財團法人
會計研究發展基金會
ACCOUNTING RESEARCH AND DEVELOPMENT FOUNDATION

September 30, 2020

Mr. Hans Hoogervorst, Chairman
International Accounting Standards Board
Columbus Building,7 Westferry Circus,Canary Wharf
London E14 4HD
United Kingdom

Dear Mr. Hoogervorst,

Exposure Draft ED/2019/7 General Presentation and Disclosures

The Financial Accounting Issues Task Force of the Taiwan Financial Reporting Standards Committee (TFRSC) of Accounting Research and Development Foundation in Taiwan appreciates the opportunity to respond to the above exposure draft.

The attachments (Attachment 1) are our comments to this exposure draft. The comments are those of the Financial Accounting Issues Task Force and do not necessarily represent official opinions of the TFRSC.

If you have any question about our comments, please contact me (via my email: ccliu@management.ntu.edu.tw) or Ms. Margaret Tsui (via her email:margaret@ardf.org.tw).

Sincerely Yours,

Chi-Chun Liu, Ph.D.
Chairman,
Taiwan Financial Reporting Standards Committee,
Accounting Research and Development Foundation, Taiwan

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Attachment 1

Exposure Draft ED/2019/7 General Presentation and Disclosures

General Presentation and Disclosures

Question 7－integral and non-integral associates and joint ventures

(a) The proposed new paragraphs 20A–20D of IFRS 12 would define 'integral associates and joint ventures' and 'non-integral associates and joint ventures'; and require an entity to identify them.

(b) Paragraph 60(b) of the Exposure Draft proposes to require that an entity present in the statement of profit or loss a subtotal for operating profit or loss and income and expenses from integral associates and joint ventures.

(c) Paragraphs 53, 75(a) and 82(g)–82(h) of the Exposure Draft, the proposed new paragraph 38A of IAS 7 and the proposed new paragraph 20E of IFRS 12 would require an entity to provide information about integral associates and joint ventures separately from non-integral associates and joint ventures.

Paragraphs BC77–BC89 and BC205–BC213 of the Basis for Conclusions describe the Board's reasons for these proposals and discuss approaches that were considered but rejected by the Board.

Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the proposed paragraphs to require an entity to present the subtotal mentioned above as well as to provide information about integral associates and joint ventures separately from non-integral associates and joint ventures. However, we are concerned that the definition of 'integral associates and joint ventures' is not clear enough to apply, specifically, the determination of integral/non-integral and the description 'largely independently of the other assets of the entity' in the definition.

Determination of integral/non-integral

We noted the proposed new paragraph 20D of IFRS 12 explaining the meaning of 'integral' by providing examples of significant interdependency between an entity and an associate or joint venture, however, example (b) of that paragraph is confusing when the entity and the associate or joint venture sharing the same name or brand operate largely different businesses and differ greatly from each other? Can we still interpret that the associate or joint venture is integral to the entity?

Description 'largely independently of the other assets of the entity'

In addition, we questioned that the term used 'other assets of the entity' instead of 'the entity' in the definition of 'integral associates and joint ventures'. In other words, what is the difference between them? Take example (b) of paragraph 20D in IFRS 12 to illustrate, if the name or brand of the entity is internally developed and not meeting the recognition criteria of

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an asset, can we conclude that the associate or joint venture is not integral only because the name or brand is not an asset? On the other hand, if the key management personnel of the entity, such as the director of the entity, is also one of the key management personnel of the associate or joint venture, how can we interpret the associate or joint venture is integral or non-integral?

Question 8－roles of the primary financial statements and the notes, aggregation and disaggregation
(a) Paragraphs 20–21 of the Exposure Draft set out the proposed description of the roles of the primary financial statements and the notes. (b) Paragraphs 25–28 and B5–B15 of the Exposure Draft set out proposals for principles and general requirements on the aggregation and disaggregation of information. Paragraphs BC19–BC27 of the Basis for Conclusions describe the Board's reasons for these proposals. Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We agree with the principles and general requirements on the aggregation and disaggregation of information. However, we suggested that the paragraph 27 of the Exposure Draft can be amended as follows, which was suggested in IASB Update February 2019, and therefore to be more clear:

'An entity may aggregate immaterial items that do not share characteristics. However, using a non-descriptive label such as 'other' to describe a group of such items would not faithfully represent those items without additional information. Except as described in paragraph 28, to faithfully represent aggregated items, an entity shall either:

(a) aggregate immaterial items with other **<u>immaterial</u>** items that share similar characteristics **<u>to create a material item that</u>** ~~and~~ can be described in a manner that faithfully represents the characteristics of the aggregated items; or
(b) aggregate immaterial items with other **<u>immaterial</u>** items that do not share similar characteristics **<u>to create a material item</u>** but which may be described in a way that faithfully represents the dissimilar items.'

Question 10－unusual income and expenses

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(a) Paragraph 100 of the Exposure Draft introduces a definition of 'unusual income and expenses'. (b) Paragraph 101 of the Exposure Draft proposes to require all entities to disclose unusual income and expenses in a single note. (c) Paragraphs B67–B75 of the Exposure Draft propose application guidance to help an entity to identify its unusual income and expenses. (d) Paragraphs 101(a)–101(d) of the Exposure Draft propose what information should be disclosed relating to unusual income and expenses. Paragraphs BC122–BC144 of the Basis for Conclusions describe the Board's reasons for the proposals and discuss approaches that were considered but rejected by the Board. Do you agree with the proposals? Why or why not? If not, what alternative approach would you suggest and why?

We basically agree with the proposed paragraphs related to unusual income and expenses. However, we suggest that the definition of 'unusual income and expenses' in the Paragraph 100 of the Exposure Draft could be clarified. For example, how can we interpret 'it is reasonable to expect'? If the probability of the occurrence is estimated as 60%, is it reasonable to expect? What if the probability is changed to be 50%, is the answer different? Similarly, we also concern the meaning of the 'several' future annual reporting periods. Does the term 'several' means 3-5 years or '5-10 years'? It may involve judgement and give rise to diversity.

Question 14－other comments
Do you have any other comments on the proposals in the Exposure Draft, including the analysis of the effects (paragraphs BC232–BC312 of the Basis for Conclusions, including Appendix) and Illustrative Examples accompanying the Exposure Draft?

Categories of Other comprehensive income

We would like to request clarification on the categories of other comprehensive income from the following cash flow hedge. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability. It is not clear whether the effective portion of the gain or loss on the hedging instrument in the cash flow hedge mentioned above recognised in OCI is classified as (a) or (b) of the categories mentioned in paragraph 74 in the Exposure Draft.

We raised this concern since the OCI item mentioned above is classified into '<u>items of other</u>

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comprehensive income will not be reclassified subsequently to profit or loss' in IAS1 but may be classified into'income and expenses to be included in profit or loss in the future when specific conditions are met' in the Exposure Draft because the amount of the initial cost of the asset or the liability may be included in profit or loss in the future by sale, usage, impairment or other ways.

Presentation of the Figure 1 in the proposed paragraph B24

We noted that the first column on the right side which was noted 'Investing→operating (para.48)' was responding to the shorter arrow on the left side, and the second column on the right side which was noted 'Financing→operating(para.51)' was responding to the longer arrow on the left side. However, the existing presentation makes it difficult to find the correlation at first sight. Therefore, we suggest that the presentation of Figure1 be adjusted to be more straightforward and intuitive.

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