OICV-IOSCO

Organización Internacional de Comisiones de Valores
International Organisation of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valore

20 April 2015

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

RE: Exposure Draft: *Disclosure Initiative, Proposed amendments to IAS 7*

Our Reference: 2015/JE/C1/IASB/49

Dear IASB Members:

The International Organization of Securities Commissions (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1 or C1) thanks you for the opportunity to provide our comments regarding the International Accounting Standards Board (IASB or the Board) Exposure Draft: *Disclosure Initiative, Proposed amendments to IAS 7 (the Exposure Draft or ED)*.

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Committee 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency of global financial reporting. The comments we have provided herein reflect a general consensus among the members of Committee 1 and are not intended to include all of the comments that might be provided by individual securities regulator members on behalf of their respective jurisdictions.

General Observations

Members of Committee 1 are supportive of the Board's overall objective to improve (a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and (b) disclosures that help users of financial statement to understand the

Calle Oquendo 12
28006 Madrid
ESPAÑA
Tel.: (34.91) 417.55.49 • Fax: (34.91) 555.93.68
mail@oicv.iosco.org • www.iosco.org

liquidity of an entity. However, one member believes that the proposed amendments do not improve information about liquidity for similar reasons to those expressed in the alternative view in the ED, particularly since the usefulness of the statement of cash flows is limited when it is presented on a consolidated basis. To this member's view, it may be considered to require, as an additional or alternative requirement to the proposed amendment, disclosure regarding the working capital and cash flows from operating activities based on the separate financial statements of the entity.

Question 1—Disclosure Initiative Amendments

This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:

(a) Information provided to users of financial statements about an entity's financing activities, excluding equity items; and

(b) Disclosures that help users of financial statements to understand the liquidity of an entity.

Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

C1 members support the proposed amendments and believe they will help users of financial statements to better understand liquidity of an entity.

C1 members, however, note that paragraph 31 of IAS 7, as further explained in paragraph 33 of IAS 7, does not require management to classify interest paid as a financing activity in the statement of cash flows. Therefore, if management chooses to classify cash flows for interest paid as an operating activity, then such cash flows fall outside of the scope of the reconciliation disclosure required by this proposed amendment. Such an outcome highlights C1 members' concern about the optionality for classification of the interest component of debt as either an operating or a financing activity in the statement of cash flows. C1 members are concerned about the potential lack of comparability between companies that classify interest cash flows as operating, which are economically similar to the interest cash flows that other companies classify as financing. C1 members suggest that the IASB address this as part of its Performance Reporting project by more strictly defining how interest cash flows should be classified in the statement of cash flows.

Question 2 – Transition Provisions

Do you agree with the proposed transition provisions for the amendment to IAS 7 as described in this Exposure Draft (see paragraph 59)?

If not, why and what alternative do you propose?

Committee 1 members agree with the proposed transition provisions.

Question 3 – IFRS Taxonomy

Do the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set out in the proposed amendments to IAS 7 and the accompanying illustrative example? In particular:

(a) Are the amendments reflected at a sufficient level of detail?

(b) Should any line items or members be added or removed?

(c) Do the proposed labels of elements faithfully represent their meaning?

(d) Do you agree that the proposed list of elements to be added to the IFRS Taxonomy should be limited to information required by the proposed amendments to IAS 7 or presented in the illustrative examples in IAS 7?

Some members do not use the Taxonomy in their jurisdictions and feel that they did not possess the necessary experience with the Taxonomy to verify changes. We are therefore not providing comment on the Taxonomy because, among the group, we do not feel we possess enough direct, practical experience in order to form a view.

Question 4 – IFRS Taxonomy Due Process

As referenced in paragraph BC20, the IASB is holding a trial of a proposal to change the IFRS Taxonomy due process. Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:

(a) Do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?

(b) Do you find the form and content of the proposed IFRS Taxonomy Update useful? If not, why and what alternative or changes do you propose?

Although we are not in a position to comment on the Taxonomy itself, members raised some due process points that we would like to share with you.

Some members question whether including the Taxonomy changes in the ED with the proposed amendments to accounting standards themselves could in some ways detract attention from the proposed changes in accounting and yield less robust input from constituents about the proposed accounting amendments than might otherwise occur. Alternatively, some members believe that releasing the amendments to the accounting standards at the same time as proposed changes to the Taxonomy is important, particularly since proposed changes to the Taxonomy may, in some instances, affect the interpretation of and application of the related standard. Some members believe it might be useful to release the proposed changes to the accounting standards and the Taxonomy as two separate documents rather than issuing the proposed changes in one combined document. The issuance of two separate documents might allow those individuals with Taxonomy expertise to focus solely on those changes and those individuals with accounting expertise to focus solely on the theoretical and practical merits of the proposed changes to the accounting standards.

* * * *

We appreciate your thoughtful consideration of the comments raised in this letter. If you have any questions or need additional information on the recommendations and comments that we have provided, please do not hesitate to contact me at 202-551-5300.

Sincerely,

Julie A. Erhardt
Chair IOSCO Committee on Issuer Accounting, Audit and Disclosure