



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

8 August 2014

Dear Members of the IASB

Exposure Draft *Disclosure Initiative: Proposed Amendments to IAS 1*

The Corporate Reporting Users' Forum welcomes the opportunity to comment on the Exposure Draft (ED) *Disclosure Initiative: Proposed Amendments to IAS 1*. Our response is set out below.

We consider most of the proposals for narrow focus amendments in the ED reflect a step in the right direction because it focuses on the usefulness of financial reports as a communication tool and also helps to improve users' convenience.

Within this context we believe the IASB needs to have a clearer vision of how to improve disclosures more fundamentally, especially for disclosures in the notes to the primary financial statements.

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

Responses to specific questions

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?

(a) Materiality and aggregation

CRUF participants are supportive of the proposals.

Paragraph 31 of IAS1 says that “an entity need not provide a specific disclosure required by an IFRS in the financial statements, if the information is not material.” In practice, however, entities tend to focus more on compliance than on communication with users and avoid the risks associated with not presenting information. As a result, many financial reports often contain a huge amount of information. We think that providing additional guidance on materiality helps to identify financial information to be disclosed and improve users' convenience.

That said, entities are currently not given sufficient guidance to determine whether information is material or not, based on the needs of users. We therefore propose to



develop guidance which makes the amendments more effective, as described in paragraph BC8. Furthermore, according to the last sentence of paragraph 31, an entity shall consider whether information needs to be presented or disclosed, even if that information is not included in the specific disclosure requirements of the IFRS. However, this may be mistaken by entities as an excessive requirement, and some CRUF participants are of the view that the wording “even if that information is not included in the specific disclosure requirements of the IFRS” may be removed.

Some CRUF participants support the prohibition of immaterial information from the financial statements, others do not agree.

(b) Statement of financial position and statement of profit or loss and other comprehensive income

CRUF participants are supportive of the proposals.

We think that in the statement of financial position, line items can be appropriately aggregated and disaggregated by (1) removing the reference to ‘as a minimum’ in paragraph 54 of IAS 1, and (2) providing an example of a disaggregation of a line item specified in paragraph 54 of IAS 1.

Regarding the statement of profit or loss and other comprehensive income, CRUF participants appreciate the clarification on how to fairly present subtotals. With IAS 1 leaving the presentation of subtotals to the discretion of the reporting entity, we think that certain rules should be established. We agree with the requirements that the subtotals shall (1) be understandable, (2) be consistent from period to period and (3) not be displayed with more prominence than the line items specified in IFRS, as described in paragraphs 55A and 85A of IAS 1.

As for line items included in the statement of profit or loss, some CRUF participants called for the presentation of subtotals regarding sustainable profit such as operating



profit, but which might be a problem as these items are not defined by the IASB rules.

Some participants feel that while disaggregation can be helpful and should be encouraged, there is a risk that the financial statements may become flooded with immaterial information.

(c) Notes structure

Some CRUF participants feel that the IASB's proposals to clarify flexibility on note ordering were helpful. However, it is a shame that clarification is needed, although if it proves useful and removes confusion, we are supportive. Participants support company discretion to grouping notes logically, for example, by activity rather than financial statement line item. One example is that, notes regarding derivatives related to interest rate risk could be presented with loans, whereas notes regarding derivatives related to foreign exchange rate risk should be presented with the relevant items.

Some participants think that ordering notes by importance to an entity has an advantage that users of financial statements easily understand what management sees as important to the entity. The intention behind the idea is understandable, but this, in practice, imposes a non-negligible load on users that perform a peer company or time series comparison.

Investors that analyze many companies in a timely manner may feel uncomfortable with the view expressed in the last sentence of paragraph BC19, which says that "the IASB also thinks that the increased use of electronic versions of financial statements means that it is increasingly easy to search for, locate and compare information within the financial statements and between entities and there are fewer benefits now from having a prescriptive order for the notes." In practice, due to time constraints, investors do not read financial statements slowly and carefully from the



beginning, and searching electronic documents to find necessary information is a huge waste of time and labour.

Furthermore, when an entity's financial performance has deteriorated, any arbitrary judgment by the entity may obscure useful information for users.

In regard to notes structure, however, some CRUF participants agree with the ED on the condition that (1) paragraph 114 applies only in principle, (2) an entity can adopt another order if users of its financial statements think it easier to understand, and (3) the entity discloses that effect, the explanation of the order adopted, etc. in the case of (2).

However, some participants believe that instead of reordering the notes, there should be better cross referencing within the financial statements or a table or list, which highlights the information the entity particularly, wants to highlight.

(d) Disclosure of accounting policies

CRUF participants' views are mixed on the proposals.

CRUF participants note that boilerplate accounting policies are not helpful, and can sometimes obscure more useful and insightful information. Participants agree that the important information includes the significant accounting policies for the business, areas of judgement and changes from previous policies. Participants also have an interest in knowing when policy choices were different from an industry norm (when there is a choice in policy or how it is applied).

Participants agree with the proposal to delete paragraph 120, as it is unlikely that the examples of tax effect accounting policies and accounting policies for the recognition of foreign currency exchange gains and losses are entity-specific.



Information about accounting policies is among the most heavily disclosed items in IFRS financial reports. They contain a substantial amount of boilerplate information not only about tax effect accounting policies but also about other accounting policies. CRUF participants think that information on entity-specific issues or discretionary accounting policies should be included in financial reports, while other general information (for example, direct quotes of the wording of IFRS standards) should be simplified to make financial reports more user-friendly.

In addition, regarding the disclosure of accounting policies, some participants propose that an entity should present a list of accounting policies that shows how many discretionary accounting policies are adopted by the 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?

CRUF participants' views are mixed but, as previously discussed with the IASB, it is more important to investors to clearly define what should or should not go into other comprehensive income (OCI) and provide clear guidelines to entities of how to record and disclose such items. Some CRUF participants have no preference on what should go into OCI or not, but think that it should be consistent amongst all companies

Other CRUF participants (particularly in Japan) think that information in other comprehensive income arising from equity-accounted investments should be presented separately from that of parent companies and consolidated subsidiaries.



Meanwhile, classifying components of other comprehensive income arising from equity-accounted investments by nature provides important financial information, and these CRUF participants therefore disagree with the proposal to omit this classification.

It is important to identify accounting items affecting other comprehensive income by nature, and the share of other comprehensive income arising from equity-accounted investments is no exception in this regard.

Accordingly, these participants support the presentation shown in the guidance. If the presentation is too detailed, we propose that the share of other comprehensive income of equity-accounted investments should be included within items of the same nature of other comprehensive income and then disclosed separately in footnotes.

In addition, paragraph 82A of IAS 1 requires entities to classify items of other comprehensive income by whether or not the items will be reclassified (recycled) to profit or loss. However, we support a full recycling policy, advocated by the Accounting Standards Board of Japan (ASBJ), and based on this assumption, it is not necessary to group items of other comprehensive income by whether or not the items will be reclassified (recycled) to profit or loss.

Question 3—Transition provisions and effective date

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

CRUF participants are supportive of the proposals.



The proposed amendments are expected to increase the convenience of users of financial reports. The work on significant accounting policies, undertaken as part of the materiality project in the Disclosure Initiative, is slated to start in the second half of 2014. Notwithstanding our earlier comment that we think it is important that the IASB does not lose sight of the big picture when addressing narrow scope topics, CRUF participants think it is better to issue these final amendments without waiting for other considerations, and put them into effect as early as possible.

About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer organizations. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective organizations. The CRUF does not seek to achieve consensus views. However, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative.

The participants in the Forum that have specifically endorsed this response are listed below.



The Corporate Reporting Users' Forum

(Signatures)

Norbert Barth
Independent Equity Analyst
Member of CMAC

Gunnar T. Miller
Managing Director
Global Co-Head of Research
Head of European Research
RCM

Lothar Weniger

Paul Lee
Head of Investment Affairs
National Association of Pension Funds

Peter Reilly

Terri Campbell, CFA

Rajesh Sehgal, CFA

Marietta Miemietz,
Director of Pharmaceutical Advisory Services
Primavenue

Managing Director
Nomura Securities Co., Ltd.
Naoki Hirai



The Corporate Reporting Users' Forum

Masayuki Kubota, CFA
Chief Strategist
Rakuten Securities Economic Research Institute
Rakuten Securities, Inc

Koei Otaki
Senior Analyst, CPA
Equity Research
SMBC Nikko Securities Inc.

Senior strategist
Nomura Securities Co., Ltd.
Yoshihiro NOMURA

Executive Vice President The Securities Analyst Association of Japan
Makoto Kaimasu