



FINANCIAL REPORTING COUNCIL  
(Established under the Financial Reporting Act 2004)

**FRC/Adm/133**

**08 April 2015**

The Director  
International Accounting Standards Board  
30 Cannon Street  
EC4M 6XH  
London  
**UNITED KINGDOM**

Dear Sir

**Exposure Draft on: Disclosure Initiative (Proposed amendments to IAS 7)**

The Financial Reporting Council (Mauritius) has one of its main functions to ensure co-ordination and cooperation with international institutions in the development and enforcement of financial reporting, accounting and auditing standards.

The FRC is pleased to respond to the International Accounting Standards Board's (IASB's) Exposure Draft, *Disclosure Initiative (Proposed amendments to IAS 7)*. The comments and responses to the specific questions are included in the following pages.

For any further clarifications, please contact us at [frc.mauritius@intnet.mu](mailto:frc.mauritius@intnet.mu).

Yours faithfully

A handwritten signature in black ink, appearing to read 'S. Naiken', written over a light blue circular stamp.

**S. Naiken**  
**Chief Executive Officer**



## **Disclosure Initiative Proposed amendments to IAS 7**

### **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?

### **Comments to Question 1**

The proposed amendments provide useful information on the period-on-period movements on debt. It is more of a "debt reconciliation" disclosure. However it would be more appropriate to consider a reconciliation of net debt which takes into consideration the cash and cash equivalent, which is not under the proposed changes of IAS 7. This will give more clarity and information about the liquidity position.

Currently a lot of companies are already disclosing net debt reconciliations namely GlaxoSmithKline plc, British multinational pharmaceutical company, to provide more insight about its liquidity position to users of financial statements.

The proposed amendment is a supplement to the existing requirement of IAS 7 para. 48 where, 'an entity shall disclose together with a commentary by management the amount of significant cash and cash equivalent balances held by an entity that are not available for use by the entity'.

In addition it is to be noted that the IAS should consider the review of the Para. 50A to ensure that the amendment should be more principle based rather than putting more emphasis on that specific example. Preparers of financial statement may understand that restriction on cash and cash equivalents will consist only of tax liabilities on repatriation of foreign cash and cash balances.

## **Question 2 - Transition provisions**

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

If not, why and what alternative do you propose?

## **Comments to Question 2**

The proposed amendments do not affect recognition and measurement and only provide additional disclosures in the financial statements. However, retrospective application of the amendments would enhance the comparability of the financial statements.

## **Question 3 - IFRS Taxonomy**

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

If not, why and what alternative do you propose?

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?

## **Comments to Question 3**

Yes, proposed IFRS taxonomy appropriately reflect disclosures with sufficient details and they represent their meaning. Proposed list of elements should be limited to information required by proposed amendments.

An improvement here could be requiring movements in related party transactions being disclosed, i.e., split between cash and non-cash.

#### **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?

#### **Comments to Question 4**

- (a) Agree. The publication of proposed IFRS Taxonomy should be done simultaneously with the ED as accompanying materials though it doesn't form part of the Standard. FRC would recommend that a formal methodology for considering the IFRS Taxonomy alongside the development of the Standard could be established.
- (b) Agree that form and content of the proposed IFRS Taxonomy Update is useful.