

Invitation to Comment

The International Accounting Standards Board invites comments on the amendment to IFRS 7 *Financial Instruments: Disclosures* proposed in this Exposure Draft. It would particularly welcome answers to the question set out below. Comments are most helpful if they contain a clear rationale and, when applicable, provide a suggestion for alternative wording.

The Board is not requesting comments on matters in IFRS 7 not addressed in the Exposure Draft.

Question

This Exposure Draft proposes to amend paragraph IG13 of IFRS 7 *Financial Instruments: Disclosures*. Do you agree with the proposal? If not, why?

Summary of Changes

There is a potential conflict between IAS 1 *Presentation of Financial Statements* and IFRS 7 *Financial Instruments: Disclosures*. IAS 1 precludes the presentation of net finance costs (or a similar term) on the face of the income statement unless the finance costs and finance revenue included in the net total are disclosed. Paragraph IG13 of IFRS 7 indicates that total interest income and total interest expense¹ could be included as a component of finance costs.

This Exposure Draft proposes to resolve the potential conflict by amending paragraph IG13 of IFRS 7.

¹ As disclosed in accordance with paragraph 20(b) of IFRS 7.

Proposed Amendment to IFRS 7 *Financial Instruments: Disclosures*

In the Guidance on Implementing IFRS 7, paragraph IG13 is amended (new text is underlined; deleted text is struck through).

Total interest income and total interest expense (paragraph 20(b))

IG13 ~~The total interest income and~~ Total interest expense disclosed in accordance with paragraph 20(b) is a component of the finance costs, which paragraph 81(b) of IAS 1 requires to be presented separately on the face of the income statement. The line item for finance costs may also include amounts that arise on ~~non-~~ financial assets or non-financial liabilities.

Basis for Conclusions on Proposed Amendment to IFRS 7 *Financial Instruments: Disclosures*

This Basis for Conclusions accompanies, but is not part of, the draft amendment.

Conflict with IAS 1 *Presentation of Financial Statements*

BC1 After issuing IFRS 7 *Financial Instruments: Disclosures*, the International Accounting Standards Board became aware that the guidance in paragraph IG13 of the IFRS could be read as conflicting with the requirements of IAS 1 *Presentation of Financial Statements*. Paragraph IG13 states that 'total interest income and total interest expense disclosed in accordance with paragraph 20(b) [of IFRS 7] is a component' of finance costs. However, paragraph 81 of IAS 1 requires the face of the income statement to include line items that present, inter alia, revenue and finance costs. Paragraph 32 of IAS 1 precludes the offsetting of revenues and expenses (except when permitted by a Standard or Interpretation). By indicating that total interest income and total interest expense disclosed in accordance with paragraph 20(b) might be a single component of finance costs, the guidance in paragraph IG13 is potentially in conflict with the requirements of IAS 1. Therefore, the Board decided to propose the amendment of paragraph IG13.