



Cover Memo

Project:	Reduced Disclosure Requirements (Tier 2) Principles	Meeting	AASB June 2016 (M152)
Topic:	Cover memo	Agenda Item:	11.0
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		Decision-Making:	High
		Project Status:	Continue deliberations

Objective of the meeting and background

- 1 The objective of this agenda item is to:
 - (a) receive feedback from the Board on the AASB and NZASB draft Policy for Determining RDR for Tier Entities, which would revise the current Tier 2 Disclosure Principles; and
 - (b) provide a high level verbal update of the outcomes of the June meeting of the joint subcommittees on the draft Policy Statement and the RDR Analysis of Standards.

Background

- 2 At the April 2016 meeting, the Board discussed the different decisions previously made by the AASB and NZASB regarding the way RDR should be revised. The Board:
 - (a) agreed that the RDR project should continue as a joint project with NZASB;
 - (b) reconfirmed its previous tentative decision to develop, with the NZASB, one policy document that sets out Tier 2 principles and identifies any differences in those principles and approaches to RDR between the two jurisdictions;
 - (c) reconfirmed its previous tentative decision to rely on AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* for accounting policy disclosures; and

- (d) decided not to rely on AASB 101 and AASB 108 for disclosures of significant estimates and judgements specific to a transaction or event.
- 3 Pursuant to above decisions, the AASB and NZASB staff jointly drafted an RDR Policy Statement for consideration by the joint RDR Subcommittees meeting to be held before the next sittings of the two boards in June. The joint subcommittees meeting would also consider RDR analysis of all Standards.

Link to project summary

http://www.aasb.gov.au/admin/file/content102/c3/Reduced_Disclosure_Requirements_Project_Summary.pdf

Attachments

Agenda Paper 11.1 Draft Policy Statement for Determining RDR for Tier 2 Entities

Overview of agenda papers

- 4 Agenda Paper 11.1 addresses:
- (a) Basis for development of RDR Decision-making Framework. The draft Statement stipulates that the overarching principles of the framework are that:
 - (i) the information provided by the financial statements meets user needs; and
 - (ii) the benefits of providing the disclosures exceed the costs.
 - (b) The application of the RDR Decision-making Framework and identifies two key disclosure areas that are essential for meeting user needs. Those Key Disclosure Areas are:
 - (i) current liquidity and solvency of the entity; and
 - (ii) transactions and other events significant or material to understanding the entity's operations as represented by the financial statements. It further classifies disclosures about transactions and other events into disclosures of a general nature that apply for all transactions and events and specific disclosures about particular types of transactions and events.
 - (c) Operational Guidance that is used to facilitate the application of the RDR Decision-making Framework.
 - (d) Identifying RDR and explains that:
 - (i) in Australia, Tier 2 disclosure requirements would no longer be shaded in the standards and instead would be included in an appendix to each relevant standard; and

- (ii) in New Zealand, the current approach of using an asterisk (*) to identify disclosure concessions and explaining partial concessions by means of RDR paragraphs would be retained.

Next steps

- 5 To progress the AASB/NZASB joint RDR project on the disclosure requirements for Tier 2 entities to the ED stage. Staff recommend a 3 month comment period for the ED.