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

**Comments on the Exposure Draft *Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)***

To the Board Members:

The Japanese Institute of Certified Public Accountants (“we” and “our”) appreciates the continued efforts of the International Accounting Standards Board on this project, and welcomes the opportunity to comment on the Exposure Draft *Disclosure of Accounting Policies (Proposed amendments to IAS 1 and IFRS Practice Statement 2)* (“ED”).

<b>Question 1</b>
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<p>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 this proposed amendment? If not, what changes do you suggest and why?</p>
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**Comment:**

We disagree with the proposed amendment, which requires entities to disclose their ‘material’ accounting policies instead of ‘significant’ accounting policies. It is uncertain as to whether the proposal is aiming to clarify the current disclosure requirements, or whether it is intended to enhance or reduce the requirement level. That said, we believe

the proposal may pose interpretive challenges for stakeholders and result in undue disruption in practice. Assuming the ED's objective is to clarify the current requirements and help entities provide accounting policy disclosures that are truly useful to users, we suggest the Board focus on developing a decision-making process for entities about which accounting policies they should disclose, instead of simply changing the wording from 'significant' to 'material.'

Further, we have noted the proposed wording used in the definition of 'material' in the ED is different from that in IAS 1 and IAS 8. Paragraph 117 of the ED states that '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.' According to the Amendments to IAS 1 and IAS 8 published in October 2018, the definition of 'material' is stated as 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions.' We recommend that the wording used in the definition of 'material' should be consistent for accounting policy disclosures to make it clear the materiality concept is same between standards.

<b>Question 2</b>
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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.
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Do you agree with this proposed statement? If not, what changes do you suggest and why?
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**Comment:**

We agree with the proposed amendment.

<b>Question 3</b>
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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.
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Do the proposed examples accurately and helpfully describe such circumstances? If not, what changes do you suggest and why?
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**Comment:**

We believe listing examples as proposed in paragraph 117B would be useful in practice

when making judgements for the application of materiality to accounting policy disclosures (i.e. identifying possible circumstances in which an entity is required to disclose its accounting policies). However, we have some concerns with specific examples in the list as follows:

- According to paragraph 117B(a), an accounting policy is material if a change in the accounting policy results in a material change to the amounts included in the financial statements. However, we understand that requirements for changes in accounting policies are already set out under IAS 8, provided with different purposes of disclosure. Further, we do not believe that an accounting policy is material just because it has resulted in a material change to amounts, as such idea does not necessarily align with the ‘materiality’ definition proposed in the ED. Based on above, we believe that paragraph 117B(a) should not be referred to as an example of accounting policies that are themselves material but rather be discussed separately in another paragraph.
- According to paragraph 117B(e), the ED proposes that an accounting policy applying the requirements of an IFRS Standard in a way that reflects the entity’s specific circumstances could be considered to be material to its financial statements. However, we do not think that the detail of specific circumstances is provided clear enough in the ED, which may cause confusion in practice. We recommend that the Board should include detailed examples within the standard or provide illustrative examples to articulate the proposal.

<b>Question 4</b>
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?

**Comment:**

We agree with the proposal to add illustrative examples as they would be helpful for stakeholders in making decisions about accounting policy disclosures, so long as the following are appropriately considered by the Board:

- Given that the application of materiality to accounting policy disclosures is already proposed by amending certain paragraphs of IAS 1, including paragraph 117, we

suggest that related examples should also be added to IAS 1, not to IFRS Practice Statement 2.

- We recommend adding another example to Example T as a contrast to the original example in order to illustrate what kind of accounting policies would be alternatively considered to be material for disclosure purposes. In this way, we believe our proposal can send a clearer message and will be more useful as guidance for financial statement preparers and users.
- Additionally, we highly recommend adding detailed examples to each example provided in paragraph 117B of IAS 1, which lists circumstances in which an entity is likely to consider an accounting policy to be material, so as to help stakeholders better understand the ED.

<b>Question 5</b>
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Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?
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**Comment:**

We have highlighted our comments below.

- In Japanese, both ‘material’ and ‘significant’ are often translated in the same way with a meaning of ‘important.’ In other words, when translated in Japanese, it is hard for stakeholders to clearly tell the difference between ‘material’ and ‘significant.’
- The wording of ‘immaterial’ (e.g. paragraph 117 of IAS 1) and ‘not material’ (e.g. paragraph 117D of IAS 1) are both used in the ED. According to BC13N of IAS 1, both ‘immaterial’ and ‘not material’ have the same meaning under IFRS Practice Statement 2. We believe the same clarification should be made as to whether the two are used in the same way in IAS 1.

<b>Question 6</b>
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Do you have any other comments about the proposals in this Exposure Draft?
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**Comment:**

We have highlighted our comments below.

- We understand that paragraph 117C of IAS 1 is provided as guidance for information to be included in the disclosure of accounting policies. That said, we recommend the Board clarify the meaning of the paragraph by adding a phrase, such as ‘immaterial and need not be disclosed,’ to ‘standardised descriptions or information that only

duplicates the recognition or measurement requirements of IFRS Standards.’

- The ED proposes adding a diagram titled ‘Diagram - determining whether an accounting policy is material’ after paragraph 88C of IFRS Practice Statement 2. We believe the requirements referred to in the diagram are set forth in the proposed new paragraphs of IAS 1, including paragraph 117. Accordingly, we believe the proposed diagram should be added as an Appendix to IAS 1 (i.e. application guidance) instead of presenting it in IFRS Practice Statement 2.

Yours faithfully,

Takako Fujimoto

Executive Board Member — Business Accounting Standards and Practice/Corporate Disclosure

The Japanese Institute of Certified Public Accountants