



Project:	Additional Disclosure	Meeting:	AASB November 2019 (M173)
Topic:	Disclosure of the effect of new IFRS Standards not yet issued in Australia	Agenda Item:	25.0
		Date of Agenda Paper:	13 November 2019
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		Decision-Making:	Low
		Project Status:	n/a

Objective of this paper

- 1 The objective of this agenda item is for the Board to review the one submission received on the Fatal-Flaw Review version of an amending Standard that would be titled *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia* and vote on the Ballot Draft of the amending standard.

Attachments

- 2 Staff have included the following attachments for the Board's consideration. The attachments do not contain any questions for the Board.
Agenda Paper 25.1 Ballot Draft of Accounting Standard AASB 2019-X *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
Agenda Paper 25.2 Submission received on Fatal-Flaw Review Draft – David Hardidge

Reasons for bringing this paper to the Board today

- 3 The Fatal-Flaw Review Draft was exposed for two weeks for public comment. The AASB received one comment letter, which generally disagrees with the amendments proposed by the Fatal-Flaw Review Draft.

Background

- 4 At the September 2019 meeting, the Board decided to issue a Fatal-Flaw Review Draft of amendments to AASB 1054 *Australian Additional Disclosures* to propose requiring disclosure of the effect of new IFRS Standards that have not yet been issued by the AASB as Australian Accounting Standards. Such a disclosure requirement would ensure that compliance with Australian Accounting Standards by for-profit publicly accountable entities automatically means compliance with IFRS Standards.
- 5 The Basis for Conclusions accompanying the draft amending Standard has now been updated to refer to the fatal-flaw review process – see paragraph BC7.

Staff response to matters raised in the submission

Due process

- 6 The submission includes critical comments on the due process employed by the Board in providing a short comment period and the expectation that any submissions received from stakeholders would be addressed out of session rather than at a Board meeting. The Fatal-Flaw Review version of the amendment was issued for public comment with a two-week comment period. The Board decided to provide such a short comment period as the matter was considered straightforward and not controversial. This is noted in paragraph BC7.
- 7 Regarding the Board considering any submissions out of session, the staff consider that it is useful for the Board to confirm whether that approach is appropriate. For example, the approach might be limited to cases anticipated to be non-controversial and where major issues are not raised in submissions received. If there were such issues in the view of Board members when asked to vote out of session, it is open to a member to voice their view if they consider that a discussion by Board members is warranted and ultimately to vote against an out-of-session ballot draft if the vote proceeds without the issues being discussed by or otherwise circulated amongst Board members.

The proposed disclosure requirement

- 8 The submission comments that the proposed disclosure requirement would mostly result in immaterial, boilerplate disclosures where the effective date was more than one year in the future. Like any disclosure requirement in Australian Accounting Standards, the disclosure requirement would be subject to materiality considerations by the entity preparing the financial statements.
- 9 The submission also raises concerns over the lack of definition of IFRS Standards in AASB 1054. Staff note that AASB 101 *Presentation of Financial Statements* (paragraph 7) defines 'International Financial Reporting Standards (IFRSs)' as Standards and Interpretations issued by the IASB. The definition notes that these comprise International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations. Staff consider that this definition is relevant to the use of the term 'IFRS Standards' in AASB 1054 (as in other Standards), and no explicit definition is required to be added to AASB 1054.
- 10 Lastly, the submission (section 7) raises concerns over the ability to refer in AASB 1054 to future IFRS Standards, given that these would not be legislative instruments when issued by the IASB and would therefore be regarded in Australia as external documents. Staff take the view that the reference will be effective as it is not to specific, existing external documents, and so would not require amendment of AASB 1048 *Interpretation of Standards* to add references to newly issued IFRS Standards.

Staff recommendation

- 11 Staff do not consider the issues raised require amendment of the proposed amending Standard or a further due process, and recommend members vote on the ballot draft.

Question for Board members

Do Board members agree with the staff recommendation to make Amending Standard AASB 2019-X *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*?