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Disclosure of Accounting Policies (Proposed Amendments to IAS 1 and IFRS Practice Statement 2)

Cover Note

Objective

- 1 The objective of this session is to discuss and agree to recommend a draft comment letter (“DCL”) on the IASB’s Exposure Draft *ED/2019/6 Disclosure of Accounting Policies – Proposed amendments to IAS 1 and IFRS Practice Statement 2* (the ‘ED’).

Background

- 2 In March 2017 the IASB issued the Discussion Paper *DP/2017/1 Disclosure Initiative - Principles of Disclosure* to help it identify and address issues related to the disclosure information in financial statements prepared applying IFRS Standards.
- 3 The feedback suggested further guidance would assist entities in determining which accounting policies to disclose. Many respondents (including EFRAG) noted that the application of materiality was key to deciding which accounting policies to disclose and suggested that the IASB develop further guidance on how to determine whether an accounting policy is material.
- 4 The ED, issued in August 2019, proposes to amend paragraphs 117–122 of IAS 1 *Presentation of Financial Statements* to require entities to disclose their material accounting policies rather than their significant accounting policies.
- 5 To support this amendment the IASB also developed guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ described in IFRS Practice Statement 2 *Making Materiality Judgements* to accounting policy disclosure and help entities:
 - (a) identify and disclose all accounting policies that provide material information to primary users of financial statements; and
 - (b) identify immaterial accounting policies and eliminate them from their financial statements.
- 6 The proposed amendments build on *Definition of Material*, issued in October 2018, which made amendments to IAS 1 and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- 7 Comments on the ED are requested by 29 November 2019.

Questions for EFRAG TEG

- 8 Does EFRAG TEG have comments on the proposed draft comment letter?
- 9 Does EFRAG TEG agree to recommend the draft comment letter for approval by the EFRAG Board?

Agenda Papers

- 10 In addition to this cover note, the following papers have been provided for this session:
 - (a) Agenda paper 09-02 – EFRAG DCL on the ED; and
 - (b) Agenda paper 09-03 – the ED.