



EFRAG DRAFT COMMENT LETTER ON IASB ED/2019/6 DISCLOSURE OF ACCOUNTING POLICIES

Issued 22 November 2019

ICAEW welcomes the opportunity to comment on the EFRAG draft comment letter on the IASB ED/2019/6 Disclosure of Accounting Policies published by EFRAG in October 2019, a copy of which is available from this [link](#).

We are currently in the process of finalising our response to the IASB's ED/2019/6 *Disclosure of Accounting Policies – proposed amendments to IAS 1 and Practice Statement 2*. Although we are not yet able to confirm our final comments to the IASB, we expect to support the overall progress made by the IASB on this project but outline some concerns with the proposal to replace the requirement to disclose 'significant' accounting policies with the requirement to disclose 'material' accounting policies.

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KEY POINTS

SUPPORT FOR IASB PROJECT

1. We are currently in the process of finalising our response to the IASB's ED/2019/6 *Disclosure of Accounting Policies – proposed amendments to IAS 1 and Practice Statement*
2. Although we are not yet able to confirm our final comments to the IASB, we expect to support the overall progress made by the IASB on this project but outline some concerns with the proposal to replace the requirement to disclose 'significant' accounting policies with the requirement to disclose 'material' accounting policies, as outlined below.

ANSWERS TO SPECIFIC QUESTIONS

Question 1

Do you consider that the proposal will change the amount of disclosure? If so, please explain whether the disclosures about accounting policies would increase or decrease and why this would occur.

2. In our draft response to the IASB we do not comment on whether the proposals will change the amount of disclosure about accounting policies. However, we do outline some concerns with the proposal to replace the requirement to disclose 'significant' accounting policies with the requirement to disclose 'material' accounting policies. We believe the proposed changes focus too heavily on whether an accounting policy itself is material. In our view, the relevant question is not whether an accounting policy itself is material but whether and what information about an accounting policy is material.
3. We believe the focus of any new requirements should be on helping preparers decide what information *about* an accounting policy is material to the financial statements. If approached this way we believe further guidance would be most helpful on:
 - Emphasising the provision of entity-specific information – at the heart of any accounting policy note should be an entity-specific description of how the entity has accounted for its material transactions, in particular the judgements made by the entity in applying the accounting policies.
 - Encouraging entities to apply judgement on the extent to which their disclosures describe the requirements of IFRS Standards (insofar as those requirements are relevant to the financial statements). This judgement should be based on the entity's understanding of the needs of their user base.
4. With regards to the second point above, we believe there either needs to be some flexibility on the inclusion or exclusion of 'generic' descriptive information on the requirements of IFRS Standards or the IASB needs to rule on whether it is required or not. This is an example of an area where the application of the normal materiality judgment falls short as while information about IFRS is necessary to understand other information in the financial statements, this information is also available elsewhere.