, the entity <u>shall disclose qualitative and quantitative information including:</u></p> <p><del>(a) what the entity manages as capital</del></p> <p><del>(b) how it is meeting its objectives for managing capital, and</del></p> <p><del>(c) whether it is subject to any external capital requirements and, if so, whether it has or has not met such requirements and the consequences of any non-compliance</del></p> <p><del>the following:</del></p> <p><del>(a) qualitative information about its objectives, policies and processes for managing capital, including:</del></p> <p><del>(i) a description of what it manages as capital;</del></p> <p><del>(ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and</del></p> <p><del>(iii) how it is meeting its objectives for managing capital.</del></p> <p><del>(b) summary quantitative data about what it manages as capital. Some entities regard some financial liabilities (e.g. some forms of subordinated debt) as part of capital. Other entities regard capital as excluding some components of equity (e.g. components arising from cash flow hedges).</del></p> <p><del>(c) any changes in (a) and (b) from the previous period.</del></p> <p><del>(d) whether during the period it complied with any externally imposed capital requirements to which it is subject.</del></p> <p><del>(e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.</del></p> <p>The entity bases these disclosures on the information provided internally to key management personnel.</p>	<p>paragraph 135 re-drafted as a principle, rather than a mandatory list.</p>
<p><b>136A For puttable financial instruments classified as equity instruments, an entity shall disclose (to the extent not disclosed elsewhere):</b></p> <p><b>(a) summary quantitative data about the amount classified as equity, including any reclassifications into and out of this category;</b></p> <p><b>(b) its objectives, policies and processes for managing its obligation to repurchase or redeem the instruments when required to do so by the instrument holders, including any changes from the previous period;</b></p>	<p>Re-drafted as higher-level principle.</p>

Requirement	Comment
<p>(c) <del>information about</del> the expected cash outflow on redemption or repurchase of that class of financial instruments; <del>and</del></p> <p>(d) <del>information about how the expected cash outflow on redemption or repurchase was determined.</del></p>	
<p>137 An entity shall disclose in the notes:</p> <p>(a) the amount of dividends proposed or declared before the financial statements were authorised for issue but not recognised as a distribution to owners during the period, and the related amount per share; and</p> <p>(b) the amount of any cumulative preference dividends not recognised.</p>	Retain – basic requirements.
<p>138 An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:</p> <p>(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);</p> <p>(b) a description of the nature of the entity’s operations and its principal activities;</p> <p>(c) the name of the parent and the ultimate parent of the group; and</p> <p>(d) if it is a limited life entity, information regarding the length of its life.</p>	Retain – basic requirement.

#### 4. Conclusion

The disclosure requirements of IAS 1 can be reduced.

## IAS 2 Inventories

### 1. Disclosure objective

Not stated in IAS 2.

### 2. Likely disclosure objective – to be inserted at paragraph 1 (objective)

The disclosure objective is to provide material information about inventories.

### 3. Disclosure requirements

Requirement	Comment
<p>36 The financial statements shall disclose, <b><u>where the information is material:</u></b></p> <ul style="list-style-type: none"> <li><del>(a) the accounting policies adopted in measuring inventories, including the cost formula used;</del></li> <li>(b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;</li> <li>(c) the carrying amount of inventories carried at fair value less costs to sell; and</li> <li><del>(d) the amount of inventories recognised as an expense during the period;</del></li> <li><del>(e) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34;</del></li> <li><del>(f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as an expense in the period in accordance with paragraph 34;</del></li> <li><del>(g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 34; and</del></li> <li>(h) the carrying amount of inventories pledged as security for liabilities.</li> </ul>	<p>Disclosures should only be required where the information is material.</p> <p>(a) is deleted as it repeats IAS 8.</p> <p>(d) – (g) are deleted as if write-downs or write-ups are sufficiently important, they will be covered by IAS 1.</p>
<p>37 Information about the carrying amounts held in different classifications of inventories and the extent of the changes in these assets is useful to financial statement users. Common classifications of inventories are merchandise, production supplies, materials, work in progress and finished goods. The inventories of a service provider may be described as work in progress.</p>	<p>Retain - background information on classes of inventories is useful.</p>
<p>38 The amount of inventories recognised as an expense during the period, which is often referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has now been sold and unallocated production overheads and abnormal amounts of production costs of inventories. The circumstances of the entity may also warrant the inclusion of other amounts, such as distribution costs.</p>	<p>Retain – background information</p>
<p>39 Some entities adopt a format for profit or loss that results in amounts being disclosed other than the cost of inventories recognised as an expense during the period. Under this format, an entity presents an analysis of expenses using a classification based on the nature of expenses. In this case, the entity discloses the costs recognised as an expense for raw</p>	<p>Retain – background information.</p>

Requirement	Comment
materials and consumables, labour costs and other costs together with the amount of the net change in inventories for the period.	

#### 4. Conclusion

The disclosure requirements of IAS 2 are not excessive and few changes are made.

## IAS 7 *Statement of Cash Flows*

### 1. Disclosure objective

The objective of this Standard is to require the provision of material information about the historical changes in cash and cash equivalents of an entity by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities. (overall objective of IAS 7)

### 2. Likely disclosure objective

The disclosure objective is clearly specified; only one amendment is required.

### 3. Disclosure requirements

Requirement	Comment
10 The statement of cash flows shall report <u>material</u> cash flows during the period classified by operating, investing and financing activities.	Retain – amended to emphasise materiality.
18 An entity shall report cash flows from operating activities using either: (a) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or (b) the indirect method, whereby profit or loss is adjusted for the effects of transactions or a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.	Retain - it is noted that disclosure could be simplified and comparability enhanced by requiring a single method of reporting operating cash flows, but this is beyond the remit of this project.
21 An entity shall report separately <del>major</del> <u>material</u> classes of gross cash receipts and gross cash payments arising from investing and financing activities, except to the extent that cash flows described in paragraphs 22 and 24 are reported on a net basis.	Retain – ‘major’ replaced by ‘material’ for consistency.
22 Cash flows arising from the following operating, investing or financing activities may be reported on a net basis: (a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity; and (b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short. 24 Cash flows arising from each of the following activities of a financial institution may be reported on a net basis: (a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date; (b) the placement of deposits with and withdrawal of deposits from other financial institutions; and (c) cash advances and loans made to customers and the repayment of those advances and loans.	Retain – basic requirements
31 Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent	Retain – basic requirement.

Requirement	Comment
<p>manner from period to period as either operating, investing or financing activities.</p>	
<p>35 Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.</p>	<p>Retain – basic requirement.</p>
<p>39 The aggregate cash flows arising from obtaining or losing control of subsidiaries or other businesses, <b>if material</b>, shall be presented separately and classified as investing activities.</p> <p>40 An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses during the period each of the following, <b>if material</b>:</p> <ul style="list-style-type: none"> <li>(a) the total consideration paid or received;</li> <li>(b) the portion of consideration consisting of cash and cash equivalents;</li> <li>(c) the amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and</li> <li>(d) the amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each <del>major</del> <b>material</b> category.</li> </ul> <p>42 The aggregate amount of the cash paid or received as consideration for obtaining or losing control of subsidiaries or other businesses is reported in the statement of cash flows net of cash and cash equivalents acquired or disposed of as part of such transactions, events or changes in circumstances.</p> <p>42A Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities.</p> <p>42B Changes in ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, are accounted for as equity transactions (see IAS 27 <i>Consolidated and Separate Financial Statements</i> (as amended in 2008)). Accordingly, the resulting cash flows are classified in the same way as other transactions with owners described in paragraph 17.</p>	<p>Retain – basic requirements, amended to emphasise materiality</p>
<p>43 Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. <b>If material</b>, such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.</p>	<p>Amended to emphasise materiality.</p>
<p>45 An entity shall disclose the <b>material</b> components of cash and cash equivalents and shall present a reconciliation of the amounts in its statement of cash flows with the equivalent items reported in the statement of financial position.</p>	<p>Retain – amended to emphasise materiality.</p>
<p>48 An entity shall disclose, together with a commentary by management, the amount of <del>significant</del> <b>material</b> cash and cash equivalent balances held by the entity that are not available for use</p>	<p>Retain – 'significant' replaced by 'material' for consistency.</p>

Requirement	Comment
by the group.	
<p>50 <del>Additional information may be relevant to users in understanding the financial position and liquidity of an entity. Disclosure of this information, together with a commentary by management, is encouraged and may include:</del></p> <ul style="list-style-type: none"> <li><del>(a) the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments, indicating any restrictions on the use of these facilities;</del></li> <li><del>(b) the aggregate amounts of the cash flows from each of operating, investing and financing activities related to interests in joint ventures reported using proportionate consolidation;</del></li> <li><del>(c) the aggregate amount of cash flows that represent increases in operating capacity separately from those cash flows that are required to maintain operating capacity; and</del></li> <li><del>(d) the amount of the cash flows arising from the operating, investing and financing activities of each reportable segment (see IFRS 8 <i>Operating Segments</i>).</del></li> </ul>	Delete – disclosures only encouraged.

#### 4. Conclusion

The disclosure requirements of IAS 7 are not excessive - few changes are proposed.

## IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

### 1. Disclosure Objective

Not stated

### 2. Likely disclosure objective – to be inserted at paragraph 1.

The disclosure objective is to provide material information that enables users to evaluate the impact of changes in accounting policies, changes in accounting estimates and errors on the financial statements.

### 3. Disclosure requirements

Requirement	Comment
<p>28 When initial application of an IFRS has an <u>material</u> effect on the current period or any prior period, <del>would have such an effect except that it is impracticable to determine the amount of the adjustment,</del> or might have an <u>material</u> effect on future periods, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the title of the IFRS;</li> <li>(b) <del>when applicable, that the change in accounting policy is made in accordance with its transitional provisions;</del></li> <li>(c) the nature of the change in accounting policy;</li> <li><del>(d) when applicable, a description of the transitional provisions;</del></li> <li><del>(e) when applicable, the transitional provisions that might have an effect on future periods</del></li> <li>(f) <del>for the each period, the impact of the change, to the extent practicable. current period and each prior period presented, to the extent practicable, the amount of the adjustment:</del> <ul style="list-style-type: none"> <li><del>(i) for each financial statement line item affected; and</del></li> <li><del>(ii) if IAS 33 <i>Earnings per Share</i> applies to the entity, for basic and diluted earnings per share;</del></li> </ul> </li> <li><del>(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and</del></li> <li>(h) if retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, <del>or for periods before those presented,</del> the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.</li> </ul> <p>Financial statements of subsequent periods need not repeat these disclosures.</p>	<p>The disclosures are highly detailed – the key items to disclose are the nature of the change and its impact. Beyond this, these disclosures can become boiler-plate and uninformative. It should be for the entity to judge the extent of material information to be disclosed.</p>
<p>29 When a voluntary change in accounting policy has an <u>material</u> effect on the current period or any prior period, <del>would have an effect on that period except that it is impracticable to determine the amount of the adjustment,</del> or might have an <u>material</u> effect on future periods, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the nature of the change in accounting policy;</li> </ul>	<p>As paragraph 28 above</p>

Requirement	Comment
<p>(b) the reasons why applying the new accounting policy provides reliable and more relevant information;</p> <p>(c) <del>for each period, the impact of the change the current period and each prior period presented,</del> to the extent practicable <del>the amount of the adjustment:</del></p> <p style="padding-left: 20px;"><del>(i) for each financial statement line item affected; and</del></p> <p style="padding-left: 20px;"><del>(ii) if IAS 33 applies to the entity, for basic and diluted earnings per share;</del></p> <p>(d) <del>the amount of the adjustment relating to periods before those presented, to the extent practicable; and</del></p> <p>(e) if retrospective application is impracticable for a particular prior period, <del>or for periods before those presented,</del> the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.</p> <p>Financial statements of subsequent periods need not repeat these disclosures.</p>	
<p>30 When an entity has not applied a new IFRS that has been issued but is not yet effective, <u>and that is expected to have an impact on the entity's financial statements</u>, the entity shall disclose:</p> <p>(a) <del>this fact; and</del></p> <p>(b) known or reasonably estimable information relevant to assessing the possible impact that application of the new IFRS will have on the entity's financial statements in the period of initial application.</p> <p>31 <del>In complying with paragraph 30, an entity considers disclosing:</del></p> <p>(a) <del>the title of the new IFRS;</del></p> <p>(b) <del>the nature of the impending change or changes in accounting policy;</del></p> <p>(c) <del>the date by which application of the IFRS is required;</del></p> <p>(d) <del>the date as at which it plans to apply the IFRS initially; and</del></p> <p>(e) <del>either:</del></p> <p style="padding-left: 20px;"><del>(i) a discussion of the impact that initial application of the IFRS is expected to have on the entity's financial statements; or</del></p> <p style="padding-left: 20px;"><del>(ii) if that impact is not known or reasonably estimable, a statement to that effect.</del></p>	<p>As paragraphs 28 and 29 above</p>
<p>39 An entity shall disclose the nature and amount of a <b>material</b> change in an accounting estimate that has <del>an</del> <b>material</b> effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.</p> <p>40 If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.</p>	<p>Retain – basic requirements, amended to emphasise materiality.</p>

Requirement	Comment
<p>49 In applying paragraph 42, an entity shall disclose the following:</p> <ul style="list-style-type: none"> <li>(a) the nature of the prior period error;</li> <li>(b) for each prior period presented, to the extent practicable, the amount of the correction: <ul style="list-style-type: none"> <li><del>(i) for each financial statement line item affected; and</del></li> <li><del>(ii) if IAS 33 applies to the entity, for basic and diluted earnings per share;</del></li> </ul> </li> <li>(c) the amount of the correction at the beginning of the earliest prior period presented; and</li> <li>(d) if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.</li> </ul> <p>Financial statements of subsequent periods need not repeat these disclosures.</p>	<p>Detailed disclosures deleted in line with changes made to paragraphs 28-31 above.</p>

#### 4. Conclusion

The disclosure requirements of IAS 8 can be reduced.

## IAS 10 *Events after the Reporting Period*

### 1. Disclosure Objective

The objective of this Standard is to prescribe:

- .... (b) the disclosures that an entity should give about the date when the financial statements were authorised for issue and about events after the reporting period.

(paragraph 1)

### 2. Likely disclosure objective – to be inserted at paragraph 1.

The disclosure objective is to provide material information about events after the reporting period, to enable users to understand the impact of such events on the entity and on its financial statements.

### 3. Disclosure requirements

Requirement	Comment
13 If dividends are declared after the reporting period but before the financial statements are authorised for issue, the dividends are not recognised as a liability at the end of the reporting period because no obligation exists at that time. <del>Such dividends are disclosed in the notes in accordance with IAS 1 Presentation of Financial Statements.</del>	Sentence deleted to avoid duplication.
<del>16 IAS 1 specifies required disclosures if: (a) the financial statements are not prepared on a going concern basis; or (b) management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The events or conditions requiring disclosure may arise after the reporting period.</del>	Delete – going concern is addressed in IAS 1, it should not be necessary to repeat disclosures.
17 <b>An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.</b>	Retain - basic requirement
19 <b>If an entity receives <u>material</u> information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.</b>	Amended to emphasise materiality.
20 In some cases, an entity needs to update the disclosures in its financial statements to reflect information received after the reporting period, even when the information does not affect the amounts that it recognises in its financial statements. One example of the need to update disclosures is when evidence becomes available after the reporting period about a contingent liability that existed at the end of the reporting period. In addition to considering whether it should recognise or change a provision under IAS 37, an entity updates its disclosures about the contingent liability in the light of that evidence.	Retain – background for paragraph 19.
21 <b>If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, an entity shall</b>	Retain - fundamental requirement

Requirement	Comment
<p>disclose the following for each material category of non-adjusting event after the reporting period:</p> <p>(a) the nature of the event; and</p> <p>(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.</p>	
<p><del>22 The following are examples of non-adjusting events after the reporting period that would generally result in disclosure:</del></p> <p><del>(a) a major business combination after the reporting period ( IFRS 3 Business Combinations requires specific disclosures in such cases) or disposing of a major subsidiary;</del></p> <p><del>(b) announcing a plan to discontinue an operation;</del></p> <p><del>(c) major purchases of assets, classification of assets as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, other disposals of assets, or expropriation of major assets by government;</del></p> <p><del>(d) the destruction of a major production plant by a fire after the reporting period;</del></p> <p><del>(e) announcing, or commencing the implementation of, a major restructuring (see IAS 37);</del></p> <p><del>(f) major ordinary share transactions and potential ordinary share transactions after the reporting period ( IAS 33 Earnings per Share requires an entity to disclose a description of such transactions, other than when such transactions involve capitalisation or bonus issues, share splits or reverse share splits all of which are required to be adjusted under IAS 33);</del></p> <p><del>(g) abnormally large changes after the reporting period in asset prices or foreign exchange rates;</del></p> <p><del>(h) changes in tax rates or tax laws enacted or announced after the reporting period that have a significant effect on current and deferred tax assets and liabilities (see IAS 12 Income Taxes);</del></p> <p><del>(i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and</del></p> <p><del>(j) commencing major litigation arising solely out of events that occurred after the reporting period.</del></p>	<p>Delete - examples of this nature may encourage a 'tick-box' mentality and discourage entities from using judgement in determining the events that should be disclosed.</p>

#### 4. Conclusion

The disclosure requirements of IAS 10 are reasonable and relatively few changes are required.

## IAS 12 *Income Taxes*

### 1. Disclosure objective

Not specified.

### 2. Likely disclosure objective – to be inserted at objective

The disclosure objective is to provide material information about the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events. (adapted from the IFRS for SMEs – ‘material’ has been inserted for emphasis)

### 3. Disclosure requirements

Requirement	Comment
77 The tax expense (income) related to profit or loss from ordinary activities shall be presented in the statement of comprehensive income.	Retain – basic requirement.
<del>77A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 <i>Presentation of Financial Statements</i> (as revised in 2007), it presents the tax expense (income) related to profit or loss from ordinary activities in that separate statement.</del>	Deleted as it is not considered necessary to repeat IAS 1 requirement.
78 IAS 21 requires certain exchange differences to be recognised as income or expense but does not specify where such differences should be presented in the statement of comprehensive income. Accordingly, where exchange differences on deferred foreign tax liabilities or assets are recognised in the statement of comprehensive income, such differences may be classified as deferred tax expense (income) if that presentation is considered to be the most useful to financial statement users.	Retain – explanatory information.
79 The <del>major</del> <u>material</u> components of tax expense (income) shall be disclosed separately.	Major is replaced by material for consistency.
<del>80 Components of tax expense (income) may include: (a) current tax expense (income); (b) any adjustments recognised in the period for current tax of prior periods; (c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences; (d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes; (e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce current tax expense; (f) the amount of the benefit from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce deferred tax expense; (g) deferred tax expense arising from the write down, or reversal of a previous write down, of a deferred tax asset in accordance with paragraph 56; and (h) the amount of tax expense (income) relating to those changes in</del>	Delete – examples that may be interpreted as mandatory disclosures.

Requirement	Comment
<p><del>accounting policies and errors that are included in profit or loss in accordance with IAS 8, because they cannot be accounted for retrospectively.</del></p>	
<p><b>81</b>     <b><u>If material</u></b>, the following shall also be disclosed separately:</p> <p>(a)     the aggregate current and deferred tax relating to items that are charged or credited directly to equity (see paragraph 62A);</p> <p>(ab)    the amount of income tax relating to each component of other comprehensive income (see paragraph 62 and IAS 1 (as revised in 2007));</p> <p>(b)     <del>[deleted];</del></p> <p>(c)     an explanation of the relationship between tax expense (income) and accounting profit <del>in either or both of the following forms:</del></p> <p>          (i)     <del>a numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are) computed; or</del></p> <p>          (ii)    <del>a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed;</del></p> <p>(d)     an explanation of changes in the applicable tax rate(s) compared to the previous accounting period;</p> <p>(e)     the amount (and expiry date, if any) of deductible temporary differences, unused tax losses, and unused tax credits for which no deferred tax asset is recognised in the statement of financial position;</p> <p>(f)     the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognised (see paragraph 39);</p> <p>(g)     <del>in respect of each type of temporary difference, and in respect of each type of unused tax losses and unused tax credits:</del></p> <p>          (i)     <del>the amount of the deferred tax assets and liabilities recognised in the statement of financial position for each period presented;</del></p> <p>          (ii)    <del>the amount of the deferred tax income or expense recognised in profit or loss, if this is not apparent from the changes in the amounts recognised in the statement of financial position;</del></p> <p>(h)     in respect of discontinued operations, the tax expense relating to:</p> <p>          (i)     the gain or loss on discontinuance; and</p> <p>          (ii)    the profit or loss from the ordinary activities of the discontinued operation for the period, together with the corresponding amounts for each prior period</p>	<p>These are useful disclosures when restricted to material information.</p> <p>(c)(i) and (ii) are deleted – reconciliations are not required.</p> <p>(g) is deleted as is excessively detailed and is covered by (e) in general.</p> <p>(i) is deleted as is excessively detailed and if material will be covered by IAS 37 or IAS 10.</p>

Requirement	Comment
<p style="text-align: center;">presented;</p> <ul style="list-style-type: none"> <li>(i) <del>the amount of income tax consequences of dividends to shareholders of the entity that were proposed or declared before the financial statements were authorised for issue, but are not recognised as a liability in the financial statements;</del></li> <li>(j) if a business combination in which the entity is the acquirer causes a change in the amount recognised for its pre-acquisition deferred tax asset (see paragraph 67), the amount of that change; and</li> <li>(k) if the deferred tax benefits acquired in a business combination are not recognised at the acquisition date but are recognised after the acquisition date (see paragraph 68), a description of the event or change in circumstances that caused the deferred tax benefits to be recognised.</li> </ul>	
<p>82 <b>If material</b>, an entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:</p> <ul style="list-style-type: none"> <li>(a) the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and</li> <li>(b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.</li> </ul>	Retain – should be material items only
<p>82A <del>In the circumstances described in paragraph 52A, an entity shall disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. In addition, the entity shall disclose the amounts of the potential income tax consequences practicably determinable and whether there are any potential income tax consequences not practicably determinable.</del></p>	Delete – it is not the purpose of financial statements to explain details about specific tax regimes.
<p>84 The disclosures required by paragraph 81(c) enable users of financial statements to understand whether the relationship between tax expense (income) and accounting profit is unusual and to understand the significant factors that could affect that relationship in the future. The relationship between tax expense (income) and accounting profit may be affected by such factors as revenue that is exempt from taxation, expenses that are not deductible in determining taxable profit (tax loss), the effect of tax losses and the effect of foreign tax rates.</p>	Retain – explanatory information and is helpful given that 81(c) has been truncated.
<p>85 In explaining the relationship between tax expense (income) and accounting profit, an entity uses an applicable tax rate that provides the most meaningful information to the users of its financial statements. Often, the most meaningful rate is the domestic rate of tax in the country in which the entity is domiciled, aggregating the tax rate applied for national taxes with the rates applied for any local taxes which are computed on a substantially similar level of taxable profit (tax loss). However, for an entity operating in several jurisdictions, it may be more meaningful to <u>explain the relationship</u> <del>aggregate separate reconciliations prepared</del> using the domestic rate in each individual jurisdiction. <del>The following example illustrates how the selection of the applicable tax rate affects the presentation of the numerical reconciliation.</del></p>	Amended to reflect changes to 81(c)

Requirement	Comment																														
<p><b>Example illustrating paragraph 85</b></p> <p style="text-align: center;"> </p> <p>In 19X2, an entity has accounting profit in its own jurisdiction (country A) of 1,500 (19X1: 2,000) and in country B of 1,500 (19X1: 500). The tax rate is 30% in country A and 20% in country B. In country A, expenses of 100 (19X1: 200) are not deductible for tax purposes.</p> <p><i>The following is an example of reconciliation to the domestic tax rate.</i></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">19X1</th> <th style="text-align: right;">19X2</th> </tr> </thead> <tbody> <tr> <td><i>Accounting profit</i></td> <td style="text-align: right;">2,500</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td><i>Tax at the domestic rate of 30%</i></td> <td style="text-align: right;">750</td> <td style="text-align: right;">900</td> </tr> <tr> <td><i>Tax effect of expenses that are not deductible for tax purposes</i></td> <td style="text-align: right;">60</td> <td style="text-align: right;">30</td> </tr> <tr> <td><i>Effect of lower tax rates in country B</i></td> <td style="text-align: right;">(50)</td> <td style="text-align: right;">(150)</td> </tr> <tr> <td><i>Tax expense</i></td> <td style="text-align: right;">760</td> <td style="text-align: right;">780</td> </tr> </tbody> </table> <p><i>The following is an example of a reconciliation prepared by aggregating separate reconciliations for each national jurisdiction. Under this method, the effect of differences between the reporting entity's own domestic tax rate and the domestic tax rate in other jurisdictions does not appear as a separate item in the reconciliation. An entity may need to discuss the effect of significant changes in either tax rates, or the mix of profits earned in different jurisdictions, in order to explain changes in the applicable tax rate(s), as required by paragraph 81(d).</i></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">2,500</th> <th style="text-align: right;">3,000</th> </tr> </thead> <tbody> <tr> <td><i>Tax at the domestic rates applicable to profits in the country concerned</i></td> <td style="text-align: right;">700</td> <td style="text-align: right;">750</td> </tr> <tr> <td><i>Tax effect of expenses that are not deductible for tax purposes</i></td> <td style="text-align: right;">60</td> <td style="text-align: right;">30</td> </tr> <tr> <td><i>Tax expense</i></td> <td style="text-align: right;">760</td> <td style="text-align: right;">780</td> </tr> </tbody> </table>		19X1	19X2	<i>Accounting profit</i>	2,500	3,000	<i>Tax at the domestic rate of 30%</i>	750	900	<i>Tax effect of expenses that are not deductible for tax purposes</i>	60	30	<i>Effect of lower tax rates in country B</i>	(50)	(150)	<i>Tax expense</i>	760	780		2,500	3,000	<i>Tax at the domestic rates applicable to profits in the country concerned</i>	700	750	<i>Tax effect of expenses that are not deductible for tax purposes</i>	60	30	<i>Tax expense</i>	760	780	<p>Delete – requirement for reconciliation has been removed.</p>
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<p>86 The average effective tax rate is the tax expense (income) divided by the accounting profit.</p>	<p>Retain – useful guidance.</p>																														
<p>87 It would often be impracticable to compute the amount of unrecognised deferred tax liabilities arising from investments in subsidiaries, branches and associates and interests in joint ventures (see paragraph 39). Therefore, this Standard requires an entity to disclose the aggregate amount of the underlying temporary differences but does not require</p>	<p>Delete – is an ‘encouraged’ disclosure, which should be covered by a general point to disclose additional information where</p>																														

Requirement	Comment
disclosure of the deferred tax liabilities. Nevertheless, where practicable, entities are encouraged to disclose the amounts of the unrecognised deferred tax liabilities because financial statement users may find such information useful.	necessary.
87A Paragraph 82A requires an entity to disclose the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders. An entity discloses the important features of the income tax systems and the factors that will affect the amount of the potential income tax consequences of dividends.	Delete as 82A is deleted.
87B It would sometimes not be practicable to compute the total amount of the potential income tax consequences that would result from the payment of dividends to shareholders. This may be the case, for example, where an entity has a large number of foreign subsidiaries. However, even in such circumstances, some portions of the total amount may be easily determinable. For example, in a consolidated group, a parent and some of its subsidiaries may have paid income taxes at a higher rate on undistributed profits and be aware of the amount that would be refunded on the payment of future dividends to shareholders from consolidated retained earnings. In this case, that refundable amount is disclosed. If applicable, the entity also discloses that there are additional potential income tax consequences not practicably determinable. In the parent's separate financial statements, if any, the disclosure of the potential income tax consequences relates to the parent's retained earnings.	Deleted as 82A is deleted.
87C An entity required to provide the disclosures in paragraph 82A may also be required to provide disclosures related to temporary differences associated with investments in subsidiaries, branches and associates or interests in joint ventures. In such cases, an entity considers this in determining the information to be disclosed under paragraph 82A. For example, an entity may be required to disclose the aggregate amount of temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognised (see paragraph 81(f)). If it is impracticable to compute the amounts of unrecognised deferred tax liabilities (see paragraph 87) there may be amounts of potential income tax consequences of dividends not practicably determinable related to these subsidiaries.	Deleted as 82A is deleted.
88 An entity discloses any tax-related contingent liabilities and contingent assets in accordance with IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> . Contingent liabilities and contingent assets may arise, for example, from unresolved disputes with the taxation authorities. Similarly, where changes in tax rates or tax laws are enacted or announced after the reporting period, an entity discloses any significant effect of those changes on its current and deferred tax assets and liabilities (see IAS 10 <i>Events after the Reporting Period</i> ).	Retain – useful cross-reference.

#### 4. Conclusion

The disclosure requirements of IAS 12 can be reduced.

## IAS 16 *Property, Plant and Equipment*

### 1. Disclosure objective

The objective of this standard is to prescribe the accounting treatment for property, plant and equipment, so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment.

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is clearly specified, but, for consistency, should be amended to read “The disclosure objective is to provide material information about an entity's investment in its property, plant and equipment and changes in such investment.”

### 3. Disclosure requirements

Requirement	Comment
<p>73 The financial statements shall disclose, for each <u>material</u> class of property, plant and equipment:</p> <p>(a) <del>the measurement bases used for determining the gross carrying amount;</del></p> <p>(b) <del>the depreciation methods used;</del></p> <p>(c) the useful lives or the depreciation rates used;</p> <p>(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and</p> <p>(e) a <u>summary of material changes between reconciliation of the carrying amount at the beginning and end of the period showing:</u></p> <p>(i) <u>additions;</u></p> <p>(ii) <del>assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;</del></p> <p>(iii) <del>acquisitions through business combinations;</del></p> <p>(iv) <del>increases or decreases resulting from revaluations under paragraphs 31, 39 and 40 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36;</del></p> <p>(v) <del>impairment losses recognised in profit or loss in accordance with IAS 36;</del></p> <p>(vi) <del>impairment losses reversed in profit or loss in accordance with IAS 36;</del></p> <p>(vii) <u>depreciation;</u></p> <p>(viii) <del>the net exchange differences arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity; and</del></p>	<p>Amended to emphasise materiality.</p> <p>(a) is deleted as this is also covered by IAS 1 where deletion is proposed.</p> <p>(b) is deleted as it is required by IAS 1 and usually results in boiler-plate disclosures.</p> <p>(c) is amended to limit reconciliation to material changes, which will result in more meaningful disclosures.</p>

Requirement	Comment
(ix) <del>other changes.</del>	
<p>74 <b><u>If material</u></b>, the financial statements shall also disclose:</p> <p>(a) the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities; <u>and</u></p> <p>(b) the amount of expenditures recognised in the carrying amount of an item of property, plant and equipment in the course of its construction;<sup>5</sup></p> <p><del>(c) the amount of contractual commitments for the acquisition of property, plant and equipment; and</del></p> <p><del>(d) if it is not disclosed separately in the statement of comprehensive income, the amount of compensation from third parties for items of property, plant and equipment that were impaired, lost or given up that is included in profit or loss.</del></p>	<p>Retain – useful for understanding the implication of PP&amp;E held by the entity.</p> <p>(c) is deleted as it is unclear why these commitments are singled out for disclosure.</p> <p>(d) is deleted as it would be disclosed under IAS 1 if sufficiently important.</p>
<p>75 Selection of the depreciation method and estimation of the useful life of assets are matters of judgement. Therefore, disclosure of <del>the methods adopted</del> and the estimated useful lives or depreciation rates provides users of financial statements with information that allows them to review the policies selected by management and enables comparisons to be made with other entities. <del>For similar reasons, it is necessary to disclose:</del></p> <p><del>(a) depreciation, whether recognised in profit or loss or as a part of the cost of other assets, during a period; and</del></p> <p><del>(b) accumulated depreciation at the end of the period.</del></p> <p>76 In accordance with IAS 8 an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to:</p> <p>(a) residual values;</p> <p>(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;</p> <p>(c) useful lives; and</p> <p>(d) depreciation methods.</p>	<p>Explanation – provided for background.</p> <p>Deletions to achieve consistency with paragraph 73.</p>
<p>77 <b><u>If material</u></b> items of property, plant and equipment are stated at revalued amounts, the following shall be disclosed:</p> <p>(a) the effective date <u>and source</u> of the revaluation;</p> <p><del>(b) whether an independent valuer was involved;</del></p> <p>(c) the methods and significant assumptions applied in estimating the items' fair values;</p> <p>(d) the extent to which the items' fair values were determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;</p> <p><del>(e) for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model; and</del></p> <p><del>(f) the revaluation surplus, indicating the change for the period</del></p>	<p>Amended to emphasise materiality.</p> <p>(b) is combined with (a).</p> <p>(e) is deleted, as it is not required by other standards where revaluation is an option.</p> <p>(f) is deleted, as is required by IAS 1 – reserves disclosures</p> <p>Paragraph 78 is deleted as the cross reference not particularly useful.</p>

Requirement	Comment
<p style="text-align: center;"><del>and any restrictions on the distribution of the balance to shareholders.</del></p> <p>78 — In accordance with IAS 36 an entity discloses information on impaired property, plant and equipment in addition to the information required by paragraph 73(e)(iv)–(vi).</p>	
<p>79 — Users of financial statements may also find the following information relevant to their needs:</p> <ul style="list-style-type: none"> <li>(a) the carrying amount of temporarily idle property, plant and equipment;</li> <li>(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;</li> <li>(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with IFRS 5; and</li> <li>(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.</li> </ul> <p>Therefore, entities are encouraged to disclose these amounts.</p>	<p>Recommend deleting ‘encouraged’ disclosures as their status is ambiguous and it is likely that preparers will include these regardless of whether or not they are appropriate.</p>

#### 4. Conclusion

The disclosure requirements of IAS 16 can be reduced.

## IAS 19 *Employee Benefits*

### 1. Disclosure objective

Not specified

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is to provide material information that enables users of the financial statements to evaluate the impact of material employee benefit arrangements on the entity's financial position and performance and to assess the risks related to these arrangements.

### 3. Disclosure requirements

Requirement	Comment
<p>23 Although this Standard does not require specific disclosures about short-term employee benefits, other Standards may require disclosures. For example, IAS 24 requires disclosures about employee benefits for key management personnel. IAS 1 <i>Presentation of Financial Statements</i> requires disclosure of employee benefits expense.</p>	<p>Retain – cross-references are useful since no specific disclosures about short-term employee benefits required by this standard.</p>
<p>29 <b>An entity shall classify a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms). Where a multi-employer plan is a defined benefit plan, an entity shall:</b></p> <p>(a) account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan; and</p> <p>(b) disclose the information required by paragraph 120A.</p>	<p>Retain - given the structure of this standard, these internal cross-references are necessary.</p>
<p>30 <b>When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, an entity shall:</b></p> <p>(a) account for the plan under paragraphs 44–46 as if it were a defined contribution plan;</p> <p>(b) disclose:</p> <p>(i) the fact that the plan is a defined benefit plan; and</p> <p>(ii) the reason why sufficient information is not available to enable the entity to account for the plan as a defined benefit plan; and</p> <p>(c) to the extent that a surplus or deficit in the plan may affect the amount of future contributions, disclose in addition:</p> <p>(i) any available information about that surplus or deficit;</p> <p>(ii) the basis used to determine that surplus or deficit; and</p> <p>(iii) the implications, if any, for the entity.</p>	<p>Retain – this information is important in explaining the accounting treatment of a multi-employer plan.</p>
<p>32 Where sufficient information is available about a multi-employer plan which is a defined benefit plan, an entity accounts for its proportionate share of the defined benefit obligation, plan assets and post-employment benefit cost associated with the plan in the same way as for any other defined benefit plan. However, in some cases, an entity may not be able to identify its share of the underlying financial position and performance</p>	<p>Retain – clarifies disclosures</p>

Requirement	Comment
<p>of the plan with sufficient reliability for accounting purposes. This may occur if:</p> <ul style="list-style-type: none"> <li>(a) the entity does not have access to information about the plan that satisfies the requirements of this Standard; or</li> <li>(b) the plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and cost to individual entities participating in the plan.</li> </ul> <p>In those cases, an entity accounts for the plan as if it were a defined contribution plan and discloses the additional information required by paragraph 30.</p>	
<p><del>32B IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> requires an entity to disclose information about some contingent liabilities. In the context of a multi-employer plan, a contingent liability may arise from, for example:</del></p> <ul style="list-style-type: none"> <li><del>(a) actuarial losses relating to other participating entities because each entity that participates in a multi-employer plan shares in the actuarial risks of every other participating entity; or</del></li> <li><del>(b) any responsibility under the terms of a plan to finance any shortfall in the plan if other entities cease to participate.</del></li> </ul>	Delete – unnecessary examples.
<p>34B Participation in such a plan is a related party transaction for each individual group entity. An entity shall therefore, in its separate or individual financial statements, make the following disclosures:</p> <ul style="list-style-type: none"> <li>(a) the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy.</li> <li>(b) the policy for determining the contribution to be paid by the entity.</li> <li>(c) if the entity accounts for an allocation of the net defined benefit cost in accordance with paragraph 34A, all the information about the plan as a whole in accordance with paragraphs 120–121.</li> <li>(d) if the entity accounts for the contribution payable for the period in accordance with paragraph 34A, the information about the plan as a whole required in accordance with paragraphs 120A(b)–(e), (j), (n), (o), (q) and 121. The other disclosures required by paragraph 120A do not apply.</li> </ul>	Retain – clarifies the required disclosures for common control entities’ plans.
<p><b>46 An entity shall disclose the amount recognised as an expense for defined contribution plans.</b></p>	Retain
<p><del>47 Where required by IAS 24 an entity discloses information about contributions to defined contribution plans for key management personnel.</del></p>	Delete – replicates IAS 24
<p>60 The limit in paragraph 58(b) does not override the delayed recognition of certain actuarial losses (see paragraphs 92 and 93) and certain past service cost (see paragraph 96), other than as specified in paragraph 58A. However, that limit does override the transitional option in paragraph 155(b). Paragraph 120A(f)(iii) requires an entity to disclose any amount not recognised as an asset because of the limit in paragraph 58(b).</p>	Retain – given the structure of this standard, these internal cross-references are necessary.
<p>104C When an insurance policy is not a qualifying insurance policy, that</p>	Retain – given the structure

Requirement	Comment
<p>insurance policy is not a plan asset. Paragraph 104A deals with such cases: the entity recognises its right to reimbursement under the insurance policy as a separate asset, rather than as a deduction in determining the defined benefit liability recognised under paragraph 54; in all other respects, the entity treats that asset in the same way as plan assets. In particular, the defined benefit liability recognised under paragraph 54 is increased (reduced) to the extent that net cumulative actuarial gains (losses) on the defined benefit obligation and on the related reimbursement right remain unrecognised under paragraphs 92 and 93. Paragraph 120A(f)(iv) requires the entity to disclose a brief description of the link between the reimbursement right and the related obligation.</p>	<p>of this standard, these internal cross-references are necessary.</p>
<p><b>120</b> An entity shall disclose <b>material</b> information that enables users of financial statements to evaluate the nature of its defined benefit plans and the financial effects of changes in those plans during the period.</p>	<p>Retain – general principle is appropriate, amended to emphasise materiality.</p>
<p><b>120A</b> An entity shall disclose the following information about <b>material</b> defined benefit plans:</p> <p>(a) the entity’s accounting policy for recognising actuarial gains and losses.</p> <p>(b) a general description of the type of plan.</p> <p>(c) <del>a reconciliation of opening and closing balances of the present value of the defined benefit obligation showing separately, if applicable, the effects during the period attributable to each of the following:</del></p> <p><del>(i) — current service cost,</del></p> <p><del>(ii) — interest cost,</del></p> <p><del>(iii) — contributions by plan participants,</del></p> <p><del>(iv) — actuarial gains and losses,</del></p> <p><del>(v) — foreign currency exchange rate changes on plans measured in a currency different from the entity’s presentation currency,</del></p> <p><del>(vi) — benefits paid,</del></p> <p><del>(vii) — past service cost,</del></p> <p><del>(viii) — business combinations,</del></p> <p><del>(ix) — curtailments and</del></p> <p><del>(x) — settlements.</del></p> <p><u>a summary of material changes in the opening and closing balances of the present value of the defined benefit obligation, including benefits paid and other changes.</u></p> <p>(d) an analysis of the defined benefit obligation into amounts arising from plans that are wholly unfunded and amounts arising from plans that are wholly or partly funded.</p> <p>(e) <del>a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A showing separately, if applicable, the effects during the period attributable to each of the following:</del></p>	<p>Emphasise materiality.</p> <p>(c), (e) and (f) replace reconciliations with a summary of material changes.</p> <p>(g) excessively detailed – disclosure of material items only is sufficient.</p> <p>(i) and (n) amended to use the term ‘material’ consistently in place of ‘major’ and ‘principal’</p> <p>(o) is deleted - it is unclear why this specific disclosure on medical cost trend rates is required. If the rate selection is highly significant it will be caught by IAS 1.</p> <p>(p) is deleted – generally only one year of comparatives is required.</p> <p>(q) is amended to focus on the relevant information about how unfunded plans will be funded.</p>

Requirement	Comment
<p>(i) — expected return on plan assets;</p> <p>(ii) — actuarial gains and losses;</p> <p>(iii) — foreign currency exchange rate changes on plans measured in a currency different from the entity's presentation currency;</p> <p>(iv) — contributions by the employer;</p> <p>(v) — contributions by plan participants;</p> <p>(vi) — benefits paid;</p> <p>(vii) — business combinations and settlements.</p> <p><u>a summary of material changes in the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset in accordance with paragraph 104A.</u></p> <p>(f) — a reconciliation of the present value of the defined benefit obligation in (c) and the fair value of the plan assets in (c) to the assets and liabilities recognised in the statement of financial position, showing at least:</p> <p>(i) — the net actuarial gains or losses not recognised in the statement of financial position (see paragraph 92);</p> <p>(ii) — the past service cost not recognised in the statement of financial position (see paragraph 96);</p> <p>(iii) — any amount not recognised as an asset, because of the limit in paragraph 58(b);</p> <p>(iv) — the fair value at the end of the reporting period of any reimbursement right recognised as an asset in accordance with paragraph 104A (with a brief description of the link between the reimbursement right and the related obligation); and</p> <p>(v) — the other amounts recognised in the statement of financial position.</p> <p><u>A summary of material differences between the present value of the defined benefit obligation in (c) and the fair value of plan assets in (c) and the assets and liabilities recognised in the statement of financial position.</u></p> <p>(g) — the total expense recognised in profit or loss for each of the following, and the line item(s) in which they are included:</p> <p>(i) — current service cost;</p> <p>(ii) — interest cost;</p> <p>(iii) — expected return on plan assets;</p> <p>(iv) — expected return on any reimbursement right recognised as an asset in accordance with paragraph 104A;</p> <p>(v) — actuarial gains and losses;</p> <p>(vi) — past service cost;</p> <p>(vii) — the effect of any curtailment or settlement; and</p> <p>(viii) — the effect of the limit in paragraph 58(b).</p>	

Requirement	Comment
<p><u>material items recognised in profit or loss.</u></p> <p>(h) the total amount recognised in other comprehensive income for each of the following:</p> <ul style="list-style-type: none"> <li>(i) actuarial gains and losses; and</li> <li>(ii) the effect of the limit in paragraph 58(b).</li> </ul> <p>(i) for entities that recognise actuarial gains and losses in other comprehensive income in accordance with paragraph 93A, the cumulative amount of actuarial gains and losses recognised in other comprehensive income.</p> <p>(j) for each <del>major</del> <u>material</u> category of plan assets, <del>which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets,</del> the percentage or amount that each major category constitutes of the fair value of the total plan assets.</p> <p>(k) <u>where material</u>, the amounts included in the fair value of plan assets for:</p> <ul style="list-style-type: none"> <li>(i) each category of the entity's own financial instruments; and</li> <li>(ii) any property occupied by, or other assets used by, the entity.</li> </ul> <p>(l) a narrative description of the basis used to determine the overall expected rate of return on assets, including the effect of the major categories of plan assets.</p> <p>(m) the actual return on plan assets, as well as the actual return on any reimbursement right recognised as an asset in accordance with paragraph 104A.</p> <p>(n) the <del>principal</del> <u>material</u> actuarial assumptions used as at the end of the reporting period, including, when applicable:</p> <ul style="list-style-type: none"> <li>(i) the discount rates;</li> <li>(ii) the expected rates of return on any plan assets for the periods presented in the financial statements;</li> <li>(iii) the expected rates of return for the periods presented in the financial statements on any reimbursement right recognised as an asset in accordance with paragraph 104A;</li> <li>(iv) the expected rates of salary increases (and of changes in an index or other variable specified in the formal or constructive terms of a plan as the basis for future benefit increases); <u>and</u></li> <li>(v) <del>medical cost trend rates;</del> <u>and</u></li> <li>(vi) any other material actuarial assumptions used.</li> </ul> <p>An entity shall disclose each actuarial assumption in absolute terms (for example, as an absolute percentage) and not just as a margin between different percentages or other variables.</p> <p><del>(o) the effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:</del></p> <ul style="list-style-type: none"> <li><del>(i) the aggregate of the current service cost and interest</del></li> </ul>	

Requirement	Comment
<p style="text-align: center;"><del>cost components of net periodic post-employment medical costs; and</del></p> <p style="text-align: center;"><del>(ii) — the accumulated post-employment benefit obligation for medical costs.</del></p> <p style="text-align: center;"><del>— For the purposes of this disclosure, all other assumptions shall be held constant. For plans operating in a high inflation environment, the disclosure shall be the effect of a percentage increase or decrease in the assumed medical cost trend rate of a significance similar to one percentage point in a low inflation environment.</del></p> <p style="text-align: center;"><del>(p) — the amounts for the current annual period and previous four annual periods of:</del></p> <p style="text-align: center;"><del>(i) — the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and</del></p> <p style="text-align: center;"><del>(ii) — the experience adjustments arising on:</del></p> <p style="text-align: center;"><del>(A) — the plan liabilities expressed either as (1) an amount or (2) a percentage of the plan liabilities at the end of the reporting period and</del></p> <p style="text-align: center;"><del>(B) — the plan assets expressed either as (1) an amount or (2) a percentage of the plan assets at the end of the reporting period.</del></p> <p style="text-align: center;"><del>(q) the employer's best estimate, as soon as it can reasonably be determined, of contributions expected to be paid to the plan during the annual period beginning after the reporting period. <u>The employer's present plan, or lack of a plan, for funding any unfunded or partially funded plans.</u></del></p>	
<p>121 Paragraph 120A(b) requires a general description of the type of plan. Such a description distinguishes, for example, flat salary pension plans from final salary pension plans and from post-employment medical plans. The description of the plan shall include informal practices that give rise to constructive obligations included in the measurement of the defined benefit obligation in accordance with paragraph 52. Further detail is not required.</p>	<p>Retain – explanatory information.</p>
<p>122 When an entity has more than one <u>material</u> defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful. It may be useful to distinguish groupings by criteria such as the following:</p> <p>(a) the geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or</p> <p>(b) whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.</p> <p>When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.</p>	<p>Retain – materiality emphasised to avoid excessive detail.</p>
<p>123 <del>Paragraph 30 requires additional disclosures about multi-employer defined benefit plans that are treated as if they were defined contribution plans.</del></p>	<p>Delete – unnecessary cross-reference</p>

Requirement	Comment
124 — <del>Where required by IAS 24 an entity discloses information about:</del> <del>(a) — related party transactions with post-employment benefit plans; and</del> <del>(b) — post-employment benefits for key management personnel.</del>	Delete – unnecessary cross-reference.
125 — <del>Where required by IAS 37 an entity discloses information about contingent liabilities arising from post-employment benefit obligations.</del>	Delete – unnecessary cross-reference
131 — <del>Although this Standard does not require specific disclosures about other long-term employee benefits, other Standards may require disclosures, for example, where the expense resulting from such benefits is material and so would require disclosure in accordance with IAS 1. When required by IAS 24, an entity discloses information about other long-term employee benefits for key management personnel.</del>	Delete – unnecessary cross-reference
141 — <del>Where there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. As required by IAS 37 an entity discloses information about the contingent liability unless the possibility of an outflow in settlement is remote.</del> 142 — <del>As required by IAS 1, an entity discloses the nature and amount of an expense if it is material. Termination benefits may result in an expense needing disclosure in order to comply with this requirement.</del> 143 — <del>Where required by IAS 24 an entity discloses information about termination benefits for key management personnel.</del>	Delete – unnecessary cross-reference

#### 4. Conclusion

The disclosure requirements of IAS 19 can be reduced.

**IAS 20 Accounting for Government Grants and Disclosure of Government Assistance**

**1. Disclosure objective**

Not specified

**2. Likely disclosure objective – to be inserted at paragraph 1**

The disclosure objective is to provide material information that enables users to evaluate the impact on an entity of government grants and government assistance.

**3. Disclosure requirements**

Requirement	Comment
<p>39 The following matters shall be disclosed:</p> <p>(a) <del>the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements;</del></p> <p>(b) the nature and extent of <u>material</u> government grants recognised in the financial statements and an indication of other forms of <u>material</u> government assistance from which the entity has directly benefited <u>and for which disclosure is necessary in order that the financial statements may not be misleading.</u> <del>and</del></p> <p>(c) <del>unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.</del></p>	<p>(a) is deleted as addressed by IAS 1.</p> <p>(b) wording added to reflect the purpose of this disclosure of other assistance as set out in paragraph 36.</p> <p>(c) is deleted as is unnecessary detail, and material information will be covered by (b) above.</p>

**4. Conclusion**

The disclosure requirements of IAS 20 are not excessive.

## IAS 21 *The Effects of Changes in Foreign Exchange Rates*

### 1. Disclosure objective

Not specified

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is to provide material information that enables users to understand the effects on the financial statements of changes in foreign exchange rates.

### 3. Disclosure requirements

Requirement	Comment
<p>52 <b>An entity shall disclose, if material:</b></p> <p>(a) the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with IFRS 9 and IAS 39; and</p> <p>(b) net exchange differences recognised in other comprehensive income and accumulated in a separate component of equity, <del>and a reconciliation of the amount of such exchange differences at the beginning and end of the period</del> <u>any other material movements during the period.</u></p>	<p>Retain – emphasising that disclosures are required only for material items.</p> <p>The reconciliation in (b) is not considered necessary – material changes are sufficient.</p>
<p><del>53 When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.</del></p>	<p>Delete – this is technical information that does not appear to be of general use.</p>
<p><del>54 When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.</del></p>	<p>Delete – this is technical information that does not appear to be of general use.</p>
<p><del>55 When an entity presents its financial statements in a currency that is different from its functional currency, it shall describe the financial statements as complying with IFRSs only if they comply with all the requirements of IFRSs including the translation method set out in paragraphs 39 and 42.</del></p> <p><del>56 An entity sometimes presents its financial statements or other financial information in a currency that is not its functional currency without meeting the requirements of paragraph 55. For example, an entity may convert into another currency only selected items from its financial statements. Or, an entity whose functional currency is not the currency of a hyperinflationary economy may convert the financial statements into another currency by translating all items at the most recent closing rate. Such conversions are not in accordance with IFRSs and the disclosures set out in paragraph 57 are required.</del></p> <p><del>57 When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency and the requirements of paragraph 55 are not met, it shall:</del></p> <p>(a) clearly identify the information as supplementary information to distinguish it from the information that complies with</p>	<p>Paragraphs 55-57 deleted – they relate to IFRS compliance which is addressed in IAS 1.</p>

Requirement	Comment
<p style="text-align: center;"><b>IFRSs;</b></p> <p>(b) <del>disclose the currency in which the supplementary information is displayed; and</del></p> <p>(c) <del>disclose the entity's functional currency and the method of translation used to determine the supplementary information.</del></p>	

#### 4. Conclusion

The disclosure requirements of IAS 21 can be reduced.

## IAS 23 *Borrowing Costs*

### 1. Disclosure objective

Not specified.

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is to provide material information that enables users to understand the impact of the capitalisation of borrowing costs on the financial statements.

### 3. Disclosure requirements

Requirement	Comment
26 An entity shall disclose, <b>if material</b> : (a) the amount of borrowing costs capitalised during the period; and (b) the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation.	The requirement is appropriate where borrowing costs are material.

### 4. Conclusion

The requirements are appropriate.

## IAS 24 *Related Party Disclosures*

### 1. Disclosure objective

The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties. (paragraph 1)

### 2. Likely disclosure objective

The disclosure objective is clearly specified.

### 3. Disclosure requirements

Requirement	Comment
<p><b>13 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.</b></p>	<p>This is a disclosure standard – these disclosures appear appropriate. Materiality in relation to related parties is a fundamental element of the definition of a related party, therefore is not addressed in the disclosure requirements.</p>
<p>14 To enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.</p>	<p>Retain – necessary disclosure</p>
<p>15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in IAS 27, IAS 28 <i>Investments in Associates</i> and IAS 31 <i>Interests in Joint Ventures</i>.</p>	<p>Retain – necessary clarification</p>
<p><b>17 An entity shall disclose key management personnel compensation in total and for each of the following categories:</b></p> <ul style="list-style-type: none"> <li>(a) short-term employee benefits;</li> <li>(b) post-employment benefits;</li> <li>(c) other long-term benefits;</li> <li>(d) termination benefits; and</li> <li>(e) share-based payment.</li> </ul>	<p>Retain – disclosures are appropriate</p>
<p><b>18 If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:</b></p> <ul style="list-style-type: none"> <li>(a) the amount of the transactions;</li> <li>(b) the amount of outstanding balances, including commitments, and:</li> </ul>	<p>Retain – (c) and (d) are combined to simplify requirements.</p>

Requirement	Comment
<ul style="list-style-type: none"> <li>(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and</li> <li>(ii) details of any guarantees given or received;</li> <li>(c) <b>total impairment recognised on related party loans outstanding or repaid during the period, provisions for doubtful debts related to the amount of outstanding balances; and</b></li> <li><del>(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.</del></li> </ul>	
<p>19 The disclosures required by paragraph 18 shall be made separately for each of the following categories:</p> <ul style="list-style-type: none"> <li>(a) the parent;</li> <li>(b) entities with joint control or significant influence over the entity;</li> <li>(c) subsidiaries;</li> <li>(d) <b>associates and joint ventures in which the entity is an investor;</b></li> <li><del>(e) joint ventures in which the entity is a venturer;</del></li> <li>(f) key management personnel of the entity or its parent; and</li> <li>(g) other related parties.</li> </ul>	(d) and (e) combined – creates a similar category to (b)
<p><del>20 The classification of amounts payable to, and receivable from, related parties in the different categories as required in paragraph 19 is an extension of the disclosure requirement in IAS 1 <i>Presentation of Financial Statements</i> for information to be presented either in the statement of financial position or in the notes. The categories are extended to provide a more comprehensive analysis of related party balances and apply to related party transactions.</del></p>	Delete – unnecessary cross-reference
<p>21 The following are examples of transactions that are disclosed if they are with a related party:</p> <ul style="list-style-type: none"> <li><del>(a) purchases or sales of goods (finished or unfinished);</del></li> <li><del>(b) purchases or sales of property and other assets;</del></li> <li><del>(c) rendering or receiving of services;</del></li> <li><del>(d) leases;</del></li> <li><del>(e) transfers of research and development;</del></li> <li><del>(f) transfers under licence agreements;</del></li> <li><del>(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);</del></li> <li><del>(h) provision of guarantees or collateral;</del></li> <li><del>(i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts<sup>3</sup> (recognised and unrecognised); and</del></li> <li><del>(j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.</del></li> </ul>	Delete – examples are self-evident and unnecessary

<sup>3</sup> IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* defines executory contracts as contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.

Requirement	Comment
22 Participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities is a transaction between related parties (see paragraph 34B of IAS 19).	Retain – useful cross-reference
<del>23 Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.</del>	Delete – implicit in representational faithfulness.
24 <b>Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.</b>	Retain – basic requirement.
25 <b>A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:</b> <b>(a) a government that has control, joint control or significant influence over the reporting entity; and</b> <b>(b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.</b>	Retain – disclosure exemption.
26 <b>If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:</b> <b>(a) the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);</b> <b>(b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:</b> <b>(i) the nature and amount of each individually significant transaction; and</b> <b>(ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.</b>	Retain – related to disclosure exemption above.
27 In using its judgement to determine the level of detail to be disclosed in accordance with the requirements in paragraph 26(b), the reporting entity shall consider the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transaction such as whether it is: <b>(a) significant in terms of size;</b> <b>(b) carried out on non-market terms;</b> <b>(c) outside normal day-to-day business operations, such as the purchase and sale of businesses;</b> <b>(d) disclosed to regulatory or supervisory authorities;</b> <b>(e) reported to senior management;</b> <b>(f) subject to shareholder approval.</b>	Retain – useful guidance.

#### **4. Conclusion**

The disclosure requirements of IAS 24 can be somewhat reduced.

## IAS 29 *Financial Reporting in Hyperinflationary Economies*

### 1. Disclosure objective

The disclosures required by this Standard are needed to make clear the basis of dealing with the effects of inflation in the financial statements. They are also intended to provide other information necessary to understand that basis and the resulting amounts. (paragraph 40)

### 2. Likely disclosure objective

For greater clarity, the disclosure objective could be restated as:

“The disclosure objective is to provide material information about the impact of price changes on an entity whose functional currency is the currency of a hyperinflationary economy.”

### 3. Disclosure requirements

Requirement	Comment
<p><b>9</b>      <b>The gain or loss on the net monetary position shall be included in profit or loss and separately disclosed <u>if material</u>.</b></p>	<p>Retain – basic requirement, amended to emphasise materiality.</p>
<p>25      At the end of the first period and in subsequent periods, all components of owners’ equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. The movements for the period in owners’ equity are disclosed in accordance with IAS 1 <u>if material</u>.</p>	<p>Retain - relevant clarification of IAS 1, given the difficulties of applying price level changes. Amended to emphasise materiality</p>
<p>28      The gain or loss on the net monetary position is included in profit or loss. The adjustment to those assets and liabilities linked by agreement to changes in prices made in accordance with paragraph 13 is offset against the gain or loss on net monetary position. Other income and expense items, such as interest income and expense, and foreign exchange differences related to invested or borrowed funds, are also associated with the net monetary position. Although such items are separately disclosed, it may be helpful if they are presented together with the gain or loss on net monetary position in the statement of comprehensive income.</p>	<p>Retain - guidance as to presentation</p>
<p><b>39</b>      <b>The following disclosures shall be made:</b></p> <p>(a)      <b>the fact that the financial statements and the corresponding figures for previous periods have been restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period;</b></p> <p>(b)      <b>whether the financial statements are based on a historical cost approach or a current cost approach; and</b></p> <p>(c)      <b>the identity and level of the price index at the end of the reporting period and the movement in the index during the current and the previous reporting period.</b></p>	<p>Retain – basic requirements.</p>

#### **4. Conclusion**

The disclosure requirements of IAS 29 are appropriate.

## IAS 33 *Earnings per Share*

### 1. Disclosure objective

The objective of this Standard is to prescribe principles for the determination, ~~and~~ presentation and disclosure of earnings per share, so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. (paragraph 1)

### 2. Likely disclosure objective

The disclosure objective is specified; one amendment is proposed.

### 3. Disclosure requirements

Requirement	Comment
3 An entity that discloses earnings per share shall calculate and disclose earnings per share in accordance with this Standard.	Anti-avoidance measure as IAS 33 has a limited scope. Recommend retain to avoid confusion as to basis of calculation.
4 When an entity presents both consolidated financial statements and separate financial statements prepared in accordance with IAS 27 <i>Consolidated and Separate Financial Statements</i> , the disclosures required by this Standard need be presented only on the basis of the consolidated information. An entity that chooses to disclose earnings per share based on its separate financial statements shall present such earnings per share information only in its statement of comprehensive income. An entity shall not present such earnings per share information in the consolidated financial statements.	Retain – basic requirement.
4A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 <i>Presentation of Financial Statements</i> (as revised in 2007), it presents earnings per share only in that separate statement.	Retain – basic requirement.
64 If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorised for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.	Retain – clarifies the sources of the number of shares used in the calculations.
66 An entity shall present in the statement of comprehensive income basic and diluted earnings per share for profit or loss from continuing operations attributable to the ordinary equity holders of the parent entity and for profit or loss attributable to the ordinary	Retain – requirement necessary to clarify EPS disclosed.

Requirement	Comment
<p>equity holders of the parent entity for the period for each class of ordinary shares that has a different right to share in profit for the period. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented.</p>	
<p>67 Earnings per share is presented for every period for which a statement of comprehensive income is presented. If diluted earnings per share is reported for at least one period, it shall be reported for all periods presented, even if it equals basic earnings per share. If basic and diluted earnings per share are equal, dual presentation can be accomplished in one line in the statement of comprehensive income.</p>	<p>Retain – requirement necessary to clarify EPS disclosed.</p>
<p><del>67A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), it presents basic and diluted earnings per share, as required in paragraphs 66 and 67, in that separate statement.</del></p>	<p>Delete – repeats paragraph 4A</p>
<p>68 An entity that reports a discontinued operation shall disclose the basic and diluted amounts per share for the discontinued operation either in the statement of comprehensive income or in the notes.</p>	<p>Retain – requirement necessary to clarify EPS disclosed.</p>
<p><del>68A If an entity presents the components of profit or loss in a separate income statement as described in paragraph 81 of IAS 1 (as revised in 2007), it presents basic and diluted earnings per share for the discontinued operation, as required in paragraph 68, in that separate statement or in the notes.</del></p>	<p>Delete – repeats paragraph 4A</p>
<p>69 An entity shall present basic and diluted earnings per share, even if the amounts are negative (i.e. a loss per share).</p>	<p>Retain – useful clarification.</p>
<p>70 An entity shall disclose the following:</p> <ul style="list-style-type: none"> <li>(a) the amounts used as the numerators in calculating basic and diluted earnings per share, and a <del>reconciliation summary of material differences between</del> those amounts to profit or loss attributable <del>and to</del> the parent entity for the period. <del>The reconciliation summary shall include the individual effect of each class of instruments that affects earnings per share.</del></li> <li>(b) the weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share, and a <del>reconciliation summary of material differences between</del> these denominators <del>to each other</del>. <del>The reconciliation summary shall include the individual effect of each class of instruments that affects earnings per share.</del></li> <li>(c) instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are antidilutive for the period(s) presented.</li> <li><del>(d) a description of ordinary share transactions or potential ordinary share transactions, other than those accounted for in accordance with paragraph 64, that occur after the reporting period and that would have changed significantly the number of ordinary shares or potential</del></li> </ul>	<p>Requirements are necessary to clarify EPS disclosed. (d) is deleted as IAS 10 is considered sufficient.</p> <p>Reconciliations replaced by summary of material differences</p>

Requirement	Comment
<p style="text-align: center;"><del>ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.</del></p>	
<p>71 <del>Examples of transactions in paragraph 70(d) include:</del></p> <ul style="list-style-type: none"> <li><del>(a) an issue of shares for cash;</del></li> <li><del>(b) an issue of shares when the proceeds are used to repay debt or preference shares outstanding at the end of the reporting period;</del></li> <li><del>(c) the redemption of ordinary shares outstanding;</del></li> <li><del>(d) the conversion or exercise of potential ordinary shares outstanding at the end of the reporting period into ordinary shares;</del></li> <li><del>(e) an issue of options, warrants, or convertible instruments; and</del></li> <li><del>(f) the achievement of conditions that would result in the issue of contingently issuable shares.</del></li> </ul> <p><del>Earnings per share amounts are not adjusted for such transactions occurring after the reporting period because such transactions do not affect the amount of capital used to produce profit or loss for the period.</del></p>	<p>Delete – follows from deletion of paragraph 70(d) above.</p>
<p>72 <del>Financial instruments and other contracts generating potential ordinary shares may incorporate terms and conditions that affect the measurement of basic and diluted earnings per share. These terms and conditions may determine whether any potential ordinary shares are dilutive and, if so, the effect on the weighted average number of shares outstanding and any consequent adjustments to profit or loss attributable to ordinary equity holders. The disclosure of the terms and conditions of such financial instruments and other contracts is encouraged, if not otherwise required (see IFRS 7 <i>Financial Instruments: Disclosures</i>).</del></p>	<p>Delete - encouraged disclosures</p>
<p>73 <b>If an entity discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the statement of comprehensive income other than one required by this Standard, such amounts shall be calculated using the weighted average number of ordinary shares determined in accordance with this Standard. Basic and diluted amounts per share relating to such a component shall be disclosed with equal prominence and presented in the notes. An entity shall indicate the basis on which the numerator(s) is (are) determined, including whether amounts per share are before tax or after tax. If a component of the statement of comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a <u>reconciliation summary shall be provided of material differences</u> between the component used and a line item that is reported in the statement of comprehensive income.</b></p> <p>73A <b>Paragraph 73 applies also to an entity that discloses, in addition to basic and diluted earnings per share, amounts per share using a reported component of the separate income statement (as described in paragraph 81 of IAS 1 (as revised in 2007)), other than one required by this Standard.</b></p>	<p>Retain - requirements are necessary to clarify EPS disclosed. Reconciliation replaced by summary of material differences.</p>

#### **4. Conclusion**

The subject matter of IAS 33 is highly specific and therefore the disclosure requirements are generally appropriate for an understanding of the EPS disclosed. The Oversight Group questioned whether the retention of IAS 33 is appropriate, as it could be argued that it is not necessary for financial reporting standards to mandate the disclosure of specific financial analysis metrics. The group therefore recommends that views are sought on this issue in the proposed invitation to comment.

## IAS 36 *Impairment of Assets*

### 1. Disclosure objective

Not specified

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is to provide material information that assists users in understanding the impact of impairment losses on the financial statements.

### 3. Disclosure requirements

Requirement	Comment
<p>126 <del>An entity shall disclose, if material, total impairment losses and total reversals recognised in profit or loss and the amount disclosed in other comprehensive income. These should be disclosed by class of asset, if this provides material information, the following for each class of assets:</del></p> <p><del>(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are included.</del></p> <p><del>(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) of the statement of comprehensive income in which those impairment losses are reversed.</del></p> <p><del>(c) the amount of impairment losses on revalued assets recognised in other comprehensive income during the period.</del></p> <p><del>(d) the amount of reversals of impairment losses on revalued assets recognised in other comprehensive income during the period.</del></p>	<p>Only high-level information required here – more detailed disclosures on individually material impairments are provided below.</p>
<p>128 The information required in paragraph 126 may be presented with other information disclosed for the class of assets. For example, this information may be included in a <u>summary of material changes reconciliation</u> of the carrying amount of property, plant and equipment, at the beginning and end of the period, as required by IAS 16.</p>	<p>Retain – is a useful cross-reference, but amended to reflect change made to IAS 16.</p>
<p><del>129 An entity that reports segment information in accordance with IFRS 8 shall disclose the following for each reportable segment:</del></p> <p><del>(a) the amount of impairment losses recognised in profit or loss and in other comprehensive income during the period.</del></p> <p><del>(b) the amount of reversals of impairment losses recognised in profit or loss and in other comprehensive income during the period.</del></p>	<p>Delete - requirement is not necessary as is covered by the requirement in IFRS 8 to disclose separately material items.</p>
<p>130 An entity shall disclose the following for each material impairment loss recognised or reversed during the period for an individual asset, including goodwill, or a cash-generating unit:</p> <p>(a) the events and circumstances that led to the recognition or reversal of the impairment loss.</p>	<p>In general the disclosure is appropriate as it relates only to individually material impairment losses. (d)(iii) amended to</p>

Requirement	Comment
<p>(b) the amount of the impairment loss recognised or reversed.</p> <p>(c) for an individual asset:</p> <p>(i) the nature of the asset; and</p> <p>(ii) if the entity reports segment information in accordance with IFRS 8, the reportable segment to which the asset belongs.</p> <p>(d) for a cash-generating unit:</p> <p>(i) a description of the cash-generating unit (such as whether it is a product line, a plant, a business operation, a geographical area, or a reportable segment as defined in IFRS 8);</p> <p>(ii) the amount of the impairment loss recognised or reversed by class of assets and, if the entity reports segment information in accordance with IFRS 8, by reportable segment; and</p> <p>(iii) if the aggregation of assets for identifying the cash-generating unit has changed <u>in a material manner</u> since the previous estimate of the cash-generating unit's recoverable amount (if any), a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified.</p> <p><del>(e) whether the recoverable amount of the asset (cash-generating unit) is its fair value less costs to sell or its value in use.</del></p> <p><del>(f) if recoverable amount is fair value less costs to sell, the basis used to determine fair value less costs to sell (such as whether fair value was determined by reference to an active market).</del></p> <p><del>(g) if recoverable amount is value in use, the discount rate(s) used in the current estimate and previous estimate (if any) of value in use.</del></p>	<p>emphasise materiality.</p> <p>(e) – (g) are deleted as excessive detail.</p>
<p>131 <u>Where a class of assets is affected by impairment losses that are material in aggregate but which do not require disclosure in accordance with paragraph 130 because the impairment losses or reversals are not individually material, the entity shall provide information about the main events and circumstances that led to the recognition of these impairment losses or reversals of impairment losses. An entity shall disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information is disclosed in accordance with paragraph 130:</u></p> <p><del>(a) the main classes of assets affected by impairment losses and the main classes of assets affected by reversals of impairment losses.</del></p> <p><del>(b) the main events and circumstances that led to the recognition of these impairment losses and reversals of impairment losses.</del></p>	<p>Disclosure only required where impairment losses for a class of assets are material in aggregate, but the losses are not individually material.</p>
<p>132 <del>An entity is encouraged to disclose assumptions used to determine the recoverable amount of assets (cash-generating units) during the period.</del></p>	<p>Delete - encouraged disclosure and is covered by</p>

Requirement	Comment
<p>However, paragraph 134 requires an entity to disclose information about the estimates used to measure the recoverable amount of a cash-generating unit when goodwill or an intangible asset with an indefinite useful life is included in the carrying amount of that unit.</p>	<p>paragraph 130 (e) above.</p>
<p>133 <del>If, in accordance with paragraph 84, any portion of the goodwill acquired in a business combination during the period has not been allocated to a cash-generating unit (group of units) at the end of the reporting period, the amount of the unallocated goodwill shall be disclosed together with the reasons why that amount remains unallocated.</del></p>	<p>Delete - the disclosure relates to a temporary problem regarding new acquisitions and is rarely used in practice.</p>
<p>134 An entity shall disclose <del>the material</del> information required by (a)–(cf) for each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant in comparison with the entity’s total carrying amount of goodwill or intangible assets with indefinite useful lives:</p> <p>(a) the carrying amount of goodwill allocated to the unit (group of units).</p> <p>(b) the carrying amount of intangible assets with indefinite useful lives allocated to the unit (group of units).</p> <p><del>(c) information about the basis on which the unit’s (group of units’) recoverable amount has been determined (ie value in use or fair value less costs to sell), the key assumptions and inputs used to determine recoverable amount.</del></p> <p><del>(d) if the unit’s (group of units’) recoverable amount is based on value in use:</del></p> <p><del>(i) a description of each key assumption on which management has based its cash flow projections for the period covered by the most recent budgets/forecasts. Key assumptions are those to which the unit’s (group of units’) recoverable amount is most sensitive.</del></p> <p><del>(ii) a description of management’s approach to determining the value(s) assigned to each key assumption, whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.</del></p> <p><del>(iii) the period over which management has projected cash flows based on financial budgets/forecasts approved by management and, when a period greater than five years is used for a cash-generating unit (group of units), an explanation of why that longer period is justified.</del></p> <p><del>(iv) the growth rate used to extrapolate cash flow projections beyond the period covered by the most recent budgets/forecasts, and the justification for using any growth rate that exceeds the long-term average growth rate for the products, industries, or</del></p>	<p>Amended to emphasise materiality</p> <p>Information in (c) about the basis on which recoverable amount has been determined is not considered necessary – the key assumptions and inputs will provide more useful information.</p> <p>The level of detail in (d) to (f) is unnecessary – the entity should judge what information is material to users.</p>

Requirement	Comment
<p>country or countries in which the entity operates, or for the market to which the unit (group of units) is dedicated.</p> <p><del>(v) — the discount rate(s) applied to the cash flow projections.</del></p> <p><del>(c) — if the unit's (group of units') recoverable amount is based on fair value less costs to sell, the methodology used to determine fair value less costs to sell. If fair value less costs to sell is not determined using an observable market price for the unit (group of units), the following information shall also be disclosed:</del></p> <p><del>(i) — a description of each key assumption on which management has based its determination of fair value less costs to sell. Key assumptions are those to which the unit's (group of units') recoverable amount is most sensitive.</del></p> <p><del>(ii) — a description of management's approach to determining the value (or values) assigned to each key assumption, whether those values reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.</del></p> <p><del>If fair value less costs to sell is determined using discounted cash flow projections, the following information shall also be disclosed:</del></p> <p><del>(iii) — the period over which management has projected cash flows.</del></p> <p><del>(iv) — the growth rate used to extrapolate cash flow projections.</del></p> <p><del>(v) — the discount rate(s) applied to the cash flow projections.</del></p> <p><del>(f) — if a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount:</del></p> <p><del>(i) — the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount.</del></p> <p><del>(ii) — the value assigned to the key assumption.</del></p> <p><del>(iii) — the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.</del></p>	
<p>135 If some or all of the carrying amount of goodwill or intangible assets with indefinite useful lives is allocated across multiple cash-generating units (groups of units), and the amount so allocated to each unit (group of units) is not significant in comparison with the entity's total carrying amount of goodwill or intangible assets with</p>	<p>Phrase added in 135 to achieve consistency with paragraph 131 wording. 135 is separated into two paragraphs to improve</p>

Requirement	Comment
<p>indefinite useful lives, <u>but is material in aggregate</u>, that fact shall be disclosed, together with the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to those units (groups of units).</p> <p><b>135A</b> <del>In addition, if</del> If the recoverable amounts of any of those units (groups of units) are based on the same key assumption(s) and the aggregate carrying amount of goodwill or intangible assets with indefinite useful lives allocated to them is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives, an entity shall disclose that fact, together with <u>information about the key assumptions and inputs used</u>.</p> <p><del>(a) — the aggregate carrying amount of goodwill allocated to those units (groups of units).</del></p> <p><del>(b) — the aggregate carrying amount of intangible assets with indefinite useful lives allocated to those units (groups of units).</del></p> <p><del>(c) — a description of the key assumption(s).</del></p> <p><del>(d) — a description of management's approach to determining the value(s) assigned to the key assumption(s), whether those value(s) reflect past experience or, if appropriate, are consistent with external sources of information, and, if not, how and why they differ from past experience or external sources of information.</del></p> <p><del>(e) — if a reasonably possible change in the key assumption(s) would cause the aggregate of the units' (groups of units)' carrying amounts to exceed the aggregate of their recoverable amounts:</del></p> <p><del>(i) — the amount by which the aggregate of the units' (groups of units)' recoverable amounts exceeds the aggregate of their carrying amounts.</del></p> <p><del>(ii) — the value(s) assigned to the key assumption(s).</del></p> <p><del>(iii) — the amount by which the value(s) assigned to the key assumption(s) must change, after incorporating any consequential effects of the change on the other variables used to measure recoverable amount, in order for the aggregate of the units' (groups of units)' recoverable amounts to be equal to the aggregate of their carrying amounts.</del></p>	<p>clarity.</p> <p>(a) – (e) are deleted to reflect changes to paragraph 134 and because paragraph 135 is rarely relevant in practice.</p>
<p>136 The most recent detailed calculation made in a preceding period of the recoverable amount of a cash-generating unit (group of units) may, in accordance with paragraph 24 or 99, be carried forward and used in the impairment test for that unit (group of units) in the current period provided specified criteria are met. When this is the case, the information for that unit (group of units) that is incorporated into the disclosures required by paragraphs 134 and 135 relate to the carried forward calculation of recoverable amount.</p>	<p>Retain – useful background information.</p>

#### **4. Conclusion**

The disclosure requirements of IAS 36 can be reduced.

## IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

### 1. Disclosure objective

The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient material information is disclosed in the notes to enable users to understand their nature, timing and amount.

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is clearly specified within the overall objective of the standard. One amendment is proposed to emphasise materiality.

### 3. Disclosure requirements

Requirement	Comment
<p>85 An entity shall disclose the following for each <u>material</u> class of provision:</p> <p>(a) a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;</p> <p>(b) an indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 48; and</p> <p>(c) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.</p>	<p>This disclosure is appropriate for material classes of provision.</p> <p>Paragraph 85 has been re-ordered to come before paragraph 84, which makes a more logical flow.</p>
<p><del>84 For each class of provision, An entity shall disclose <u>material movements during the period for each material class of provision</u>:</del></p> <p><del>(a) the carrying amount at the beginning and end of the period;</del></p> <p><del>(b) additional provisions made in the period, including increases to existing provisions;</del></p> <p><del>(c) amounts used (ie incurred and charged against the provision) during the period;</del></p> <p><del>(d) unused amounts reversed during the period; and</del></p> <p><del>(e) the increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.</del></p> <p><del>Comparative information is not required.</del></p>	<p>Only material movements should be disclosed, instead of a reconciliation of all changes during the period. Such reconciliations could include many items which are not material.</p>
<p>86 Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each <u>material</u> class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practicable:</p> <p>(a) an estimate of its financial effect, measured under paragraphs 36–52;</p> <p>(b) an indication of the uncertainties relating to the amount or</p>	<p>This disclosure is appropriate for material items - contingent liabilities are disclosure only.</p>

Requirement	Comment
<p style="text-align: center;"><b>timing of any outflow; and</b> <b>(c) the possibility of any reimbursement.</b></p>	
<p>87 In determining which provisions or contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar for a single statement about them to fulfill the requirements of paragraphs 85(a) and (b) and 86(a) and (b). Thus, it may be appropriate to treat as a single class of provision amounts relating to warranties of different products, but it would not be appropriate to treat as a single class amounts relating to normal warranties and amounts that are subject to legal proceedings.</p>	<p>Retain – useful explanatory information.</p>
<p>88 Where a provision and a contingent liability arise from the same set of circumstances, an entity makes the disclosures required by paragraphs 84–86 in a way that shows the link between the provision and the contingent liability.</p>	<p>Retain – useful explanatory information.</p>
<p><b>89 Where an inflow of economic benefits is probable, an entity shall disclose a brief description of the nature of the <u>material</u> contingent assets at the end of the reporting period, and, where practicable, an estimate of their financial effect, measured using the principles set out for provisions in paragraphs 36–52.</b></p>	<p>This disclosure is appropriate for material items – contingent assets are disclosure-only.</p>
<p>90 It is important that disclosures for contingent assets avoid giving misleading indications of the likelihood of income arising.</p>	<p>Retain – useful explanatory information.</p>
<p><b>91 Where any of the information required by paragraphs 86 and 89 is not disclosed because it is not practicable to do so, that fact shall be stated.</b></p>	<p>Retain – necessary disclosure</p>
<p><b>92 In extremely rare cases, disclosure of some or all of the information required by paragraphs 84–89 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.</b></p>	<p>Retain – necessary disclosure</p>

#### 4. Conclusion

The disclosure requirements of IAS 37 can be reduced.

## IAS 38 *Intangible Assets*

### 1. Disclosure objective

Not stated.

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is to provide material information about an entity's intangible assets.

### 3. Disclosure requirements

Requirement	Comment
<p>118 An entity shall disclose the following for each <u>material</u> class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets <u>and between intangible assets measured using the cost model basis and the revaluation model</u>:</p> <ul style="list-style-type: none"> <li>(a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;</li> <li>(b) <del>the amortisation methods used for intangible assets with finite useful lives;</del></li> <li>(c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; <u>and</u></li> <li><del>(d) the line item(s) of the statement of comprehensive income in which any amortisation of intangible assets is included;</del></li> <li>(e) a <u>summary of material changes between reconciliation</u> of the carrying amount at the beginning and end of the period <del>showing</del>: <ul style="list-style-type: none"> <li><del>(i) — additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;</del></li> <li><del>(ii) — assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;</del></li> <li><del>(iii) — increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed in other comprehensive income in accordance with IAS 36 (if any);</del></li> <li><del>(iv) — impairment losses recognised in profit or loss during the period in accordance with IAS 36 (if any);</del></li> <li><del>(v) — impairment losses reversed in profit or loss during the period in accordance with IAS 36 (if any);</del></li> <li><del>(vi) — any amortisation recognised during the period;</del></li> <li><del>(vii) — net exchange differences arising on the translation of the financial statements into the presentation currency, and on the translation of a foreign operation into the presentation currency of the</del></li> </ul> </li> </ul>	<p>Amended to align with changes proposed to IAS 16 and to emphasise materiality</p> <p>(d) is deleted as is not required under IAS 16</p> <p>(e) reconciliation is replaced with a summary of material changes.</p>

Requirement	Comment
<p style="text-align: center;"><del>entity; and</del></p> <p style="text-align: center;"><del>(viii) other changes in the carrying amount during the period.</del></p>	
<p>119 A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes may include:</p> <ul style="list-style-type: none"> <li>(a) brand names;</li> <li>(b) mastheads and publishing titles;</li> <li>(c) computer software;</li> <li>(d) licences and franchises;</li> <li>(e) copyrights, patents and other industrial property rights, service and operating rights;</li> <li>(f) recipes, formulae, models, designs and prototypes; and</li> <li>(g) intangible assets under development.</li> </ul> <p><del>The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.</del></p> <p>120 <del>An entity discloses information on impaired intangible assets in accordance with IAS 36 in addition to the information required by paragraph 118(e)(iii)–(v).</del></p> <p>121 <del>IAS 8 requires an entity to disclose the nature and amount of a change in an accounting estimate that has a material effect in the current period or is expected to have a material effect in subsequent periods. Such disclosure may arise from changes in:</del></p> <ul style="list-style-type: none"> <li><del>(a) the assessment of an intangible asset's useful life;</del></li> <li><del>(b) the amortisation method; or</del></li> <li><del>(c) residual values.</del></li> </ul>	<p>Cross-references in paragraphs 120 and 121 deleted</p>
<p>122 An entity shall also disclose:</p> <ul style="list-style-type: none"> <li>(a) for <del>an</del> <u>material</u> intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.</li> <li><del>(b) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements.</del></li> <li><del>(c) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 44):</del> <ul style="list-style-type: none"> <li><del>(i) the fair value initially recognised for these assets;</del></li> <li><del>(ii) their carrying amount; and</del></li> <li><del>(iii) whether they are measured after recognition under the cost model or the revaluation model.</del></li> </ul> </li> <li>(d) the existence and carrying amounts of <u>any material</u> intangible assets whose title is restricted and the carrying amounts of <u>any material</u> intangible assets pledged as security for liabilities.</li> </ul>	<p>(b) is deleted as is covered by the general requirements in IAS 1</p> <p>(c) is deleted as is unnecessary detail</p> <p>(e) is deleted in line with IAS 16 – no justification for the disclosure of contractual commitment</p>

Requirement	Comment
<del>(e) the amount of contractual commitments for the acquisition of intangible assets.</del>	
123 When an entity describes the factor(s) that played a significant role in determining that the useful life of an intangible asset is indefinite, the entity considers the list of factors in paragraph 90.	Disclosure and basis for classification decision required to be related.
<p>124 <del>If any class of intangible assets are accounted for at revalued amounts is material, an entity shall disclose the following:</del></p> <p><del>(a) by class of intangible assets:</del></p> <p><del>(i) the effective date of the revaluation;</del></p> <p><del>(ii) the carrying amount of revalued intangible assets; and</del></p> <p><del>(iii) the carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model in paragraph 74;</del></p> <p><del>(b) the amount of the revaluation surplus that relates to intangible assets at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders; and</del></p> <p><del>(c) the methods and significant assumptions applied in estimating the assets' fair values.</del></p> <p><del>125 It may be necessary to aggregate the classes of revalued assets into larger classes for disclosure purposes. However, classes are not aggregated if this would result in the combination of a class of intangible assets that includes amounts measured under both the cost and revaluation models.</del></p>	<p>Disclosures only required for material items.</p> <p>(a) (ii) and (iii) deleted consistently with IAS 16</p> <p>(b) is deleted as IAS 1 covers this in its requirements on changes in components of equity.</p> <p>Paragraph 125 is deleted as already covered by paragraph 118.</p>
126 <del>If material, an entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period.</del>	Amended to emphasise materiality
<p><del>128 An entity is encouraged, but not required, to disclose the following information:</del></p> <p><del>(a) a description of any fully amortised intangible asset that is still in use; and</del></p> <p><del>(b) a brief description of significant intangible assets controlled by the entity but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.</del></p>	Delete - 'encouraged' disclosures.

#### 4. Conclusion

The disclosure requirements of IAS 38 can be reduced.

## IAS 40 *Investment Property*

### 1. Disclosure objective

Not specified

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective of IAS 40 is to provide material information about an entity's investment property and the impact of changes in such investments.

### 3. Disclosure requirements

Requirement	Comment
<p>75 <b><u>If investment property is material, an entity shall disclose:</u></b></p> <p><del>(a) whether it applies the fair value model or the cost model.</del></p> <p>(b) if it applies the fair value model, whether, and in what circumstances, property interests held under operating leases are classified and accounted for as investment property.</p> <p><del>(c) when classification is difficult (see paragraph 14), the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business.</del></p> <p>(d) the methods and significant assumptions applied in determining the fair value of investment property, including a statement whether the determination of fair value was supported by market evidence or was more heavily based on other factors (which the entity shall disclose) because of the nature of the property and lack of comparable market data.</p> <p>(e) <b><u>whether an independent valuer was involved. the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.</u></b></p> <p>(f) the amounts recognised in profit or loss for:</p> <p>(i) rental income from investment property;</p> <p><del>(ii) direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period; and</del></p> <p><del>(iii) direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the period.</del></p> <p><del>(iv) the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used (see paragraph 32C).</del></p> <p>(g) the existence and amounts of restrictions on the realisability</p>	<p>Amended to emphasise materiality</p> <p>(a) is deleted as is also required by IAS 1 and is deleted.</p> <p>(c) is deleted as, if material, would be disclosed under IAS 1 as a significant judgement.</p> <p>(e) is amended in line with changes to IAS 16.</p> <p>(f)(ii) – (iv) are deleted as excessively detailed.</p> <p>(h) is deleted as would be covered by IAS 37 if material.</p>

Requirement	Comment
<p>of investment property or the remittance of income and proceeds of disposal.</p> <p><del>(h) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.</del></p>	
<p>76 In addition to the disclosures required by paragraph 75, an entity that applies the fair value model in paragraphs 33–55 shall disclose <u>a summary of material changes</u> <del>a reconciliation</del> between the carrying amounts of investment property at the beginning and end of the period, <del>showing the following:</del></p> <p><del>(a) additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised in the carrying amount of an asset;</del></p> <p><del>(b) additions resulting from acquisitions through business combinations;</del></p> <p><del>(c) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;</del></p> <p><del>(d) net gains or losses from fair value adjustments;</del></p> <p><del>(e) the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;</del></p> <p><del>(f) transfers to and from inventories and owner-occupied property; and</del></p> <p><del>(g) other changes.</del></p>	<p>Reconciliation is replaced by a summary of material changes (in alignment with changes to IAS 16 and IAS 38)</p>
<p>77 When a valuation obtained for investment property is adjusted <u>significantly in a material way</u> for the purpose of the financial statements, for example to avoid double-counting of assets or liabilities that are recognised as separate assets and liabilities as described in paragraph 50, the entity shall <del>disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements,</del> showing separately the aggregate amount of any recognised lease obligations that have been added back, <del>and any other significant adjustments explain the reasons for any material adjustments.</del></p>	<p>As above - reconciliation not considered necessary. 'Significantly' replaced by 'material' for consistency.</p>
<p>78 In the exceptional cases referred to in paragraph 53, when an entity measures investment property using the cost model in IAS 16, the <del>reconciliation required by paragraph 76 shall disclose</del> amounts relating to that investment property <u>shall be disclosed</u> separately from amounts relating to other investment property. In addition, <u>if material</u>, an entity shall disclose:</p> <p>(a) a description of the investment property;</p> <p>(b) an explanation of why fair value cannot be determined reliably; <u>and</u></p> <p>(c) if possible, the range of estimates within which fair value is highly likely to lie; <u>and</u></p> <p><del>(d) on disposal of investment property not carried at fair value:</del></p> <p><del>(i) the fact that the entity has disposed of investment</del></p>	<p>Retain disclosure for rare event, but amended for changes to paragraph 76, and to emphasise materiality.</p> <p>(d) is deleted as highly detailed and if material will be covered by IAS 1.</p>

Requirement	Comment
<p style="text-align: center;"><del>property not carried at fair value;</del></p> <p style="text-align: center;"><del>(ii) — the carrying amount of that investment property at the time of sale; and</del></p> <p style="text-align: center;"><del>(iii) — the amount of gain or loss recognised.</del></p>	
<p>79 In addition to the disclosures required by paragraph 75, <u>if material</u>, an entity that applies the cost model in paragraph 56 shall disclose:</p> <p>(a) <del>the depreciation methods used;</del></p> <p>(b) the useful lives or the depreciation rates used;</p> <p>(c) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period;</p> <p>(d) a <u>summary of material changes between reconciliation</u> of the carrying amount of investment property at the beginning and end of the period, <del>showing the following:</del></p> <p style="padding-left: 20px;"><del>(i) — additions, disclosing separately those additions resulting from acquisitions and those resulting from subsequent expenditure recognised as an asset;</del></p> <p style="padding-left: 20px;"><del>(ii) — additions resulting from acquisitions through business combinations;</del></p> <p style="padding-left: 20px;"><del>(iii) — assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5 and other disposals;</del></p> <p style="padding-left: 20px;"><del>(iv) — depreciation;</del></p> <p style="padding-left: 20px;"><del>(v) — the amount of impairment losses recognised, and the amount of impairment losses reversed, during the period in accordance with IAS 36;</del></p> <p style="padding-left: 20px;"><del>(vi) — the net exchange differences arising on the translation of the financial statements into a different presentation currency, and on translation of a foreign operation into the presentation currency of the reporting entity;</del></p> <p style="padding-left: 20px;"><del>(vii) — transfers to and from inventories and owner-occupied property; and</del></p> <p style="padding-left: 20px;"><del>(viii) — other changes; and</del></p> <p>(e) the fair value of investment property. In the exceptional cases described in paragraph 53, when an entity cannot determine the fair value of the investment property reliably, it shall disclose:</p> <p style="padding-left: 20px;">(i) a description of the investment property;</p> <p style="padding-left: 20px;">(ii) an explanation of why fair value cannot be determined reliably; and</p> <p style="padding-left: 20px;">(iii) if possible, the range of estimates within which fair value is highly likely to lie.</p>	<p>Amended to emphasise materiality.</p> <p>(a) is deleted in line with change proposed to IAS 16</p> <p>(d) is amended to replace reconciliation with a summary of material changes.</p>

#### **4. Conclusion**

The disclosure requirements of IAS 40 can be reduced.

## IAS 41 *Agriculture*

### 1. Disclosure objective

Not specified

### 2. Likely disclosure objective – to be inserted at paragraph 1

The disclosure objective is to provide material information about an entity's agricultural activities.

### 3. Disclosure requirements

Requirement	Comment
<p>40 <b><u>If material</u>, an entity shall disclose the aggregate gain or loss arising during the current period on initial recognition of biological assets and agricultural produce and from the change in fair value less costs to sell of biological assets.</b></p>	<p>Retain –amended to emphasise materiality</p>
<p>41 <b>An entity shall provide a <u>narrative or quantified</u> description of each <u>material</u> group of biological assets.</b></p> <p><del>42 The disclosure required by paragraph 41 may take the form of a narrative or quantified description.</del></p> <p><del>43 An entity is encouraged to provide a quantified description of each group of biological assets, distinguishing between consumable and bearer biological assets or between mature and immature biological assets, as appropriate. For example, an entity may disclose the carrying amounts of consumable biological assets and bearer biological assets by group. An entity may further divide those carrying amounts between mature and immature assets. These distinctions provide information that may be helpful in assessing the timing of future cash flows. An entity discloses the basis for making any such distinctions.</del></p>	<p>Paragraphs 41, 42, 43 summarised and combined.</p>
<p>44 <b><u>Biological assets may be classified either as consumable or bearer assets.</u></b> Consumable biological assets are those that are to be harvested as agricultural produce or sold as biological assets. Examples of consumable biological assets are livestock intended for the production of meat, livestock held for sale, fish in farms, crops such as maize and wheat, and trees being grown for lumber. Bearer biological assets are those other than consumable biological assets; for example, livestock from which milk is produced, grape vines, fruit trees, and trees from which firewood is harvested while the tree remains. Bearer biological assets are not agricultural produce but, rather, are self-regenerating.</p>	<p>Retain – explanatory information. Additional sentence was previously covered in paragraph 43.</p>
<p>45 Biological assets may be classified either as mature biological assets or immature biological assets. Mature biological assets are those that have attained harvestable specifications (for consumable biological assets) or are able to sustain regular harvests (for bearer biological assets).</p>	<p>Retain – explanatory information</p>
<p><del>46 <b>If not disclosed elsewhere in information published with the financial statements, an entity shall describe:</b></del></p> <p><del>(a) the nature of its activities involving each group of biological assets; and</del></p> <p><del>(b) nonfinancial measures or estimates of the physical quantities of:</del></p> <p><del>(i) each group of the entity's biological assets at the end</del></p>	<p>Delete – general information about an entity's activities is covered by IAS 1, and information about physical quantities is not required by any other standards.</p>

Requirement	Comment
<p style="text-align: center;"><del>of the period; and</del></p> <p style="text-align: center;"><del>(ii) — output of agricultural produce during the period.</del></p>	
<p>47 An entity shall disclose the methods and significant assumptions applied in determining the fair value of each <u>material</u> group of agricultural produce at the point of harvest and each <u>material</u> group of biological assets.</p>	Amended to emphasise materiality.
<p><del>48 — An entity shall disclose the fair value less costs to sell of agricultural produce harvested during the period, determined at the point of harvest.</del></p>	Delete – fair value information is covered in paragraph 40 above.
<p>49 An entity shall disclose:</p> <p>(a) the existence and carrying amounts of <u>any material</u> biological assets whose title is restricted, and the carrying amounts of <u>any material</u> biological assets pledged as security for liabilities;</p> <p><del>(b) — the amount of commitments for the development or acquisition of biological assets; and</del></p> <p><del>(c) — financial risk management strategies related to agricultural activity.</del></p>	(b) is deleted in line with other requirements on commitments. (c) is deleted as it is unclear why agricultural activities require additional disclosures about financial risk.
<p>50 An entity shall present a <u>summary of the material changes in reconciliation of changes in</u> the carrying amount of biological assets between the beginning and the end of the current period. <del>The reconciliation shall include:</del></p> <p><del>(a) — the gain or loss arising from changes in fair value less costs to sell;</del></p> <p><del>(b) — increases due to purchases;</del></p> <p><del>(c) — decreases attributable to sales and biological assets classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5;</del></p> <p><del>(d) — decreases due to harvest;</del></p> <p><del>(e) — increases resulting from business combinations;</del></p> <p><del>(f) — net exchange differences arising on the translation of financial statements into a different presentation currency, and on the translation of a foreign operation into the presentation currency of the reporting entity; and</del></p> <p><del>(g) — other changes.</del></p>	Reconciliation replaced by a summary of material changes
<p>51 The fair value less costs to sell of a biological asset can change due to both physical changes and price changes in the market. Separate disclosure of physical and price changes is useful in appraising current period performance and future prospects, particularly when there is a production cycle of more than one year. <del>In such cases, an entity is encouraged to disclose, by group or otherwise, the amount of change in fair value less costs to sell included in profit or loss due to physical changes and due to price changes. This information is generally less useful when the production cycle is less than one year (for example, when raising chickens or growing cereal crops).</del></p>	Delete – ‘encouraged’ disclosures
<p>52 Biological transformation results in a number of types of physical change—growth, degeneration, production, and procreation, each of</p>	Retain – explanatory information

Requirement	Comment
<p>which is observable and measurable. Each of those physical changes has a direct relationship to future economic benefits. A change in fair value of a biological asset due to harvesting is also a physical change.</p>	
<p>53 Agricultural activity is often exposed to climatic, disease and other natural risks. If an event occurs that gives rise to a material item of income or expense, the nature and amount of that item are disclosed in accordance with IAS 1 <i>Presentation of Financial Statements</i>. Examples of such an event include an outbreak of a virulent disease, a flood, a severe drought or frost, and a plague of insects.</p>	<p>Retain – explanatory information</p>
<p>54 <b>If an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30) at the end of the period, the entity shall disclose for such <u>material</u> biological assets:</b></p> <p>(a) a description of the biological assets;</p> <p>(b) an explanation of why fair value cannot be measured reliably;</p> <p><del>(c) if possible, the range of estimates within which fair value is highly likely to lie;</del></p> <p><del>(d) the depreciation method used;</del></p> <p>(e) the useful lives or the depreciation rates used; and</p> <p>(f) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.</p>	<p>Retain – disclosures are appropriate for material assets.</p> <p>(c) is deleted as fair value is not available or unreliable.</p> <p>(d) is deleted in accordance with proposal in IAS 16.</p>
<p>55 <del>If, during the current period, an entity measures biological assets at their cost less any accumulated depreciation and any accumulated impairment losses (see paragraph 30), an entity shall disclose any gain or loss recognised on disposal of such biological assets and the reconciliation required by paragraph 50 shall disclose amounts related to such biological assets separately. In addition, the reconciliation shall include the following amounts included in profit or loss related to those biological assets:</del></p> <p><del>(a) impairment losses;</del></p> <p><del>(b) reversals of impairment losses; and</del></p> <p><del>(c) depreciation.</del></p>	<p>Delete - these items, if material, will be covered by the requirement at paragraph 50.</p>
<p><del>56 If the fair value of biological assets previously measured at their cost less any accumulated depreciation and any accumulated impairment losses becomes reliably measurable during the current period, an entity shall disclose for those biological assets:</del></p> <p><del>(a) a description of the biological assets;</del></p> <p><del>(b) an explanation of why fair value has become reliably measurable; and</del></p> <p><del>(c) the effect of the change.</del></p>	<p>Delete - if material, this information will be disclosed under paragraph 50.</p>
<p><del>57 An entity shall disclose the following related to agricultural activity covered by this Standard:</del></p> <p><del>(a) the nature and extent of government grants recognised in the financial statements;</del></p> <p><del>(b) unfulfilled conditions and other contingencies attaching to government grants; and</del></p>	<p>Delete – ensure IAS 20 covers government grants relating to agricultural activity.</p>

Requirement	Comment
(c) <del>significant decreases expected in the level of government grants.</del>	

#### 4. Conclusion

The disclosure requirements of IAS 41 can be reduced.

## REDUCING FINANCIAL STATEMENT DISCLOSURES

### Terms of Reference

The Institute of Chartered Accountants of Scotland (ICAS) and the New Zealand Institute of Chartered Accountants (NZICA) have been asked by the International Accounting Standards Board (IASB) to undertake a project to:

- review, individually and as a whole, the levels of disclosure requirements in existing International Financial Reporting Standards (IFRS); and
- recommend deletions and changes to disclosure requirements – for annual financial statements of publicly accountable entities.

This is a short life project. The current plan is for the results to be delivered to the IASB by the end of June 2011, or as soon as possible thereafter.

The project will initially establish some key high-level principles for disclosure and, in doing so, will use the IASB's 2010 Conceptual Framework for Financial Reporting. It will then consider each of the existing IASB standards with the following objectives:

- to determine the specific disclosure objectives of each standard;
- to assess the extent to which the existing disclosure requirements meet the high-level principles and the specific disclosure objective; and
- to propose deletions and changes to the existing disclosure requirements based on the above assessment.

Finally, the project will consider the proposed disclosure requirements in totality to determine whether, as a whole, they meet the key principles for disclosure.

The project will cover all existing IASs and IFRSs up to and including IFRS 8, excluding; IAS 26 on retirement benefit plans, IAS 34 on interim financial reporting and standards due to be replaced within the next six months. It is expected that the principles developed will also be applicable to future standards issued by the IASB.

This project does not address:

- matters of recognition and measurement;
- disclosures, such as management commentary, which are outside the audited financial statements;
- SICs and IFRICs, principally because of the nature of these documents.

A joint UK-NZ Oversight Group has been formed to provide high level advice and challenge – in particular to:

- consider and approve the proposed basis for this project;
- assess the results of the project; and
- approve the final report arising from the study.

The Group comprises:

- Isobel Sharp, Partner, Deloitte LLP, ICAS Past President – joint Chair (UK)
- Tony Frankham, professional company director, NZICA Past President – joint Chair (NZ)
- Peter Montagnon, Senior Investment Adviser, Financial Reporting Council (UK)
- Lyn Provost, Auditor-General (NZ)
- Gregor Alexander, Finance Director, Scottish & Southern Energy plc (UK)
- Kimberley Crook, Partner, Ernst & Young, and Member of NZ Financial Reporting Standards Board to 30 June 2011, member of NZ Accounting Standards Board from 1 July 2011 (NZ)
- John Hames, Group Controller, Fletcher Building Limited (NZ)

assisted by the following ICAS and NZICA staff:

- Amy Hutchinson, Assistant Director – Technical Policy, ICAS
- Patricia McBride, Acting General Manager – Standards & Advocacy, NZICA
- David Wood, Executive Director – Technical Policy and Services, ICAS

**PROPOSED INVITATION TO COMMENT**

Given the continuing criticisms of the quantum of disclosures required by IFRS, the IASB requested that the Discussion Paper be prepared to encourage debate on which disclosures could be eliminated while still providing relevant information to users of financial statements.

The Board invites comments on all matters in this Discussion Paper, particularly on the questions set out below and on whether, overall, the Oversight Group's recommendations, if implemented, would improve the usefulness of financial statements by focusing on more important information.

Comments are most helpful if they:

- express an overall view on the approach in the Discussion Paper;
- address the questions as stated;
- indicate the specific standard or paragraphs to which the comments relate;
- contain a clear rationale; and
- describe any alternatives the Board should consider.

Respondents need not comment on all of the questions, and an additional, brief survey is expected to be available from the IASB website in due course. Respondents are also encouraged to comment on any additional issues within the scope of the Discussion Paper.

**Question 1 – Need to reduce financial statement disclosures**

In Section 1 of the report, the Oversight Group proposes that there is an urgent need to reduce financial statement disclosures so as to enable users to focus on the relevant information about the entity in a more accessible manner. Do you agree?

**Question 2 – Principles underlying the proposed changes to disclosure requirements**

Section 1 sets out the principles which have been used by the Oversight Group as a basis for assessing the merit of existing disclosure requirements and proposing deletions and other changes. Do you agree that the relevant provisions from the Conceptual Framework have been identified? Do you agree with the other principles adopted by the Group as set out in paragraph 7? Are there other principles that should also be applied?

**Question 3 - Disclosure objectives**

The Oversight Group proposes the inclusion of a disclosure objective in each standard, as a way of assisting preparers in determining the focus of disclosures. Are the disclosure objectives appropriate? Do you believe that these will be helpful to preparers?

#### **Question 4 - Materiality**

Section 1 of the report sets out the Oversight Group's thinking on the issue of materiality, and proposes an approach which differentiates materiality as it applies to "items" and to "information". Do you agree with the approach to materiality? Do you believe that emphasising the need to disclose items and information only if material, as defined in IAS 1 *Presentation of Financial Statements* and the Conceptual Framework, is an effective way forward in achieving the Oversight Group's objectives?

#### **Question 5 – Use of superior descriptors**

As described in paragraph 25 of Section 1, the Oversight Group initially considered a two tier approach to disclosure based on a basic level of disclosure for material items and activities, with a greater level of disclosure for "significant" items and activities. Based on the definition of "material" in IFRS, the Oversight Group concluded that this two-tier approach was unnecessary and could be difficult to apply. It therefore recommends the removal of terms such as "major", "key" etc., from the existing standards and replacing them with more considered use of the notions of material items and material information which are already in IFRS. Do you believe that a two tier approach to disclosure should be retained or adopted more widely? If so, how would you propose such an approach be used in conjunction with materiality?

#### **Question 6 – Options on disclosure of accounting policies**

Section 1 of the Oversight Group's report and its proposed changes in IAS 1 propose that those accounting policies which are required by the standards and do not change from year to year, could be disclosed separately from the entity's financial statements, e.g. on that entity's website. Do you agree with providing the option to relocate accounting policies from the notes to the financial statements to a separate information location such as the entity's website? Do you agree with the inclusion of accounting policies in the notes to the financial statements only if they relate to changes in policy?

#### **Question 7 – Disclosure of alternative valuations**

Where a particular measurement base has been used (e.g. cost or fair value), some standards require disclosure of an alternative measurement base. For example, for financial assets or liabilities carried at amortised cost, IFRS 7 requires disclosure of their fair values. For assets carried at revalued amounts under IAS 16 or IAS 38, disclosures are required of what the asset's carrying amount would have been had the cost model been applied. The Oversight Group concluded that if a particular measurement base is permitted or required under IFRS, its use therefore must be considered appropriate. In most cases, there does not appear to be a compelling reason to require additional disclosures about an alternative measurement base. It therefore proposes deletion of these disclosures, with the exception of the fair value disclosures for investment property measured at cost under IAS 40. Do you agree with this approach? If not, when should disclosures on an alternative measurement base be required?

### **Question 8 – Encouraged and example disclosures**

Section 1 of the report proposes that lists of encouraged or example disclosures should no longer be included in standards, as these tend to encourage disclosure even if the associated information is not material (paragraph 8). Do you agree that standards should no longer include example disclosures or disclosures which are encouraged but not required?

### **Question 9 – Reconciliations of opening and closing balances**

The Oversight Group proposes that reconciliations between opening and closing balances on balance sheet items be replaced by a simple requirement to disclose only the amount and nature of material movements (paragraph 8). Do you agree? If not, what is the purpose of the disclosure of line items in the reconciliation which are not material?

### **Question 10 – IFRS 7**

The Oversight Group proposes an additional introductory paragraph – paragraph 1A of IFRS 7 - to emphasise that the nature and extent of financial instruments disclosures is dependent on the significance of financial instruments to the entity's business model. Do you agree with this approach? In particular, does it make sufficiently clear that the level of disclosure will vary depending on the business model and how an entity uses financial instruments? Will this be effective in focusing the note disclosures on what is important to the entity and the users of the entity's financial statements?

### **Question 11 – IAS 33**

In the conclusion on IAS 33, the Oversight Group questions whether the whole standard on earnings per share should be withdrawn. It can be argued that it is not necessary or appropriate for financial reporting standards to mandate the disclosure of particular financial analysis metrics. If such information is considered useful for listed entities in a particular jurisdiction, the relevant regulator could specify disclosure requirements. Do you agree that IAS 33 should be withdrawn in its entirety?

### **Question 12 – Comments on other specific amendments**

The detailed amendments to the disclosure requirements in the standards are set out in Section 2 of the report. Do you have any comments on the specific amendments proposed to the disclosure requirements in the standards?

### **Question 13 – Further changes**

Are there any further disclosures that should be deleted?

**Question 14 – Behavioural factors**

Section 1 (paragraph 23) discusses some behavioural factors which are said to influence preparers and auditors in considering the level of disclosures to make. Do you agree that these factors are relevant? If so, how can they be overcome? Are there any other behavioural factors which need to be addressed in order to achieve the objective of more meaningful and less detailed disclosures in financial statements?

**Question 15 - More principles based disclosure regime**

As suggested by paragraph 24, do you believe it could be workable to move to more of a principles based disclosure regime in the future, where disclosures are driven more by high level disclosure objectives and principles and less by prescriptive disclosure requirements?



The Institute of Chartered Accountants of Scotland and the New Zealand Institute of Chartered Accountants are members of the Global Accounting Alliance

