DANSKE REVISORER FSR*

EFRAG
35 Square de Meeus
1000 Brussels
Belgium

By e-mail: Commentletters@efrag.org

19 June 2014

FSR – danske **revisorer**
Kronprinsessegade 8
DK - 1306 København K

Telefon +45 3393 9191
fsr@fsr.dk
www.fsr.dk

CVR. 55 09 72 16
Danske Bank
Reg. 9541
Konto nr. 2500102295

Dear Ms. Francoise Flores,

EFRAG Draft Comment Letter to Exposure Draft ED/2014/1, Disclosure Initiatives (Amendments to IAS 1)

Referring to the EFRAG Draft Comment Letter on the above Exposure Draft, the Danish Accounting Standards Committee set up by "FSR – danske revisorer" would like to provide the following input.

We very much agree with EFRAG's draft comment letter. We welcome the Disclosure Initiative project set up by the IASB, and we support this first short-term project to change and clarify some of the terminology in IAS 1.

We very much support your general comments and your responses addressed in your draft comment letter, including your suggestions to improve the drafting of some of the proposed amendments.

In relation to your questions to constituents, we have the following views:

Materiality

In your draft comment letter, EFRAG thinks that the wording in paragraph 31, which states that an entity "need not" provide a specific disclosure required by an IFRS where the information resulting from that disclosure is not material, may fail to fully achieve the objectives of the amendments, as entities might continue to disclose immaterial information to remain on the "safe side", i.e. not to be reproached with non-compliance. Therefore, EFRAG believes that to promote a change in behaviour, the IASB should require that entities "shall not" (rather than "need not") disclose immaterial information.

Even though we understand EFRAG's point of view, and even though, in our opinion, it would be optimum not to allow immaterial information in annual reports, it is, however, our opinion that a change from "need not" to "shall not" will be too drastic at this point.

Our concerns include that we foresee comprehensive and new discussions between preparers of financial statements, auditors and enforcement bodies as to when a matter is so immaterial (i.e. does not affect the investors' decision-making) that the information shall not be included in the annual report.

We believe that this discussion is different than the discussion as to when a matter is material. For example, a matter that is not considered material is not necessarily immaterial.

In addition, there is the discussion as to whether it will always be considered an error if you choose to include information that is categorised as immaterial in the annual report or whether it is only the case when the sum of immaterial errors included in the annual report entails that this information affects the fair presentation of the financial statements as a whole.

In our opinion, the "shall not" requirement thus requires a significantly more nuanced analysis and categorisation of the degree of materiality than the current analysis of materiality.

Consequently, the exposure draft requires both a discussion of the concept of materiality and the concept of immateriality, respectively (and everything in between these two extremities), which, in our opinion, is new compared to the current discussion of materiality. This will require additional guidance and a significantly changed mindset of preparers of financial statements, auditors and enforcement bodies.

Even though we agree that it would be optimum not to allow immaterial information in the annual report, based on the above, it is our opinion that it will be too drastic at this point in time, especially when the disclosure project, including the project regarding materiality, is still in progress.

Moreover, there is no discussion of the consequences of the exposure draft for auditors and enforcement bodies as a changed wording from "need not" to "shall not" would mean that these should not only react if material information has been omitted from the annual report but also if immaterial information has been included in the annual report. We are not convinced that this changed focus will benefit the capital markets, etc.

Disclosure of accounting policies

In your draft comment letter, EFRAG believes that entities should disclose only those accounting policies that are both relevant to them and for which they are allowed a degree of discretion in choosing and applying the policy in circumstances where IFRSs permit alternatives.

Even though we understand EFRAG's point of view, we are not convinced that all financial statement users have such extensive competencies that they have comprehensive knowledge of all the IFRS rules that an entity should omit all significant accounting policies except for accounting policies for which the entity was allowed a degree of discretion in choosing and applying the policy.

In our opinion, it should be a requirement that entities should disclose the accounting policies in the following sections:

- significant accounting policies
- accounting policies for which the entity was allowed a degree of discretion in choosing and applying the policy
- other "basic" accounting policies applied.

In this connection, it is our opinion that presentation of "Other basic accounting policies applied" at the company's website should be allowed with cross reference to the company's annual report as this description will often be comprehensive and static.

We would be happy to elaborate further on our comments should you so wish.

Kind regards

Jan Peter Larsen
Chairman of the Danish
Accounting Standards Committee

Ole Steen Jørgensen
Chief consultant
FSR - danske revisorer