

IFRS Foundation
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Submitted electronically

16 October 2019

Dear Sirs

Exposure Draft ED/2019/6 *Disclosure of Accounting Policies*

I am writing on behalf of the UK Financial Reporting Council (FRC) to comment on the Exposure Draft ED/2019/6 *Disclosure of Accounting Policies*.

The FRC welcomes the proposal to replace the reference to the concept of 'significance' with the defined concept of 'materiality' in the ED *Disclosure of Accounting Policies*, to achieve greater alignment with other disclosure decisions and the relevant guidance in the Practice Statement *Making Materiality Judgements*.

The FRC considers that information about accounting policies is most useful when it both relates to material transactions, other event or conditions and provides insight into how an entity had exercised judgement in selecting and applying accounting policies in its specific circumstances.

The one element of the proposals which the FRC does not agree with, is condition (e) in paragraph 117B of the ED. The FRC believes that condition (e) is not helpful in identifying accounting policies to be disclosed because, to some extent, every accounting policy should apply "the requirements of an IFRS Standard in a way that reflects the entity's specific circumstances". The FRC suggest that it would be better for the IASB to re-phrase this condition as a communication principle; if an accounting policy is disclosed it should be explained in a way that reflects the entity's specific circumstances.

Our responses to the questions are included in the Appendix to this letter.

If you would like to discuss these comments, please contact me or Jennifer Guest (j.guest@frc.org.uk) on 020 7492 2427.

Yours sincerely



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Appendix: Questions

Question 1

The IASB 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

- A1 Yes, the FRC agrees with the proposed amendment. The use of the term material, rather than significance, will better align the assessment of which accounting policies to disclose with other disclosure decisions. It will also ensure that the guidance in the Practice Statement *Making Materiality Judgements* is relevant and can help entities apply the necessary judgement.

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 to do you suggest and why?

- A2 Yes, the FRC agrees with the proposed statement.

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 to you suggest and why?

- A3 The FRC agrees with the examples listed from (a) to (d). However, the FRC does not agree with the example listed as (e). The FRC believes that example (e) is not appropriate because it should apply to all accounting policies – an entity must always apply accounting policies in a way that reflect its circumstances. It would be better to rephrase the notion expressed as a communication principle; whenever an entity discloses an accounting policy, it should be described in a way that reflects its specific circumstances, as opposed to boiler plate or generic descriptions of accounting policies.

Question 4

The IASB proposes to add to IFRS Practice Statement 2 Making Materiality Judgements 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?

A4 Yes, the FRC considers that the two illustrative examples effectively demonstrate how the concept of materiality can be applied in making decisions about accounting policies.

Question 5

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

A5 The FRC considers that the wording and terminology are easy to understand.

Question 6

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

A6 The FRC does not have any further comments in relation to the Exposure Draft