

ASC

ACCOUNTING STANDARDS COUNCIL
SINGAPORE

28 November 2019

Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

(By online submission)

Dear Hans

RESPONSE TO EXPOSURE DRAFT ON DISCLOSURE OF ACCOUNTING POLICIES (PROPOSED AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2)

The Singapore Accounting Standards Council appreciates the opportunity to comment on the Exposure Draft on *Disclosure of Accounting Policies* (Proposed amendments to IAS 1 and IFRS Practice Statement 2) (the ED) issued by the International Accounting Standards Board (the IASB) in August 2019.

We are supportive of the IASB's decisions to apply and explain the concept of materiality in determining accounting policy disclosures.

In particular, materiality is a pervasive concept used in IFRS Standards across all recognition, measurement, presentation and disclosure requirements. The proposed amendments would result in coherence of principles within IFRS Standards relating to both application and disclosure of accounting policies and other requirements. Through the use of a pervasive concept, the proposed amendments would also help entities to make better judgements, and users to understand those judgements, in determining accounting policy disclosures.

Furthermore, the proposed explanatory guidance has the potential to guide entities in making materiality judgements on accounting policy disclosures. The proposed examples of material accounting policies complement those explanations, with a focus on applying the concept of materiality to an entity's own circumstances, and therefore, providing entity-specific accounting policy disclosures.

However, contrary to the IASB's view, we believe that accounting policies relating to material transactions, other events or conditions may be material, even if *the accounting policies only duplicate the requirements of IFRS Standards and their application does not require an entity to make any choice or judgement*. Accordingly, we are also concerned with

the IASB's conclusion in proposed Example T in IFRS Practice Statement 2 *Making Materiality Judgements*.

Financial statements are prepared for users who have a reasonable knowledge of business and economic activities, but such users do not necessarily have similar knowledge of the requirements of IFRS Standards. It follows that some of the particular accounting policies in italics in the above paragraph are nonetheless needed to understand other material information in the financial statements, which collectively can reasonably be expected to influence decisions that users make on the basis of those financial statements. Those accounting policies should be material accounting policies applying the proposals in paragraphs 117 and 117B of IAS 1 *Presentation of Financial Statements*.

In our view, material accounting policies are accounting policies that (i) relate to material transactions, other events or conditions, and (ii) are needed to understand other material information in the financial statements. They include accounting policies that reflect how an entity has applied the requirements in IFRS Standards to its own circumstances, but do not preclude the particular accounting policies in italics. Therefore, we suggest that the IASB reconsider its view that the particular accounting policies in italics are themselves not material.

We hope that our comments will contribute to the IASB's deliberation on the ED. Should you require any further clarification, please contact our project manager Nicole Cai at nicole_cai@asc.gov.sg.

Yours faithfully

Suat Cheng Goh
Technical Director
Singapore Accounting Standards Council