VMEBF
Bilanzierung in Familienunternehmen

Project Manager
International Accounting Standards Board (IASB)
30 Cannon Street

London EC4M 6XH
United Kingdom

Weinheim, 06/07/2014

Dear Sir or Madam,

ED/2014/1 – Disclosure Initiative: Proposed Amendments to IAS 1

We appreciate the opportunity to comment on the exposure draft ED/2014/1 regarding the proposed amendments to IAS 1 as part of the IASB's Disclosure Initiative.

The Association for Participation in the Development of Accounting Regulations for Family-owned Entities (VMEBF) was founded in 2006 and consists of German companies with a strong family shareholder background. Beyond its members, the association represents a large part of family-owned large and medium-sized entities in Germany, often legally organised in the form of partnerships. The aim of the VMEBF association is to make the role of German family businesses as stakeholders in the development of international accounting more visible and to act as a constructive partner for the standard setters. We work closely together with the German standard setter ASCG and the German Institute of Chartered Auditors (IDW) as well as other political institutions.

We welcome the IASB's efforts currently undertaken in its Disclosure Initiative. A project stage of particular interest for us is the research project addressing the development of principles for notes disclosures. This is due to the fact that especially the tremendous disclosure requirements have proven to be a major obstacle to the further (voluntary) application of IFRSs among non-listed entities in Germany.

Please refer to the appendix to this letter for our detailed answers to the questions asked in ED/2014/1.

Kind regards,

Vereinigung zur Mitwirkung an der Entwicklung des
Bilanzrechts für Familiengesellschaften e.V. (VMEBF)

Prof. Dr. Dieter Truxius | Peter Krieg | Volker Christ | Prof. Dr. Norbert Winkeljohann

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Appendix:
VMEBF comments on the additional questions

Question 1 – Disclosure Initiative amendments

The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement. The proposed amendments relate to:

(a) materiality and aggregation (see par. 29-31 and BC1-8 of this ED);

(b) statement of financial position and statement of profit or loss and other comprehensive income (see par. 54, 55A, 82, 85A and 85B and BC9-BC15 of this ED);

(c) notes structure (see par. 113-117 and BC16-BC19 of this ED); and

(d) disclosure of accounting policies (see par. 120 and BC20-BC22 of this ED).

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

We principally welcome the IASB's efforts to clarify and emphasize that entities are able to use judgement when applying the presentation and disclosure requirements as set out in IAS 1 (and other standards). We are confident of the amendments leading to a common understanding between preparers, auditors and regulators regarding the use of managerial judgement when applying especially the materiality requirements.

However, we believe that there is still room for improvements:

Par. 29-31:

- We believe that the IASB should – for clarity reasons – incorporate the notions of individual and collective assessment in par. 31 of the ED and not only refer to them in the Basis for Conclusions.
- IAS 1.10 states that a complete set of financial statements includes the notes. Therefore, the third sentence of par. 31 of the ED should be drafted as follows: "An entity need not provide a specific disclosure required by an IFRS in the financial statements~~, including in the notes~~, if the information resulting from that disclosure is not material."
- We add some importance to the changes to the terminology used in the ED for "presentation" and "disclosure". The IASB uses the term "present" to mean disclosure of information in the statements of profit or loss and other comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity and the term "disclose" to mean disclosure in the notes. This change to terminology will also be considered when working on the Conceptual Framework project. Therefore, the IASB should incorporate the clarification/definition of what is meant by "present" and "disclose" in the standard itself and not only refer to it in the Basis for Conclusions.

Par. 54-85B:

- From our point of view, the proposed insertions to par. 54 and 82 of the ED should be omitted as – taking them literally – they might contravene par. 30A of the ED. This paragraph states that it is up to the entity to decide on, taking into account all relevant facts and circumstances, how to aggregate or disaggregate information included in the financial statements. We understand this as the entity applying judgement when deciding on aggregation or disaggregation of information in the sense of information that is useful for users of financial statements (ref. also BC24). In contrast, the proposed insertions to par. 54 and 82 of the ED could be interpreted as limiting the use of judgement and requiring disaggregation as they determine circumstances in which an entity "shall" disaggregate line items. In our view, it should be exclusively up to the entity to decide on aggregation or disaggregation of information in the context of materiality.
- We are concerned about the wording as related to the reconciliation required according to par. 85B of the ED. We are not sure what is meant by "excluded items". It is our understanding that par. 85A (a) already requires subtotals being "made up of items recognised and measured in accordance with IFRS". As a consequence, a reconciliation of subtotals requiring the presentation of "each excluded item" could be understood as a wide-ranging disaggregation requirement. As for fixed disaggregation requirements, please refer to our comments regarding the proposed insertions to par. 54 and 82 of the ED above.
- Moreover, we believe that the clarification in BC14 (b), that the structure of the statements of profit or loss and other comprehensive income and the statement financial position can be subject to possible changes in accordance with IAS 8, should be integrated in the standard itself and not only be referred to in the Basis for Conclusions.

Par. 113-117:

- We are concerned that the wording of par. 113A of the ED might not be in line with the characteristics of faithful representation as set out in par. QC14 of the Conceptual Framework. The ED states that when determining a systematic order for the notes "an entity may order notes in a way that gives prominence" to certain disclosures. Although we understand the logic behind that proposal, we think that the neutrality characteristic – defined as data not being slanted, weighted or emphasized – might interfere with the current drafting.

Par. 120:

- We welcome the IASB removing par. 120 of the ED for the reasons mentioned in the Basis for Conclusions.

<u>Question 2 – Presentation of items of OCI arising from equity-accounted investments</u>

Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see par. 82A, BC1-BC6 and the Guidance on implementing IAS 1)?

If not, why and what alternative do you propose?

We agree with the proposed amendments.

<u>Question 3 – Transition provisions and effective date</u>

Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this ED (see par. 139N and BC23-BC25)?

If not, why and what alternative do you propose?

We agree with the proposed amendments.