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28 November 2019

Dear Sir

**Exposure draft ED/2019/6 - Proposed amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies**

We welcome the opportunity to comment on the IASB's exposure draft ED/2019/6 Disclosure of Accounting Policies.

In general, we support the amendments to IAS 1, which will aid preparers of IFRS financial statements to determine when an accounting policy should be disclosed. However, we also share Mr Endelmann's view that not all primary users of financial statements are accounting experts. The aim of assisting them in understanding how transactions, other events and conditions are reflected in the financial statements should also guide an entity when deciding which accounting policies to disclose and how to disclose them in a relevant way.

Our responses to the specific questions included in the consultation and our recommendations for improvement are set out in Appendix 1.

We would be pleased to respond to any comments the Board or its staff may have about our response. If you have any questions or comments, please do not hesitate to contact either Gary Stevenson (+852 2583 1220) or myself (+44 (0)207 601 1077).

Your faithfully,



Marion Hannon  
Global Leader, Quality and Risk  
RSM International

## **APPENDIX 1: RSM's Response to Specific Matters for comment requested by the IASB**

### **Question 1**

***The Board proposes to amend paragraph 117 of IAS 1 to require entities to disclose their 'material' accounting policies instead of their 'significant' accounting policies.***

***Do you agree with this proposed amendment? If not, what changes do you suggest and why?***

We agree with the proposed amendment.

### **Question 2**

***The proposed new paragraph 117A of IAS 1 states that not all accounting policies relating to material transactions, other events or conditions are themselves material to an entity's financial statements.***

***Do you agree with this proposed statement? If not, what changes do you suggest and why?***

The statement can only be understood when it is read together with Example T of the amendments to IFRS Practice Statement 2 and with paragraph BC10. By itself, the paragraph is not clear as to when an accounting policy is not material even though it refers to transactions, other events or conditions that are themselves material. We also recommend that examples are included in IAS 1 to illustrate the circumstances where this statement would apply.

In addition, we consider that an accounting policy may be material if it relates to an area where there is a difference in the accounting treatment in comparison to the entity's competitors. The information would assist users in making comparisons between preparers in the same industry or sector.

We believe entities should focus not only on which accounting policies are material but also on disclosing those accounting policies in the most relevant way, for example, as part of the financial statement note for that account balance or transaction.

### **Question 3**

***The proposed new paragraph 117B of IAS 1 lists examples of circumstances in which an entity is likely to consider an accounting policy to be material to its financial statements.***

***Do the proposed examples accurately and helpfully describe such circumstances? If not, what changes do you suggest and why?***

We agree that the proposed examples accurately and helpfully describe such circumstances.

We recommend the inclusion of examples in IAS 1 itself to illustrate the application of paragraph 117B.

### **Question 4**

***The Board proposes to add to IFRS Practice Statement 2 two examples that illustrate how the concept of materiality can be applied in making decisions about accounting policy disclosures.***

***Are these examples useful and do they demonstrate effectively how the concept of materiality can be applied in making decisions about accounting policy disclosures? If not, what changes do you suggest and why?***

Example S is useful in understanding whether an accounting policy is material or not. However, we believe the example should also illustrate the nature of the entity-specific information to be disclosed.

Example T should clearly illustrate how the requirements in paragraph 117A-D in IAS 1 have been applied. Impairment testing requires the entity to make significant judgments and assumptions therefore in accordance with 117B(d) an entity might conclude that the accounting policy is material. However, after considering 117C

the entity determines the policy only duplicates the requirements in IAS 36 and is therefore ultimately not material.

**Question 5**

***Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?***

No.

**Question 6**

***Do you have any other comments about the proposals in this Exposure Draft?***

We have no other comments about the proposals.

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