IAASB International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.iaasb.org

June 9, 2014

IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH
United Kingdom
(via electronic mail to ifric@ifrs.org)

Dear IFRS Interpretations Committee:

Re: Tentative Agenda Decision, IAS 1 *Presentation of Financial Statements* – disclosure requirements relating to assessment of going concern

The IAASB continues to follow with interest the deliberations of the IASB and your Committee on the required assessments and disclosures by preparers relating to an entity's ability to continue as a going concern.

The Committee's March 2014 tentative agenda decision states that the disclosure requirements of paragraph 122 of IAS 1 would apply to circumstances where significant judgment is involved in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. We believe that this is a positive step forward. It may also provide a basis for the IAASB to include further guidance within its auditing standards relative to the auditor's work effort on going concern disclosures.

However, we question whether, without further clarification, there will be consistent interpretation and application of the provision as envisioned by the Committee.

Paragraph 122 refers to judgments made in applying the entity's accounting policies that have the most significant effect on the amounts recognized in the financial statements. The judgments made relating to the existence of a material uncertainty may not be consistently understood as relating to the application of an entity's accounting policies. Similarly, the disclosure of a material uncertainty may not be seen as relating to having a significant effect on the amounts recognized in the financial statements. Rather, it may be seen as applicable only as to how amounts are to be recognized in the financial statements in a subsequent period.

We also note that it remains unclear, in disclosing these significant judgments, what management is expected to disclose. This includes whether disclosure of matters pertinent to management's judgment such as the nature of the event or condition, the severity of the issue, the likelihood and likely timing of its occurrence, or the feasibility and likely effect of mitigating circumstances, are required. Further clarification may assist preparers in approaching the required disclosures, and in their considerations when addressing the determination of whether a material uncertainty exists.

In addition, we note that aspects of paragraph 125 of IAS 1 may also have potential relevance to prompt the suggested disclosures of management judgements about going concern, because it applies when there is a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

We encourage the Committee to further consider how best to clarify the intended application of the agenda decision as a means of achieving proper and consistent expected application and minimizing potential significant diversity in practice.

We appreciate the difficulties faced in determining a solution to the issues raised. However, we have heard from many of the stakeholders, including international regulators, about the importance of a holistic approach involving both accounting and auditing standard setters towards improved reporting of going concern issues. Amongst others issues, concern has been expressed that auditor reporting on going concern may be misinterpreted by users of the financial statements if there is a lack of consistent understanding of the underlying concepts of the accounting framework. The need for a holistic solution is only underscored by its importance.

We would be pleased to discuss our comments with you as you further deliberate the matter.

Yours sincerely,

Prof. Arnold Schilder
Chairman, IAASB