

23 July 2014

International Accounting Standards Board
1st Floor 30 Cannon Street
London EC4M 6XH
United Kingdom

Dear Sirs,

RESPONSE TO EXPOSURE DRAFT – DISCLOSURE INITIATIVE (PROPOSED AMENDMENTS TO IAS 1)

The Institute of Singapore Chartered Accountants (ISCA) appreciates the opportunity to comment on the above Exposure Draft (ED) issued by the International Accounting Standards Board (IASB) in March 2014.

To solicit meaningful feedback for this ED, ISCA sought views from its members through a two-month public consultation and the ISCA Financial Reporting Committee which includes experienced technical accounting professionals from large accounting firms.

GENERAL

We welcome the proposed amendments to IAS 1 “Presentation of Financial Statements” arising from the IASB’s Disclosure Initiative. This ED outlines the narrow-focus clarifying amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying IAS 1.

We believe that the proposals in this ED are important steps towards enhancing the quality and understandability of the financial statements.

Our comments on specific questions are as follows.

Question 1 – Disclosure Initiative amendments

The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement.

The proposed amendments relate to:

- (a) materiality and aggregation (see paragraphs 29–31 and BC1–8 of this Exposure Draft);
- (b) statement of financial position and statement of profit or loss and other comprehensive income (see paragraphs 54, 55A, 82, 85A and 85B and BC9–BC15 of this Exposure Draft);
- (c) notes structure (see paragraphs 113–117 and BC16–BC19 of this Exposure Draft); and
- (d) disclosure of accounting policies (see paragraphs 120 and BC20–BC22 of this Exposure Draft).

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

We generally agree with the proposed amendments as these amendments would emphasize the use of judgment in applying IAS 1's presentation and disclosure requirements and reinforce the need to consider materiality in relation to disclosures.

Materiality

Materiality assessments are highly judgmental. Preparers and auditors tend to err on the side of caution when determining what needs to be disclosed, resulting in information overload to the users. In practice, it is difficult to apply the materiality concept given the diverse information needs of various stakeholders. Certain stakeholders may be more concerned about the incompleteness of the disclosures provided rather than information overload. Hence, the diversity of informational needs poses significant challenges to preparers, auditors and regulators in the application of the materiality concept with regards to relevant and useful disclosure of information in the financial statements.

We also note that IASB is currently working on a separate project on materiality which is intended to define, interpret and apply materiality in different jurisdictions and for different purposes. We welcome this, given the challenges faced by preparers, auditors and regulators in applying existing guidance to disclosures with confidence.

Disclosure of Accounting Policies

Disclosure of accounting policies often includes boilerplate disclosures and unnecessary quotes of the main requirements of IFRSs. Such disclosures are lengthy and often not very useful. Given that IAS 1 already requires entities to make an explicit and unreserved

statement of compliance with IFRSs, it is therefore redundant to repeat the main requirements of IFRSs in the accounting policies.

In our view, disclosure of accounting policies should only include policy choices made by entities or implementation of accounting rules specific to entities (e.g. revenue recognition accounting policies).

We welcome IASB's current project on "Accounting Policies" which aims to develop proposals to help entities determine which of their accounting policies are "significant". The goal is to ensure that users of financial statements understand which accounting policies are important to a particular entity, instead of being confronted with descriptions of all the policies being applied by an entity.

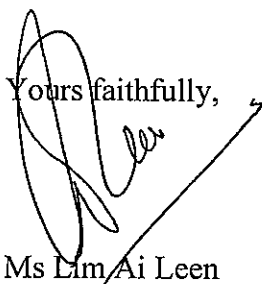
Question 2 – Presentation of items of other comprehensive income arising from equity-accounted investments

Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paragraphs 82A, BC1–BC6 and the Guidance on implementing IAS 1)?

If not, why and what alternative do you propose?

We agree with the IASB's proposal to clarify the presentation of items of other comprehensive income, if material, arising from equity-accounted investments amendments.

Should you require any further clarification, please feel free to contact Ms Lim Ju May, Deputy Director, Technical Standards Development and Advisory, or Ms Jezz Chew, Manager, Technical Standards Development and Advisory, at ISCA via email at jumay.lim@isca.org.sg or jezz.chew@isca.org.sg respectively.

Yours faithfully,


Ms Lim Ai Leen
Executive Director
Technical Knowledge Centre and Quality Assurance