



Project:	Research Centre	Meeting:	M190
Topic:	Research update	Agenda Item:	5.1
		Date:	5 September 2022
Contact(s):	Eric Lee elee@asb.gov.au	Project Priority:	N/A
		Decision-Making:	N/A
		Project Status:	Report to Board

Objective of this paper

- 1 The objective of this agenda item is to provide the Board with updates on:
 - (a) the recent key AASB Research Centre activities that have occurred since the June 2022 Board meeting; and
 - (b) ongoing and upcoming research projects.
- 2 There are no decisions that need to be made by the Board as part of this update.

Attachments

- Agenda Paper 5.2 Expression of interest received for the 2023 AASB Research Forum [supporting documents folder]
- Agenda Paper 5.3 Research proposals received for the IASB/AASB call for research on Making Materiality Judgements [supporting documents folder]

Summary of recent key activities

2022 AASB Dialogue Series

- 3 89 domestic and international stakeholders attended a virtual session on *Digital Financial Reporting: why does it matter* held on 17 August 2022 (Wednesday). Professor Indrit Troshani from the University of Adelaide was the keynote speaker. The session was moderated by Amir Gandhar (CAANZ), and the panel discussants were Dr Keith Kendall, David Hardidge, Rebekah Moran and Professor Peter Wells. The recording is available on the [AASB webpage](#).
- 4 An upcoming dialogue series session will be held on 14 September 2022 (Wednesday) 12-1 pm. The topic is *External reporting for not-for-profit private sector entities*.

2023 AASB Research Forum

- 5 The 2023 AASB Research forum theme is “Connectivity of financial and non-financial information”.
- 6 A call for expressing interest was made in July to invite researchers to submit research proposals. Nine research proposals were received (see Agenda paper 5.2).
- 7 The Academic Advisory Panel will deliberate the proposals and staff recommendations in its September meeting.

IASB call for research on Making Materiality Judgements

- 8 In April 2022, in response to the IASB's request, the AASB called for an expression of interest to seek academics in researching materiality judgements.¹
- 9 Two proposals were received (see Agenda Paper 5.3). In consultation with the IASB, the proposals are accepted for collaboration. One proposal is from Malaysia, and the project will also collaborate with the Malaysian Accounting Standards Board (MASB).
- 10 An initial meeting will be held in September with the research teams to discuss the expectations and scope of their projects. The following table is a summary of the proposals:

Project title	Proposed scope	Project team
The effectiveness of materiality judgements	By using an experiment, this study intends to investigate the following research question: How can we ensure materiality judgements in financial reporting are an effective proxy for the judgements of financial report users?	<ul style="list-style-type: none"> Mr Tom Frick Professor Michael Davern Associate Professor Brad Potter (All from the University of Melbourne)
IFRS Practice Statement 2 (<i>Making Materiality Judgements</i>): Its meaning and application in practice	The proposed research questions are: <ol style="list-style-type: none"> How is the concept of materiality understood by audit practitioners and preparers of financial statements? How do audit practitioners and preparers of financial statements apply the concept of materiality? What factors (qualitative and contextual) influence the determination of materiality in practice? 	<ul style="list-style-type: none"> Associate Professor Dr Noor Adwa Sulaiman (Universiti Malaya) Dr Nahariah Jaffar

Research in progress

- 11 The table below summarises the progress of current research projects:

Project	Staff comment
Joint research with the Malaysian Accounting Standards Board (MASB) on transition requirements and practical expedients	This project aims to examine the choices made by lessees when transitioning from IAS 17 <i>Leases</i> to IFRS 16 <i>Leases</i> and for the ongoing application of IFRS 16. Data collection is completed. Staff are drafting the report (jointly with MASB staff) and expect to publish the report in H4 2022.
Understandability of accounting standards (collaboration with the University of Adelaide)	This project investigates the problems of understandability of IFRS from the

¹ See <https://www.ifrs.org/news-and-events/news/2022/04/iasb-call-for-research-on-making-materiality-judgements/>

	<p>perspective of national standard setters.</p> <p>Data collection is in progress and is expected to be completed in Q1 2023. To date, six interviews from 5 jurisdictions have been conducted.</p>
Common transactions of Tier-3 NFP entities	The objective of this project is to provide evidence that supports the NFP Financial Reporting Framework project. Staff are currently collecting data to conduct a preliminary analysis of tier-3 NFP entities' financial statements.
Intangible assets	Staff are developing a project plan.
Going concern disclosures	Staff are developing a project plan.

Question to the Board

Do Board members have any comments or questions?

Appendix A: AASB Strategic Objectives

1. Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For 'publicly accountable' entities maintain IFRS compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.
2. With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with regulators to develop objective criteria on:
 - who prepares external reports (including financial reports)
 - the nature and extent of assurance required on these external reports.
3. Actively influence IASB, IPSASB standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.
4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.
5. Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.
6. Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards and guidance, including changing technologies.
7. Develop guidance and education initiatives, or promote development by others, to enhance consistent application of accounting and external reporting standards and guidance.