07 July 2014

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom
Email: CommentLetters@ifrs.org

Dear Sir/Madam

SAICA SUBMISSION ON ED 2014/1 – *DISCLOSURE INITIATIVE*: PROPOSED AMENDMENTS TO IAS 1 – *PRESENTATION OF FINANCIAL STATEMENTS*

In response to your request for comments on ED 2014/1 – *Disclosure Initiative*: Proposed Amendments to IAS 1 – *Presentation of Financial Statements*, attached is the comment letter prepared by the Accounting Practices Committee (APC) of The South African Institute of Chartered Accountants (SAICA). This comment letter results from deliberations of the APC which comprises members from reporting organisations, regulators, auditors, IFRS specialists and academics.

We thank you for the opportunity to provide comments on this document.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

Sue Ludolph
Project Director – Financial Reporting

cc: Prof Danie Coetsee (Chairman of the Accounting Practices Committee)

SAICA SUBMISSION ON ED 2014/1 – *DISCLOSURE INITIATIVE*: PROPOSED AMENDMENTS TO IAS 1 – *PRESENTATION OF FINANCIAL STATEMENTS*

GENERAL COMMENTS

We welcome the efforts by the IASB to simplify the financial statements and to focus on only providing disclosures which are material to the financial statements. Over the last few years, there has been a noticeable increase in disclosures with preparers and investors questioning the relevance of all the disclosures.

We are encouraged by the IASB taking on the Disclosure Initiative project and would urge the IASB to make this a high priority.

SPECIFIC COMMENTS

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) We agree with the proposed amendments on materiality and aggregation. Some constituents are of the view that entities should disclose how they determine materiality in the context of the financial statements. They argue that the application of the term materiality is subjective and not always clear, as it is difficult to determine if items **could** influence the economic decisions of a plethora of users.

b) We are generally supportive of the amendments on the statement of financial position and statement of profit or loss and other comprehensive income. Some of our constituents are concerned with the wording in paragraph 55A(a) of the Exposure Draft as the use of non-GAAP measures may become more prevalent. We therefore recommend that the requirement to present and label subtotals in a manner that is understandable (both in paragraphs 55A and 85A) should be supported by a requirement to explicitly define the label in the entity's accounting policies and in some cases provide reasoning for providing such subtotals.

c),d) We agree with the proposed amendments on the notes structure and disclosure of accounting policies. Many of the respondents question whether the changes in respect of the accounting policies are sufficient and suggest that it is considered further as part of the broader Disclosure Initiative project. The following examples illustrate possible alternative presentation of accounting policies in the financial statements:

- The first proposal is that only where the entity has made an accounting policy choice or changed an accounting policy, should it be disclosed. The full IFRS accounting policies where no choices are made would not be provided, as these would be the same for all entities reporting under IFRS.
- The second proposal is to disclose only the accounting policies which are vital to understanding the entity's business. For example, a banking institution would show all policies related to financial instruments whereas a manufacturer would focus more on policies relating to property, plant and equipment as this is key to its business. The other policies would not be provided as these are the same for all entities reporting under IFRS.

In both cases, disclosure should be made for changes in accounting policies whether voluntary or due to the initial application of a new standard. Accounting policies should also be disclosed where IFRS does not have an explicit choice but where there is more than one acceptable approach when interpreting IFRS.

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?

Whilst we are in agreement with the principle of the proposal, we are concerned with the drafting of paragraph 82A of the Exposure Draft and propose that the IASB consider amending paragraph 82A(a), rather than including paragraph 82A(b). The current drafting of paragraphs 82A(a) and (b) implies that there are four subtotals in the statement of other comprehensive income, being:

1. the other comprehensive income movements for Joint Ventures and Associates, categorised into:
   - items which will be reclassified to profit or loss, and
   - items which will not be recycled through profit or loss.
2. the other comprehensive income movements of the Group, excluding those mentioned above, categorised into:
   - items which will be reclassified to profit or loss, and
   - items which will not be recycled through profit or loss.

This presentation contradicts the example provided in the Exposure Draft.

We recommend that the footnote to the illustrative examples be removed and replaced by a more detailed illustrative example which includes both, other comprehensive income movements of the associates and joint ventures which will be reclassified to profit or loss, and which will not subsequently be reclassified.

We also 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 amendments to IAS 1 as described in the Exposure Draft.

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