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Hans Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London
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21 July 2014

Dear Mr Hoogervorst

Exposure Draft ED 2014/1 - Disclosure Initiative: Proposed amendments to IAS 1

Deloitte Touche Tohmatsu Limited is pleased to respond to the International Accounting Standards Board's (the IASB's) Exposure Draft *Disclosure Initiative: Proposed amendments to IAS 1* ('the exposure draft').

We support the aims of the Disclosure Initiative as the perception of a 'disclosure overload' is widespread and it is important to re-iterate the principle that financial statements should be a tool for communication with users. In general, we agree that the proposed amendments relate to areas in which the application of judgement can result in clearer communication to users of financial statements. However, we are concerned that the proposed amendments do not provide sufficient guidance to assist in the application of that judgement and, as such, are unlikely to result in significant changes in practice. To effect any meaningful change, we believe that a clear framework for the application of materiality to disclosures, covering both quantitative and qualitative considerations, is needed. We recommend that the Board liaise with the International Auditing and Assurance Standard Board and seek input from securities market regulators and all other constituents to develop such a framework.

In addition, we believe that a review of the specific disclosure requirements of both new and existing standards is an important element of the Disclosure Initiative and should be commenced as soon as is practicable.

We also note that several proposals of the exposure draft relate to presentation rather than disclosure. In that context, we note that disaggregation of line items in the statement of profit or loss continues to be the subject of much debate (including the European Securities and Markets Authority (ESMA) consultation paper 'Guidelines on Alternative Performance Measures' and International Federation of Accountants (IFAC) exposure draft 'Developing and Reporting Supplementary Financial Measures – Definition, Principles, and Disclosures'). We believe that the IASB is best placed to provide a globally accepted framework for the presentation of additional information in the statement of profit or loss and encourage the Board to press ahead with the consideration of the presentation and disclosure of non-IFRS financial information as announced in the April 2014 IASB Update.

Our detailed responses to the questions in the invitation to comment are included in the Appendix to this letter.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 (0) 20 7007 0884.

Yours sincerely

Veronica Poole
Global IFRS Leader

Appendix

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?

In general, we agree that the proposed amendments relate to areas in which the application of judgement can result in clearer communication to users of financial statements. However, we are concerned that the proposed amendments do not provide sufficient guidance to assist in the application of that judgement and, as such, are unlikely to result in significant changes in practice.

We have the following specific comments on each of the proposed amendments.

Materiality and aggregation

We welcome re-iteration that the concept of materiality applies to disclosure requirements as well as to recognition and measurement, but believe that this concept is already generally accepted. The issue on which there is a lack of clarity is not *whether* materiality applies to disclosures but *how* the determination of whether a disclosure is material should be made.

To effect a meaningful change in practice, we believe that a clear framework for the application of materiality to disclosures (covering both quantitative and qualitative considerations) is needed and recommend that the Board liaise with the International Auditing and Assurance Standard Board and seek input from securities market regulators and all other constituents to develop such a framework.

In general, we agree with the proposed guidance in paragraph 30A on aggregation of information, but note that it is unclear how this interacts with specific requirements of IFRSs to provide information on an aggregated basis. For example, paragraph B16 of IFRS 12 *Disclosure of Interests in Other Entities* requires aggregated information to be disclosed in respect of individually immaterial joint ventures and associates. It is unclear whether proposed paragraph 30A would require a consideration of whether those individually immaterial investments had different characteristics prior to following the specific requirement of IFRS 12.

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Disaggregation in the statement of financial position and statement of profit or loss and other comprehensive income

We agree that disaggregation of line items in the financial statements can provide useful information, but again note that little guidance is given on the assessment of when this might be the case (proposed paragraph 30A refers to consideration of “all relevant facts and circumstances” but provides no indication of how to determine what is relevant when considering presentation requirements). We do not believe that the example included in the proposed amendments to paragraph 54 of IAS 1 (disaggregation of ‘property’, ‘plant’ and ‘equipment’) is realistic and hence it is unlikely to assist preparers in determining when disaggregation is appropriate. It would be more helpful to provide guidance on whether, for example, it would be appropriate to disaggregate a particular class of property, plant and equipment (for example, bearer plants classified as property, plant and equipment following the upcoming amendment to IAS 41 *Agriculture*) or to disaggregate a line item by measurement basis (for example, property, plant and equipment carried at depreciated cost disaggregated from property, plant and equipment measured at a revalued amount) and on the criteria that would be considered when disaggregating items (for example, whether the significance of an item compared to others in the same line item or other qualitative factors are relevant).

The proposed requirements of paragraphs 55A and 85A on the presentation of subtotals appear reasonable, but we recommend that the requirement that such subtotals “be made up of items recognised and measured in accordance with IFRS” be clarified as for an item to be included in the financial statements at all it must be recognised and measured in accordance with IFRS.

We also note that disaggregation of line items in the statement of profit or loss continues to be the subject of debate and is under consideration by a number of parties (including the European Securities and Markets Authority (ESMA) consultation paper ‘Guidelines on Alternative Performance Measures’ and International Federation of Accountants (IFAC) exposure draft ‘Developing and Reporting Supplementary Financial Measures – Definition, Principles, and Disclosures’). We believe that the IASB is best placed to provide a globally accepted framework for the presentation of additional information in the statement of profit or loss and encourage the Board to press ahead with the consideration of the presentation and disclosure of non-IFRS financial information announced in the April 2014 IASB Update.

In addition, we believe that many of the considerations on disaggregation of information in the statement of financial position and statement of profit or loss are also relevant to the statement of cash flows and recommend that the addition of guidance to IAS 7 *Statement of Cash Flows* be considered.

Notes structure

We agree that entities should have flexibility in deciding the structure of the notes that will lead to the most understandable set of financial statements and believe that the guidance in proposed paragraph 113A will be useful in determining an appropriate approach.

Disclosure of accounting policies

We agree that it is not necessary to mandate a single summary of significant accounting policies as there are other effective ways of providing this information. We also agree with the proposed deletion of paragraph 120 and with the statement in paragraph BC22 of the Basis for Conclusions of the exposure draft that additional work is needed on the determination of a ‘significant’ accounting policy (for example, it is currently unclear whether any accounting policy relevant to a material item is ‘significant’, or whether the level of choice or judgement inherent in the policy is also a factor).

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It is true that accounting policy disclosures are often lengthy and 'boilerplate' in nature and there is a valid point of view that exclusion of some of this material could enable users to focus on areas in which the preparer has made choices or exercised significant judgement. However, it cannot be assumed that all users of financial statements are familiar with all requirements of IFRSs (or that they have ready access to the standards themselves). For this reason, we recommend that the IASB consider engaging in a dialogue with securities market regulators on the use of 'standing data' (held, for example, on a website) to supplement any reduced level of disclosure of 'standard' accounting policies.

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 proposed amendment as we believe that the requirements for presentation of an entity's share of other comprehensive income of associates and joint ventures should, as noted in paragraph BC3 of the Basis for Conclusions on the exposure draft, be consistent with the presentation of the share of profit or loss of those investees.

We note, however, that it is not currently clear whether these requirements are consistent in terms of the presentation of income tax and therefore recommend that the IASB take this opportunity to amend paragraph 91 of IAS 1 to state that the share of other comprehensive income of associates and joint ventures is presented after tax and that the disclosure requirements of paragraph 90 of IAS 1 do not apply to the tax element of these amounts. Currently, this is stated only in the illustrative guidance accompanying IAS 1.

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?

We agree with the proposed transition provisions for the amendment to IAS 1 arising from the Disclosure Initiative but recommend that it be specified that the amendments arising from the presentation of items of other comprehensive income arising from equity-accounted investments be applied retrospectively.