



**Meeting with Disclosure Initiative Advisory Panel**  
**Extract of minutes**

Date: 17 September 2019, Tuesday

Time: 10:00 a.m. – 11:30 a.m.

Venue: Board room, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong

**Members Present:** Eros Lau, Deloitte Touche Tohmatsu  
Ernest Lee, Deloitte Touche Tohmatsu  
Simon Riley, BDO Limited  
Cecilia Shek, Ernst & Young  
Catherine Tang, KPMG  
Elza Yuen, PwC

**Staff in attendance:** Christina Ng, Director, Standard Setting, HKICPA  
Michelle Fisher, Deputy Director, Standard Setting, HKICPA  
Katherine Leung, Associate Director, Standard Setting, HKICPA

**Apologies:** Kelly Kong, Jardine Matheson & Co., Limited  
Cynthia Leung, Financial Reporting Council

**1. IASB ED/2019/6 Disclosure of Accounting Policies**

Proposed amendments to IAS 1 *Presentation of Financial Statements*

- The *Conceptual Framework for Financial Reporting 2018* states that financial reports are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. Some panel members expressed concern that users are not expected to be IFRS experts. If all accounting policies that only duplicate the recognition or measurement requirements of IFRS are removed from the financial statements, users who are unfamiliar with IFRS requirements would have to consult IFRS Standards in order to understand the financial statements.
- Two panel members questioned whether there is any overlap in auditing standards and the proposal and whether the proposal has any impact in auditing (eg if management determine the accounting policy of impairment of assets is immaterial under the proposal, will there any impact on the auditors in determining key audit matters).

*Paragraph 117A*

- Most panel members considered that it is difficult to understand the second sentence of the proposed paragraph 117A, ie why an accounting policy relating to material transactions, other events or conditions might not be material. One panel member felt it was only understandable after reading the new illustrative example T in the Materiality Practice Statement.
- Some panel members suggested that the second sentence of the proposed paragraph 117A should be moved to below the proposed paragraph 117C for a more logical flow of requirements.

- One panel member suggested that the IASB should further elaborate under what circumstances an accounting policy relating to material transactions, other events or conditions would not be material, ie when an accounting policy is unlikely to influence the decision making of the financial statement users.

*Paragraph 117B(a)*

- Some panel members noted that the proposed paragraph 117B(a) is not consistent with the principle of materiality and proposed redrafted paragraph 117. The example refers to 'material change to amounts', which implies only quantitative factors are considered. Whether an accounting policy is material requires consideration of qualitative factors as well.
- A panel member noted a change in accounting policy may affect users' decisions on the future operation of company, and should not only be based on the financial impact of the change at a point in time.

Proposed amendments to IFRS Practice Statement 2 *Making Materiality Judgements* (Materiality Practice Statement)

- Most panel members considered that the 'Diagram-determining whether an accounting policy is material' (Diagram) is useful for reader to apply the proposal. However, they noted it only makes reference to proposed paragraphs 117, 117A and 117D. Panel members suggested that the Diagram should also demonstrate how to apply the proposed paragraphs 117B & 117C in order to have a complete thinking process for determining whether an accounting policy is material.
- One panel member considered that example S only demonstrates how to judge whether the accounting policy is material and suggested the IASB to expand the example by providing guidance on what kind of entity-specific information should be disclosed.
- Most panel members considered that example T is confusing. Most panel members thought that having identified that assets subject to impairment testing are material to the financial statements and the impairment accounting policy meets the proposed paragraph 117B(d), one would conclude that the accounting policy for impairment is material. However, the separate accounting policy is not ultimately required to be disclosed because it merely duplicates the IFRS requirements. The Panel suggested that the IASB should clarify the example T with reference to the proposed paragraph 117-117D. In addition, two panel members suggested that it would be easier for users to understand the proposal if the IASB developed the example T to illustrate two cases to show contrast, firstly demonstrating a boilerplate accounting policy and secondly illustrating an entity-specific accounting policy (eg how the entity determines its CGU).
- Some Panel members recommended that the IASB should consider incorporating the Diagram and two new examples in the Materiality Practice Statement in the illustrative examples supporting IAS 1 to make them more accessible.