

November 29, 2019

International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
London, E14 4HD United Kingdom

**Subject: ED/2019/6 – *Disclosure of Accounting Policies – Proposed Amendments to IAS 1 and IFRS Practice Statement 2***

The Canadian Securities Administrators Chief Accountants Committee appreciates the opportunity to comment on the IASB’s Exposure Draft on Disclosure of Accounting Policies - Proposed amendments to IAS 1 and IFRS Practice Statement 2 (the proposed amendments). The Canadian Securities Administrators (CSA) is an organization of Canada’s provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants’ Committee (CAC) is comprised of the Chief Accountants from the provinces of British Columbia, Alberta, Ontario and Quebec.

We support the IASB’s effort to improve communication in financial reporting and agree with the IASB’s objective to help stakeholders improve accounting policy disclosures for the primary users of financial statements. We provide responses to questions 1, 2, 3, 4, and 6 below.

**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 the proposed amendment? If not, what changes do you suggest and why?*

We support the change in terminology from “significant” to “material”.

**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?*

We agree with this proposed statement, subject to clarification of the key principle in paragraph 117 as discussed in our response to question 3.

**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 agree with the statement in proposed new paragraph 117B that “An accounting policy is material if information about that accounting policy is needed to understand other material

*information in the financial statements,”* and think that this should be the key principle for determining whether an accounting policy is material. As the key principle, we recommend including this statement as part of the second sentence of paragraph 117 (see below).

We believe that the statement in proposed paragraph 117 is not consistent with paragraph 117B. The statement in proposed paragraph 117, which states “*Information about an accounting policy is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements,*” does not have the same meaning as the statement in proposed paragraph 117B because:

- The phrase “*information about an accounting policy is material*” (paragraph 117) is not equivalent to “*an accounting policy is material*” (paragraph 117B), and
- The word “*it*” in this sentence puts the emphasis on information about the policy, rather than the combination of the policy and other information.

To address the concerns noted in the preceding two paragraphs, we suggest revising the key principle in the second sentence of paragraph 117 as follows:

~~“Information about An accounting policy is material if, ~~when considered~~ information about that accounting policy is needed to understand other material information in the financial statements, and the information about the accounting policy together with ~~other~~ the related information ~~included~~ in ~~an entity’s~~ the financial statements, ~~it~~ can reasonably be expected to influence decisions that primary users of general purpose financial statements make on the basis of those financial statements”.~~

This wording would also be more consistent with the wording in paragraph 88C of IFRS Practice Statement 2, subject to our comments on that paragraph below.

#### Examples in proposed new paragraph 117B of IAS 1

As currently drafted, proposed paragraph 117B would result in the determination that an accounting policy is material if it relates to a material transaction, other event or condition **and** it fits into one of the examples articulated in 117B(a)-(e). We are concerned that this may result in an entity potentially choosing to omit a material accounting policy simply because the policy does not fit into one of the examples, articulated in proposed paragraph 117B(a)-(e), and that this exclusion may reduce securities regulators’ ability to efficiently review an entity’s compliance with IFRS. Paragraph 117B does not *clearly* convey that if the policy *does not* fit into the examples listed in 117B(a)-(e), but otherwise meets the key principles we propose for paragraph 117 (see above), it should be disclosed. Therefore, we suggest adding a statement to paragraph 117B which states that there may be other circumstances (in addition to the examples listed) in which an entity would consider an accounting policy to be material.

Additionally, with respect to proposed 117B(b), we think it should be explicitly stated that an entity should not be precluded from disclosing an accounting policy that may provide useful information to the users of an entity’s financial statements even if it is a policy that is mandatory and prescribed as the only choice in an IFRS Standard. As currently drafted, the

implicit assumption is that a financial statement reader is aware of mandatory policies in IFRS or has access to look them up. Based on our interactions with users of financial statements as securities regulators, we are concerned with the presumption that a reader should know or be able access the standards to obtain information about a mandatory accounting policy. In our experience, we do not think this knowledge can be presumed.

**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?*

#### Paragraph 88C of IFRS Practice Statement 2

We suggest that paragraph 88C of IFRS Practice Statement 2 be revised to be in the singular because an entity must assess the materiality of an individual policy, not all policies in aggregate.

We note that the diagram in proposed paragraph 88C appears to be inconsistent with proposed paragraph 117. Specifically, the following wording in the diagram under paragraph 88C: “...*is the information provided by the accounting policy that relates to a material transaction, other event or condition itself [emphasis added] material to the financial statements,*” refers to the materiality of the information provided by the accounting policy itself, whereas BC7 and the core principal in paragraph 117 refer to the consideration of the accounting policy together with other information included in an entity’s financial statements. We recommend that the Board consider whether revisions to the wording are necessary in proposed paragraph 88C to better align it with proposed paragraph 117 and BC7.

#### Examples provided in IFRS Practice Statement 2

The examples provided also include language that is inconsistent with proposed paragraph 117. In particular:

- Example S: in the last paragraph, the first sentence includes the phrase, “... and could reasonably be expected to influence those users’ decisions.” This phrase implies that in assessing materiality, the entity considers whether the policy disclosure on its own could influence decisions; however, proposed paragraph 117 refers to the combination of information about the accounting policy and other information included in the entity’s financial statements. We suggest that the phrase should be deleted, or the last phrase be revised to refer to the combination of the policy information with the other information included in the entity’s financial statements.
- Example T: similar to Example S, the last paragraph includes in the first sentence a phrase which implies that in assessing materiality, the entity considers whether the policy disclosure on its own could influence decisions. We suggest that the phrase be deleted or revised as above.

In addition, there appears to be an inconsistency between Example T and proposed paragraph 117B (d):

- In accordance with proposed paragraph 117B (d), if an accounting policy relates to material transactions and relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy and discloses those judgements or assumptions in accordance with paragraphs 122 and 125 of IAS 1, the accounting policy is material and therefore should be disclosed
- In Example T, the entity discloses its impairment assessments and its significant judgement and assumptions in meeting the disclosure requirements of IAS 36 and paragraphs 122 and 125 of IAS 1. If the entity applies paragraph 117B (d), the accounting policy should be disclosed.
- However, the conclusion in Example T is that no accounting policy is required because there is no material information to include in a description of its impairment accounting policy that is not disclosed elsewhere in the financial statements.

We suggest the example be revised to clarify whether paragraph 117B (d) applies in this case.

**Question 6:** *Do you have any other comments about the proposals in this Exposure Draft?*

Yes, please refer to our responses to Questions 3 and 4 above.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

**The CSA Chief Accountants Committee**

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