EFRAG
European Financial Reporting Advisory Group

INVITATION TO COMMENT ON THE EFFECTS (COSTS AND BENEFITS) OF IAS 1 (REVISED)

Comments should be sent to commentletter@efrag.org by 14 March 2008

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the endorsement of IAS 1 *Presentation of Financial Statements* (IAS 1 (Revised)). In order to do that, EFRAG has been assessing IAS 1 (Revised) against the criteria for endorsement set out in Regulation (EC) No 1606/2002 and is now carrying out a separate assessment of the costs and benefits that would arise from its implementation in the EU.

A brief summary of the amendments to IAS 1 in IAS 1 (Revised) is set out in Appendix 1.

Although EFRAG has not yet finalised its technical assessment of IAS 1 (Revised), its near-final conclusion is that IAS 1 (Revised) is not contrary to the true and fair principle and that it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning in reaching this near-final view is explained in Appendix 2.

EFRAG has carried out an initial assessment of the costs and benefits that would arise from implementing IAS 1 (Revised) in the EU. A summary of the results is set out in Appendix 3.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record unless the respondent requests confidentiality. EFRAG is a transparent organisation and will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

1 Please provide the following details about yourself:

(a) Your name or, if you are responding on behalf of an organisation or company, its name:

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(b) Are you/Is your organisation or company a:

□ Preparer □ User □ Other (please specify)_____________

(c) Please provide a short description of your activity/ the general activity of your organisation or company:

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(d) Country where you/your organisation or company is located:

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(e) Contact details including e-mail address:

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2 EFRAG is carrying out an assessment of the costs and benefits that will arise for preparers and for users in implementing IAS 1 (Revised), both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the work. The results of the initial assessment are set out in Appendix 3. To summarise, IAS 1 (Revised) will:

(a) involve preparers incurring some year one costs—in order to read, understand and implement the new requirements—but that those costs will be insignificant;

(b) not involve preparers incurring significant incremental ongoing costs; and

(c) involve users incurring only insignificant incremental year one or ongoing costs.

Do you agree with this assessment?

Yes No

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If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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3 As EFRAG believes (as explained in Appendix 3) that IAS 1 (Revised) will to a certain extent improve the quality of the financial information provided and its implementation will involve on an overall level additional costs that will not be significant, it has tentatively concluded that the benefits to be derived from applying IAS 1 (Revised) will exceed the costs involved.

Do you agree with this assessment?

Yes No

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If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

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4 EFRAG is not aware of any factors other than those mentioned in appendices 2 and 3 that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IAS 1 (Revised).

Do you agree that there are no other factors?

Yes No

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If you do not, please explain why you do not and what you think the implications should be for EFRAG's endorsement advice?

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5 EFRAG's near final technical assessment of IAS 1 (Revised) is that IAS 1 (Revised) is not contrary to the true and fair principle and that it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning in reaching this near-final view is explained in Appendix 2.

Do you agree with that assessment?

Yes No

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If you do not agree, it is presumably because you have a *significant* concern about IAS 1 (Revised) when judged against the technical criteria. Please could explain what that concern is, why you have it now (at this late stage of the process) but did not have it earlier, and what you think the implications should be for EFRAG's endorsement advice?

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APPENDIX 1
A SUMMARY OF THE AMENDENTS INCLUDED IN IAS 1 (REVISED)

1 IAS 1 sets out the general requirements for the presentation of financial statements and contains guidelines for their structure and minimum requirements for their content. IAS 1 was revised as part of the Financial Statement Presentation project, with the aim of improving the ability of investors, creditors and other financial statement users to:

(a) understand an entity's present and past financial position;

(b) understand the past operating, financing, and other activities that caused an entity's financial position to change and the components of these changes; and

(c) use that financial information (along with information from other sources) to assess the amounts, timing, and uncertainty of an entity's future cash flows.

Amendment A & B - Owner changes in equity are to be presented separately from non owner changes and all non-owner changes to be presented in one or two statements of comprehensive income

2 Under the previous version of IAS 1, entities could present certain items of income and expense in the same accounting statement as the so called 'owner changes in equity' (for example increases in capital and capital distributions).

3 Furthermore, the previous version of IAS 1 required certain items of income and expense to be presented in an income statement but permitted some flexibility as to where the other items of income and expense were presented: they could be presented either (as explained above) with all changes in equity (in a statement of changes in equity) or with other non-owner changes (in a statement of recognised income and expense (so-called 'SoRIE')).

4 IAS 1 now requires:

(a) all owner changes in equity to be presented separately from items of income and expense (so-called 'non-owner changes in equity'). It is thus not any longer possible to present non-owner changes in equity in the statement of changes in equity. The purpose of this revision is to distinguish items with different characteristics (ie owner changes in equity from non-owners changes in equity) and therefore increase the understandability of the presentation; therefore

(b) all income and expenses are to be presented either in one statement (a statement of comprehensive income) or in two statements (an income statement and a statement of comprehensive income), separately from owner changes in equity.

Amendment C - Non-mandatory changes to the titles of the primary financial statements

5 The previous version of IAS 1 used the titles "balance sheet" and "cash flow statement" to describe two of the statements within a complete set of financial statements. IAS 1 uses "statement of financial position" and "statement of cash flows" for those statements. The new titles are however not mandatory.

Amendment D – A third statement of financial position if there have been restatements

6 IAS 1 requires an entity to disclose comparative information in respect of the previous period, ie to disclose as a minimum two of each of the various accounting statements and related notes. IAS 1 (Revised) requires a third statement of financial position (i.e. balance sheet) to be provided in certain circumstances (so that there are two opening balance sheets as well as two closing balance sheets). This third statement is required as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements. The purpose of this revision is to provide information that is useful in analysing an entity's financial statements.

Amendment E - Disclosure of 'reclassification adjustments' (also known as 'recycling')

7 Under existing IFRS, some items of income and expense are recognised outside of the income statement (in the statement of recognised income and expense or the statement of changes in equity, see also above paragraphs 2-4) initially and later, on the occurrence of a specified triggering event (such as, in some cases, realisation), moved from that statement and shown in the income statement. This process is known as 'recycling' and the entries involved are known as 'reclassification adjustments'. IAS 1 (Revised) requires an entity to disclose reclassification adjustments relating to each component of other comprehensive income. The purpose of this revision is to provide users with information to assess the effect of such reclassifications on profit or loss.

Amendment F – Disclosure of taxes relating to each component of other comprehensive income

8 IAS 1 (Revised) requires an entity to disclose income tax relating to each component of other comprehensive income. The previous version of IAS 1 did not include such a requirement. The purpose of this new requirement is to provide users with tax information relating to these components because the components often have tax rates different from those applied to profit or loss.

Amendment G - Presentation of dividends and related per-share amounts on the face of the statement of changes in equity or in the notes.

9 The previous version of IAS 1 permitted a choice as to where entities disclosed the amount of dividends recognised as distributions to equity holders and the related per share amount: in the income statement, in the statement of changes in equity or in the notes. IAS 1 (Revised) allows dividends recognised as distributions to owners and related per share amount to be presented only in the statement of changes in equity or in the notes. The purpose of the revision is to ensure that owner changes in equity (in this case, distributions to owners in the form of dividends) are presented separately from non-owner changes in equity (presented in the statement of comprehensive income).

APPENDIX 2
EFRAG'S TECHNICAL ASSESSMENT OF IAS 1 (REVISED) AGAINST THE ENDORSEMENT CRITERIA

1 When evaluating IAS 1 *Financial Statement Presentation* (Revised September 2007)—henceforth IAS 1 Revised— in the light of endorsement, EFRAG considered the following key questions:

(a) Are the requirements of IAS 1 Revised consistent with the IASB's *Framework for the Preparation and Presentation of Financial Statements*?

(b) Would the revised standard's implementation result in an improvement in accounting?

(c) Does the accounting that results from the application of the revised standard meet the criteria for EU endorsement?

2 Having formed tentative views on the issues and prepared a draft endorsement advice letter, EFRAG issued that draft letter on 14 September 2007 and asked for comments on it by 15 October 2007. EFRAG issued a second consultation paper, mainly on the costs and benefits of implementing IAS 1 (Revised) in the EU, on 11 February 2008 and asked for comments on that paper by 14 March 2008. [EFRAG has considered all the comments received in response to the two consultations that are relevant to its technical assessment, and the main comments received are dealt with in the discussion in this appendix.]

Approach adopted to the evaluation of IAS 1 Revised

3 IAS 1 Revised involves a number of in some ways relatively minor changes to existing IFRS that are not particularly linked. As a result, EFRAG has found it necessary to consider the above questions for each of the changes in turn. Those changes are:

(a) all owner changes in equity are to be presented separately from non-owner changes in equity in a statement of changes in equity;

(b) all non-owner changes in equity are to be presented in one or two statements of comprehensive income;

(c) the following non mandatory titles for the primary financial statements are introduced: statement of changes in equity, statement of cash flow, statement of comprehensive income and statement of financial position;

(d) a statement of financial position as at the beginning of the corresponding period to be presented where restatements have occurred;

(e) disclosure of 'reclassification adjustments' (ie recycling)

(f) disclosure of income tax relating to each component of other comprehensive income; and

(g) presentation of dividends and related per-share amounts on the face of the statement of changes in equity or in the notes.

Are the requirements of IAS 1 Revised consistent with the IASB's Framework?

4 EFRAG has first considered whether the requirements of IAS 1 Revised are consistent with the IASB's Framework. There are several aspects of the Framework that are of particular relevance here:

(a) The Framework explains that the qualitative characteristics of financial information are relevance, reliability, comparability and understandability. We need therefore to judge IAS 1 Revised against those characteristics. As IAS 1 deals with presentation, reliability will not generally be an issue. The one exception to this is if the standard requires an item to be split into two or more separate items for presentation purposes, because in that circumstance the standard could in effect require a reliable number to be split into two or more numbers that may be unreliable. That is an issue only in the case of the amendment described in paragraph 3(f) above ('Amendment F').

(b) The Framework also defines the elements of financial statements (assets, liabilities, equity, income and expenses) and it states that a set of financial statements shall comprise the income statement, the balance sheet, a statement of changes in financial position and notes. However, it is vague as to whether, inter alia, there should be just one income statement, whether all income and expense items should be presented in the income statement, and whether the income statement can contain items that are neither income nor expense.

5 Thus, the focus of our discussion below is on the qualitative characteristics—and in the main on relevance, comparability and understandability.

Amendment A—Owner changes in equity are to be presented separately from non-owner changes

6 Under the version of IAS 1 prior to IAS 1 Revised ('old IAS 1'), entities were allowed to present certain non-owner changes in equity in the same statement as owner changes in equity. IAS 1 Revised changes this. It requires entities to show owner changes in equity in a separate statement from non-owner changes.

7 This change appears to improve the comparability of the information, by ensuring that all entities will show owner changes together and separately from non-owner changes. The change also appears to improve the understandability of the information, by not allowing owner changes and non-owner changes to be shown together in a single statement. Non-owner changes in equity are a different economic phenomenon compared to changes in equity due to owner transactions, where the owners are acting in their capacity as owners, and the presentation adopted should highlight this difference.

8 One EFRAG member questioned whether there might be an inconsistency in the standard because the effects of changes in accounting policies are clearly not owner changes in equity and should therefore not be included in the statement of changes in equity. That EFRAG member however acknowledged the overall improvement result from the amendment and therefore agreed with the overall conclusion reached, that this amendment is in line with the framework.

Amendment B—All non-owner changes to be presented in one or two statements of comprehensive income

9 Old IAS 1 required the presentation of an income statement, including income and expense recognised in profit or loss. Other items of income and expense not

recognised in profit or loss were presented either in the statement of recognised income and expense or in statement of changes in equity. Under IAS 1 Revised, all items of income and expense shall be presented either in one statement (comprehensive income) or in two statements (an income statement and a statement of comprehensive income).

10 EFRAG believes that this in effect means that entities can either continue to present items of income and expense broadly (but not exactly) as most of them do now, or they can present them all in a single statement. It follows that the issue EFRAG needed to consider under this question was whether presenting all items of income and expense in a single statement is inconsistent in some way with the Framework or whether introducing this option creates an inconsistency. The relevance of presenting all non-owner changes in one statement and the understandability of total comprehensive income was discussed but most EFRAG members thought that, after an initial familiarisation, there would not be ongoing issue.

11 There was some discussion as to whether allowing entities a choice of preparing one or two statements was inconsistent with the comparability characteristic. As a general rule EFRAG is not in favour of options in standards because they affect comparability and one EFRAG member in particular thought this change could have an effect on comparability. In that member's view what is needed is greater standardisation of formats and of the items included in key line items, and the changes introduced by IAS 1 (Revised) do not achieve this; indeed, they introduce greater flexibility. However, that EFRAG member accepts that this concern is more about an opportunity being missed than the reporting format being changed in an unacceptable way. EFRAG therefore concluded this amended requirement was not inconsistent with the comparability characteristic.

Amendment C—Non-mandatory changes to the titles of the primary financial statements

12 Currently the primary financial statements are generally referred to using titles like 'income statement', 'balance sheet', 'cash flow statement', etc. However, IFRS does not prescribe the titles that entities should use, and some use different names. IAS 1 Revised gives new titles to the various primary financial statements, but again does not require the titles to be used. Although one EFRAG member thought this change might cause confusion (see also paragraph 11 above), most EFRAG members thought the effect on the financial statements of this change will be insignificant. Different entities may call their primary financial statements by different names, but they do that now already. Some may use the new titles and users may not be familiar with those new titles initially. However, they soon would be.

Amendment D—A third statement of financial position if there have been restatements

13 Under old IAS 1, an entity presents two balance sheets, one showing the position at the end of the current reporting period and the other showing the position at the end of the prior period. IAS 1 Revised requires a third balance sheet—showing the position at the beginning of the prior period—to be shown when the entity has made a retrospective application of an accounting policy or a retrospective restatement or reclassification of items in its financial statements. The objective of this amendment is to enhance comparability.

14 EFRAG noted that the wording of this particular amendment could be interpreted to mean that a third statement of financial position is required even if the opening figures were not impacted by any adjustments; Yet the Board explains in its Basis for Conclusion (BC 32) that a third statement of financial position is required only when it "has been affected by retrospective application or retrospective

restatement, as defined in IAS 8 … or when reclassification has been made". This lack of clarity is unhelpful. EFRAG also noted that some might interpret the revised standard's references to the recycling of amounts between the two statements of income and expenses as "reclassification adjustments" as implying that the existence of such adjustments should give rise to the requirement for a third statement of financial position. However, EFRAG believes that the Board's intention in both cases is clear. It therefore concluded that this amendment is consistent with the qualitative characteristics included in the Framework.

Amendment E—Disclosure of 'reclassification adjustments' (ie recycling)

15 IAS 1 Revised requires an entity to disclose reclassification adjustments relating to each component of other comprehensive income, either on the face of the statement or in the notes. (Currently IFRS allows/requires the recycling of certain income and expenses items. Thus, an item is sometimes recognised in equity or other comprehensive income initially, and is subsequently transferred from there to the income statement. That recognition in the income statement is referred to by the IASB as a 'reclassification adjustment'.)

16 EFRAG believes that this amendment is consistent with the qualitative characteristics. By providing the disclosure, it enables users to understand the extent to which the line items represent income and expense of the year or the reclassification of prior years' income and expense. This enhances the relevance, understandability and comparability of the financial statements.

Amendment F—Disclosure of income tax relating to each component of other comprehensive income

17 IAS 1 Revised also requires entities to disclose—either on the face of the primary financial statement or in the notes—the income tax relating to each component of other comprehensive income.

18 There is little doubt that, in theory at least, the tax effect of items of comprehensive income can be different from the tax effect of other items of income and expense and as such can be relevant information. However most EFRAG members question the relevance of the information in practice, because in their view estimating the tax effects would involve a significant amount of judgement, approximation and arbitrariness, at least partly because of the interdependence between the different items of other comprehensive income. This arbitrariness in particular could be a problem for comparability, relevance and even reliability. On the other hand, some EFRAG members do not believe that inappropriate estimations would be necessary and therefore do not share the concerns raised. They note that, in cases where significant judgement and estimation would be necessary to do the tax allocation, IFRS already requires disclosure of such estimations in the notes to the financial statements. In these members view, such a disclosure ensures that the reader of the financial statements is appropriately informed.

Amendment G—Presentation of dividends and related per-share amounts on the face of the statement of changes in equity or in the notes.

19 Finally, old IAS 1 allowed entities a choice as to where to disclose the amount of dividends recognised as distributions to equity holders and the related amount per share: on the face of the income statement, on the face of the statement of changes in equity or in the notes. IAS 1 Revised narrows that choice to the face of the statement of changes in equity or in the notes.

20 EFRAG noted that the required presentation on the face of the statement of changes in equity or in the notes was also allowed under the previously endorsed IAS 1. EFRAG believes that presenting dividends on the face of the equity statements is conceptually superior than showing them on the face of the income statement, as they represent equity and not necessarily only income distribution. Thus, EFRAG concluded that the revision would be consistent with the Framework.

Summary

21 EFRAG therefore concluded that the requirements of IAS 1 Revised consistent with the Framework, with the possible exception of Amendment F (disclosure of income tax relating to components of other comprehensive income).

Would the revised standard's implementation result in an improvement in accounting?

Amendments A, D, E and G

22 EFRAG then considered whether the revisions to IAS 1 will result in an improvement in the financial information provided. In EFRAG's view, some of the revisions—the separate presentation of owner and non-owner changes in equity (Amendment A) and the reduction in the choice as to where to present the disclosure of dividends recognised as distribution to equity holders and related per share information (Amendment G)—clearly improve the comparability of the information provided in the financial statements because they result in the information being presented in a more unified manner. EFRAG believes that eliminating options is not necessarily always an improvement and does not in all cases improve comparability, because different economic phenomena and transactions might indeed require different accounting. However, EFRAG believes that presenting information in a unified place in the cases addressed by the revisions will improve the presentation of financial information and will therefore be helpful to readers of the financial statements.

23 Amendment A, the presentation of a third balance sheet when there has been a restatement (Amendment D) and the separate disclosure of reclassification adjustments (Amendment E) also improve the understandability of the information provided, by separating out owner changes in equity from non-owner changes and by providing more information about the effect of recycling.

Amendment B—All non-owner changes to be presented in one or two statements of comprehensive income

24 EFRAG considered the arguments brought forward by the IASB in relation to the inclusion of the option to show non-owner changes to equity in one or two statements. While different EFRAG members had different views on the IASB's arguments—and as a result had different views on whether Amendment B improved financial reporting—EFRAG concluded that the amendment would not impair quality of the financial statements. Users of financial statements would still be able to draw exactly the same information and therefore conclusions as under old IAS 1.

Amendment C—Non-mandatory changes to the titles of the primary financial statements

25 As already explained in paragraph 12, with one possible exception, EFRAG members believe the effect on the financial statements of this change will not be significant. It will result neither in an improvement nor in a deterioration in the quality of the information provided.

Amendment F—Disclosure of income tax relating to each component of other comprehensive income

26 EFRAG also assessed whether the disclosure of income tax relating to each component of other comprehensive income would improve accounting. As already pointed out, EFRAG supports the theoretical background and the general merit of disclosing such information, but is concerned that the practical difficulties involved in many cases means that the information will often be arbitrary and, as a result, lacking relevance and reliability. EFRAG therefore concluded that although the disclosure would sometimes result in an improvement in the information provided, sometimes it would not.

27 EFRAG then considered whether the requirement might actually reduce the quality of the information provided. It believes that, as a matter of principle, if an entity provides some disclosures that it did not previously provide, but the information in that new disclosure is neither relevant nor reliable, the effect could be to reduce the overall usefulness of the information provided. For that reason some EFRAG members concluded that Amendment F could reduce the usefulness of the information provided. However, other EFRAG members thought that it would not reduce the usefulness and pointed out that, in view of the disclosure requirements for significant estimates and judgements applied by management, the user of the financial statements would not be misinformed.

Does the accounting that results from the application of the revised standard meet the criteria for EU endorsement?

28 As already mentioned, EFRAG has previously concluded that old IAS 1 meets the endorsement criteria. Furthermore, as explained above, with one exception EFRAG believes that the various amendments included in IAS 1 Revised are consistent with the Framework. Finally, EFRAG's view is that Amendments A, D, E and G improve the financial information provided, and only Amendment F has the potential to make the information worse.

29 As already explained, most EFRAG members were concerned about the comparability, relevance and even reliability of the information resulting from Amendment F (disclosure of income tax relating to each component of other comprehensive income). As a result some members believe it would result in deterioration in the quality of the information provided. All EFRAG members were troubled by the introduction of tax allocation in relation to items included in other comprehensive income at this point in time, when it seemed that the IASB's current thinking in the second phase of the project would result in no tax allocations. Nevertheless, EFRAG members were unanimous in the view that this issue was not sufficient in itself to justify recommending non-endorsement of the IAS 1 Revisions.

30 Some EFRAG members were concerned that, as the amendments represent only the first stage in a multi-phased project on presentation, preparers and users were being expected to deal with a series of changes in what is a fundamental aspect of financial reporting. They thought this might not allow preparers, users and other stakeholders to digest and apply the amendments. This could potentially result in confusion and loss of comparability with historic data. They also noted that other, more substantial changes, were planned, and expressed concern about making a series of small amendments now when a series of bigger ones seemed likely to come along in a few years time.

31 This also led some members to express concerns about the cost implications to preparers and users (by way of persistent system changes) and whether the benefits outweighed those costs. (This issue is considered further in Appendix 3.)

32 Other EFRAG members were of the view that, although recurring amendments to existing standards are not desirable, it would be rare that the problems created by recurring amendments would prevent endorsement, particularly when, as in this case, the amendments and the revised literature seems to meet the endorsement criteria.

33 Therefore, after considering the various arguments, EFRAG concluded that, on balance, IAS 1 Revised satisfies the criteria for EU endorsement.

APPENDIX 3
EFRAG'S EVALUATION OF THE COSTS AND BENEFITS OF IAS 1 (REVISED)

Amendment A & B - Owner changes in equity are to be presented separately from non owner changes and all non-owner changes to be presented in one or two statements of comprehensive income.

1 EFRAG has concluded for the reasons explained in appendix 2 that Amendment A will result in an improvement in the financial information provided and that Amendment B will not impair quality of the financial statements, as users of financial statements would still be able to draw exactly the same information and therefore conclusions as under old IAS 1.

2 EFRAG has also considered whether the amendments might have cost implications that might exceed the positive effects.

(a) EFRAG has considered whether these presentation requirements would be in some way more burdensome for preparers than the previous presentation requirements. EFRAG is tentatively of the view is that the revised requirements would involve no ongoing incremental costs compared to the existing requirements because the revised requirements do not require any new information to be provided; they merely require information already being provided to be presented in a different place. Some, relatively insignificant, costs would arise as preparers understand and implement the revised requirements for the first time, but that is all.

(b) EFRAG has also considered whether these amendments in some way increase the burden on users. EFRAG is also tentatively of the view that the required treatment imposes no significant additional burdens on users:

(i) In the case of Amendment A, there will be some insignificant year one costs involved in getting used to the new presentation, but those costs will be outweighed by the benefits derived from an improved presentation.

(ii) In the case of Amendment B, allowing preparers a choice as to whether to present one or two statements means more costs for users than if there had been no choice, but the existing standards have options in this area so EFRAG believes the incremental costs if any will be insignificant.

(c) Some EFRAG members noted that Amendment B might be understood as an 'enabling amendment'; in other words, that its implementation will make it easier for the IASB to amend the requirements again in due course to make more fundamental changes (including, for example, requiring all non-owner changes to be recognised in a single statement of comprehensive income and perhaps even to eliminate the 'net income' line from the statement). However, in EFRAG's view, the objective should be to judge each new or revised standard or interpretation on its own merits. If at some point in the future the IASB decides to amend its presentation standards fundamentally, those amendments will be evaluated against the endorsement criteria at that time.

Amendment C - Non-mandatory changes to the titles of the primary financial statements

3 EFRAG has concluded for the reasons explained in appendix 2 that Amendment C with have no effect, positive or negative, on the quality of the accounting information provided. EFRAG has also considered whether the amendment might have cost implications.

(a) EFRAG has considered whether non-mandatory changes in the names of the primary financial statements would in some way increase the burdens for preparers. EFRAG is tentatively of the view that the revised requirements would involve no ongoing incremental costs compared to the existing requirements—because they require no change in practice—and would involve only some insignificant implementation costs arise as preparers understand, and take decisions as to whether to implement, the new names.

(b) EFRAG has also considered whether these amendments in some way increase the burden on users. EFRAG is also tentatively of the view is that the required treatment imposes only insignificant additional burdens on users. Currently preparers have flexibility as to the names they call their primary financial statements, so the revised standard allowing a choice involves no incremental costs for users. There will be an implementation cost as users familiarise themselves with the new statement titles, but EFRAG's view is that this will be insignificant.

Amendment D – A third statement of financial position if there have been restatements

4 EFRAG has concluded for the reasons explained in appendix 2 that Amendment D will improve the usefulness of the information provided in financial statements. As financial statements of prior years are readily available for financial analysis it is normally not necessary to require the presentation an opening balance sheet for the comparative period in order to analyse the current period's financial position and performance. However, if financial statements have been affected by retrospective changes, this information is not readily available and that hampers users' ability to understand fully comparative information presented in the financial statements. The requirement to present such information in these situations therefore has positive effects for users of the financial information

5 EFRAG has also considered what the effects of the requirement to present an opening balance sheet in limited circumstances might be and whether negative effects might exceed the positive effects.

(a) Under existing standards, entities are required to present two balance sheets—one showing the position at the beginning of the current period and the other showing the position at the end of the current period. Under the revised standard, sometimes a third—showing the position at the beginning of the previous period—will also need to be provided. This will obviously involve preparers in some additional publication costs, and possibly some additional preparation costs. EFRAG considered if the preparation and presentation of such an additional balance sheet could be considered overly burdensome and costs sensitive. EFRAG is tentatively of the view is that:

(i) although there will be some incremental publication costs, they are not likely to be significant on an ongoing basis because entities will soon devise presentation methods that enable a third balance sheet to be provided with a minimum of disruption to the financial statements. There will be some year one implementation costs however.

(ii) there will be no incremental preparation costs, because entities will have to prepare the necessary information anyway in order to allow a correct reflection and roll forward of the financial data in the case of retrospective application of accounting policies or retrospective restatements, both as defined by IAS 8, or when reclassifications have been made.

(b) EFRAG has also considered whether the amendment in some way increases the burden on users. EFRAG is tentatively of the view is that there are no incremental costs for users.

Amendment E - Disclosure of 'reclassification adjustments' (ie recycling)

6 EFRAG has concluded for the reasons explained in appendix 2 that Amendment E improves the usefulness of the information provided. EFRAG believes that providing users with this information will increase their understanding of the "performance" of the year. EFRAG has also considered whether the amendments might have cost implications that might exceed the positive effects.

(a) EFRAG considered whether the presentation of such additional information, either on the face of the statement or in the notes, would increase the burdens for preparers. EFRAG is tentatively of the view that the incremental ongoing cost will be insignificant because entities will have to prepare the necessary information in order to make the adjustments. The actual presentation costs will be limited. Entities will need to read, understand and implement the new requirement and that will involve some cost—so there will be year one implementation costs—but that too will not be significant.

(b) EFRAG then considered if the amendment would have any cost implications for users. EFRAG is tentatively of the view that the amendment will reduce the costs of users because it will make clear something that users often have to search for (and sometimes estimate) at the moment.

Amendment F – Disclosure of taxes relating to each component of other comprehensive income

7 As is explained in appendix 2, EFRAG has concerns about Amendment F and believes that, although it will sometimes result in the provision of useful additional information, sometimes it will not and might even reduce the usefulness of the information provided. EFRAG has also considered the cost implications of this amendment and whether they might exceed any positive effects.

(a) The amendment will require preparers to provide additional information, which increases the information basis for readers of the financial statements. The presentation of the tax relating to items included in other comprehensive income is also a requirement under the existing IAS 1, but that standard did not require separate disclosure of the taxes of the individual components of other comprehensive income. EFRAG is tentatively of the view that the revised presentation will result in some incremental ongoing costs, as well as some initial year one costs. The costs will not however be significant, relative to the total costs involved in preparing the financial statements.

(b) EFRAG has also considered whether the amendment in some way increases the burden on users. EFRAG is tentatively of the view is that there are no incremental costs for users.

Amendment G - Presentation of dividends and related per-share amounts on the face of the statement of changes in equity or in the notes.

8 EFRAG has concluded for the reasons explained in appendix 2 that Amendment G improves the useful of the financial statements. EFRAG then considered what the effects of the limitation of disclosure places in the financial statements for dividends and related per-share amounts might be and whether negative effects might exceed the positive effects.

(a) EFRAG is tentatively of the view that this amendment imposes no incremental ongoing costs on preparers because it does not require the provision of new information, merely the re-positioning of information already provided. There will be an insignificant year one cost as preparers understand and implement the revised requirement.

(b) EFRAG's tentative view is also that the amendment imposes no incremental costs on users. Indeed, by reducing the number of places in which preparers can provide this particular piece of information from 3 to 2, the amendment makes it easier for users to find the information, thus reducing their costs slightly.

Conclusion

9 EFRAG's initial assessment is that, although the revisions set out in IAS 1 (Revised) will result in some additional day one and ongoing additional costs for preparers and some additional ongoing costs for users, those additional costs will not be significant. On the other hand, although EFRAG's initial assessment is that some of the revisions will result in little if any benefits, other revisions—in particular Amendments A, D, and E—will result in significant improvements in the usefulness of the information provided in many cases. As a result, EFRAG's overall initial assessment is that on balance the benefits that will result from applying the amendments included in IAS 1 (Revised) will exceed the overall costs involved.