

ED/ Ind AS 1/2021/7

Exposure Draft

Disclosures of Accounting Policies

(Amendments to Ind AS 1, *Presentation of Financial Statements*)

(Last date for Comments: August 31, 2021)



Issued by
Accounting Standards Board
The Institute of Chartered Accountants of India

Exposure Draft of Disclosures of Accounting Policies

(Amendments to Ind AS 1, *Presentation of Financial Statements*)

Following is the Exposure Draft of proposed Amendments to Ind AS 1, *Presentation of Financial Statements*, issued by the Accounting Standards Board (the Board) of the Institute of Chartered Accountants of India for comments.

The amendments to Ind AS 1 require companies to disclose their ‘material accounting policy information’ rather than their ‘significant accounting policies’. To assist an entity in determining whether accounting policy information is material to its financial statements the following paragraphs proposed to be added to Ind AS 1:

- (a) paragraph 117A – to clarify that not all accounting policy information relating to material transactions, other events or conditions is material.
- (b) paragraph 117B – to provide examples of circumstances in which an entity would normally conclude that information about an accounting policy is material to its financial statements. The examples listed in paragraph 117B are not exhaustive but would help an entity determine whether accounting policy information is material.
- (c) paragraph 117C – to explain that entity-specific accounting policy information is more useful to users of financial statements than accounting policy information that is standardised, or that duplicates or summarises the requirements of Ind AS.

Comments are most helpful if they contain a clear rationale and, where applicable, provide suggestions for alternative wording.

Comments can be submitted using one of the following methods, so as to be received not later than **August 31, 2021**.

- 1. Electronically: Click on <http://www.icai.org/comments/asb/> to submit comments online.
(Preferred method)
- 2. Email: Comments can be sent to commentsasb@icai.in
- 3. Postal: Secretary, Accounting Standards Board, The Institute of Chartered Accountants of India, ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002.

Further clarifications on any aspect of this Exposure Draft may be sought by e-mail to asb@icai.in.

Exposure Draft of *Disclosure of Accounting Policies*

Amendments to Ind AS 1, *Presentation of Financial Statements*

Paragraphs 7, 10, 114, 117 and 122 are amended. Paragraphs 117A–117E and 139U-139V are added. Paragraphs 118, 119 and 121 are deleted. New text is underlined and deleted text is struck through.

Definitions

7 The following terms are used in this Standard with the meanings specified:

Accounting policies are defined in paragraph 5 of Ind AS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and the term is used in this Standard with the same meaning.

...

Financial statements

...

Complete set of financial statements

10 A complete set of financial statements comprises:

...

(e) notes, comprising ~~material significant~~ accounting policy information policies and other explanatory information;

...

Structure and content

...

Notes

Structure

...

114 Examples of systematic ordering or grouping of the notes include:

...

(c) following the order of the line items in the statement of profit or loss and the balance sheet, such as:

...

(ii) ~~material significant~~ accounting policy information policies applied (see paragraph 117);

...

Disclosure of accounting ~~policy information policies~~

117 An entity shall disclose ~~material its significant~~ accounting **policy information** (see paragraph 7). Accounting policy information 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 the primary users of general purpose financial statements make on the basis of those financial statements. policies comprising:

~~(a) the measurement basis (or bases) used in preparing the financial statements; and~~

~~(b) the other accounting policies used that are relevant to an understanding of the financial statements.~~

117A Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

117B Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

(a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

(b) the entity chose the accounting policy from one or more options permitted by Ind ASs— such a situation could arise if the entity choose to measure investment property at historical cost rather than fair value¹;

(c) the accounting policy was developed in accordance with Ind AS 8 in the absence of an Ind AS that specifically applies;

(d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125; or

(e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one Ind AS to a class of material transactions.

117C Accounting policy information that focuses on how an entity has applied the requirements of the Ind ASs to its own circumstances provides entity-specific

¹ Amendments to Ind AS 40, *Investment Property*, permitting fair value option to measure investment property have already been recommended by the Institute of Chartered Accountants of India for prescription by the Central Government in consultation with and after examination of the recommendations of National Financial Reporting Authority (NFRA) in accordance with the due process under Companies Act, 2013.

information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Ind ASs.

117D If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

117E An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other Ind ASs.

118-121 [Refer Appendix 1]

~~118 — It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.~~

~~119 — In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Ind ASs. An example is disclosure of a regular way purchase or sale of financial assets using either trade date accounting or settlement date accounting (see Ind AS 109, Financial Instruments). Some Ind ASs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, Ind AS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment.~~

~~120 — Omitted~~

~~121 — An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by Ind ASs but the entity selects and applies in accordance with Ind AS 8.~~

122 An entity shall disclose, along with material~~its significant~~ accounting policy information ~~policies~~ or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

...

Transition and effective date

...

139U [Refer Appendix 1]

139V *Disclosure of Accounting Policies*, amended paragraphs 7, 10, 114, 117 and 122, added paragraphs 117A–117E and deleted paragraphs 118, 119 and 121. An entity shall apply the amendments to Ind AS 1 for annual reporting periods beginning on or after 1 April 2023.

Appendix 1

Comparison with IAS 1, *Presentation of Financial Statements*

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6. Following paragraph numbers appear as ‘Deleted’ in IAS 1. In order to maintain consistency with paragraph numbers of IAS 1, the paragraph numbers are retained in Ind AS 1.

...

(x) paragraphs ~~120~~118-121

...

11. Paragraph 139U of IAS 1 related to effective date of Amendments to IAS 1: *Classification of Liabilities as Current or Non-current* has not been included in Ind AS 1 as the corresponding amendments to Ind AS 1 has not been issued/notified. However, in order to maintain consistency with paragraph numbers of IAS 1, the paragraph number is retained in Ind AS 1.

Amendments to other Ind AS

Amendments to Ind AS 107, *Financial Instruments: Disclosures*

Paragraphs 21 and B5 are amended. Paragraph 44II is added. New text is underlined and deleted text is struck through.

Significance of financial instruments for financial position and performance

...

Other disclosures

Accounting policies

- 21 In accordance with paragraph 117 of Ind AS 1, *Presentation of Financial Statements*, an entity discloses material ~~its~~ significant accounting policy information~~policies, comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be~~ material accounting policy information.

...

Effective date and transition

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44II *Disclosure of Accounting Policies*, which amends Ind AS 1 amended paragraphs 21 and B5. An entity shall apply that amendment for annual reporting periods beginning on or after 1 April 2023.

Appendix B

Application guidance

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Classes of financial instruments and level of disclosure (paragraph 6)

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Other disclosure—accounting policies (paragraph 21)

B5 Paragraph 21 requires disclosure of material accounting policy information, which is expected to include information about the measurement basis (or bases) for financial instruments used in preparing the financial statements ~~and the other accounting policies used that are relevant to an understanding of the financial statements~~. For financial instruments, such disclosure may include:

...

Paragraph 122 of Ind AS 1 also requires entities to disclose, along with material ~~its significant~~-accounting policy information ~~policies~~ or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Amendments to Ind AS 34, *Interim Financial Reporting*

Paragraph 5 is amended and paragraph 60 is added. New text is underlined and deleted text is struck through.

Content of an interim financial report

5 Ind AS 1 defines a complete set of financial statements as including the following components:

...

(e) notes, ~~material comprising significant~~ accounting policy information policies and other explanatory information;

...

Effective date and transition

...

60 *Disclosure of Accounting Policies*, which amends Ind AS 1, amended paragraph 5. An entity shall apply that amendment for annual reporting periods beginning on or after 1 April 2023.