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Mr Hans Hoogervorst, Chairman
International Accounting Standards Board (IASB)
30 Cannon Street
London EC4M 6XH
United Kingdom

November 15, 2019

Dear Mr Hoogervorst,

On behalf of the Austrian Financial Reporting and Auditing Committee (AFRAC), the privately organised standard-setting body for financial reporting and auditing standards in Austria, we appreciate the opportunity to comment on *Exposure Draft ED/2019/6 Disclosure of Accounting Policies-Proposed amendments to IAS 1 and IFRS Practice Statement 2*.

Principal authors of this comment letter were Max Eibensteiner, Erich Kandler and Helmut Kerschbaumer. In order to assure a balanced Austrian view, the professional background of these authors is diverse.

GENERAL REMARKS

We support the Board's attempt to make the concept of materiality applicable to the disclosures related to accounting policies by replacing the requirement to disclose "significant" accounting policies with the requirement to include solely information about "material" accounting policies. At present, this section of the notes to the financial statements is often susceptible to contain lengthy boilerplate information, so that the document is often difficult to read. Moreover, the really important issues - from the point-of-view of the reporting entity - that have their roots in the application of specific accounting policies may intermingle with less important or even irrelevant topics in order to just achieve formal completeness of the disclosures.

SPECIFIC REMARKS

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. The term 'significant', as currently used and interpreted in the context of IAS 1, takes a very broad view on accounting topics. As an example, information related to hedge accounting in the context of IFRS 7 and IFRS 9 is certainly a significant issue as the use of derivative financial instruments is pervasive and, thus, almost all financial statements are affected. Nevertheless, there are entities, where the total exposure to risks related to these instruments is very limited and, thus, it would lead to a biased picture for the users of the financial statements, if the notes elaborated too extensively on the accounting policies required by the specific IFRSs. Accordingly, it helps the user to find the really important areas, if the disclosures focus more strongly on the potential usefulness of the information, which is contained in the explanations related to the reporting entity's specific application of accounting policies, for the decisions of the user. Moreover, it has the potential to reduce the size of the document, thereby enhancing its readability.

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?

In principle, we agree, although the Board's intention only becomes clear in the context of the examples provided below in the ED. We would welcome either a reference to the examples presented in the practice statement 2 or further verbal explanations to be included directly in 117A. We would interpret this paragraph in a way that the closer the accounting policy applied by the entity is to the principles required by a specific IAS/IFRS (e.g. IAS 36 in case of impairments of assets), the more likely it is that the related accounting policy is not material in the meaning of the amendment. All necessary requirements are already included in the standards and a knowledgeable user should be aware of the basic principles of IFRSs as such.

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 are of the opinion that the list included in paragraph 117B is comprehensive and serves the

purpose. However, we propose to add an “or” at the end of each individual bullet point, as we assume that the different examples are valid on an individual basis and are not required to be fulfilled cumulatively. Moreover, we would give more prominence to item e) which refers to specific circumstances of the reporting entity and, thus, we would move it to the top of the list. Especially such entity-specific information provides the user with insights beyond those that can anyhow be derived from general IFRS requirements.

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?

We think that the examples proposed to be included in the IFRS Practice Statement 2 are necessary to provide the preparers with a deeper understanding of the Board’s basic intention. As outlined in our answer to question 2, we would prefer a direct reference in IAS 1.117A to these examples and/or a further verbal elaboration on the interaction of (material) transactions, the (potentially immaterial) related accounting policies and general requirements on accounting principles outlined in a specific IFRS/IAS.

Question 5

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

We are of the opinion that the wording and the terminology used are not overly complex and should not represent any problems to preparers and/or users already familiar with IFRSs.

Question 6

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

We appreciate the decisions taken by the Board and suggest to fully implement materiality in the Conceptual Framework and the Standards in order to avoid obliterating highly relevant information by providing lengthy disclosures.

Kind regards

Romuald Bertl

Chairman