



Project:	Disclosure Initiative: Amendments to AASB 107	Meeting	AASB February 2016 (M150)
		Date	8 February 2016
Topic:	Consider how to finalise ED 258	Agenda Item:	15.1
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		Decision-Making:	High
		Project Status:	Issuance of Standard

Introduction and objective of this paper

- 1 The objective of this paper is to seek the Board's decision as to how to finalise the Board's proposals exposed in ED 258 *Disclosure Initiative (Proposed amendments to AASB 107)*.
- 2 ED 258 incorporates IASB ED/2014/6 *Disclosure Initiative (Proposed amendments to IAS 7)*, which proposed entities be required to disclose, in broad terms, a reconciliation of debt and disclosures that help users to understand the liquidity of an entity. The proposals in IASB ED/2014/6 were finalised in IFRS *Disclosure Initiative (Amendments to IAS 7)*, issued by the IASB in January 2016. The IFRS amends IAS 7 *Statement of Cash Flows* to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments apply to annual periods beginning on or after 1 January 2017.
- 3 In its redeliberations and project finalisation, the IASB amended several of the ED's proposals; including introducing a disclosure objective, no longer specifically requiring a reconciliation of debt, and not finalising the proposal to disclose additional information about an entity's liquidity. IFRS *Disclosure Initiative (Amendments to IAS 7)* is attached as **Agenda Paper 15.2** for Board member consideration.

Link to project summary

- 4 The project summary below includes links to the ED, comment letters received, and the AASB submission:

http://www.aasb.gov.au/admin/file/content102/c3/Disclosure_Iniative_Proposed_Amendments_to_IAS_7_Project_Summary.pdf

Attachments

Agenda Paper 15.2 IFRS *Disclosure Initiative (Amendments to IAS 7)* [BOARD ONLY]

ED 258 comment letters received and AASB submission to ED/2014/6

- 5 The AASB received comment letters on ED 258 from seven respondents. The comment letters are available on the AASB's website at <http://www.aasb.gov.au/Work-In-Progress/Pending.aspx>.¹ Seven of the eight comment letters received expressed reservations about the proposals for various reasons; most of which are addressed by paragraphs BC14 to BC26 of the IASB Basis for Conclusions accompanying the IFRS.
- 6 In addition to comment letters received, staff received feedback from targeted outreach activity with three users/analysts and two preparers. The feedback received mainly pertained to the reconciliation of debt. The feedback from preparers suggests that the proposed reconciliation of debt would not provide users with much more useful information than already obtainable from current disclosures. However, two users/analysts noted that the reconciliation would provide useful information, while the third user/analyst considered the proposed reconciliation to be more in the nature of a sanity check/ having confirmatory value. In addition, a preparer also noted that there may be some duplication with information already disclosed in accordance with the Australian Accounting Standards (for example, AASB 3 *Business Combinations* requires disclosure of the fair value of each major class of consideration for each business combination, and of each major class of liability assumed), and that the disclosures would require additional effort by entities to prepare.
- 7 The AASB submission² itself expressed concerns about several aspects of the proposed amendments, and recommended the IASB consider postponing the amendments until the issues were addressed. Two matters noted as of particular concern were the timing of the amendments being before completion of the Principles of Disclosure project, and the absence of a definition of debt. Similar concerns were raised by some respondents to ED 258.

Staff views

- 8 Having regard to paragraphs 5 – 7 above, and given the timing of issue of the IFRS, staff are still in the process of following best practice guidelines (as set by the Office of Best Practice Regulation) for issuing a new legislative instrument. Accordingly, a draft amending standard cannot be voted on by the Board at this time.
- 9 Having regard to the effective date of the IASB's amendments, and acknowledging the AASB submission and feedback received from AASB outreach, staff recommend the Board finalise the proposals exposed in ED 258, as made by the IASB in IFRS *Disclosure Initiative (Amendments to IAS 7)*, out-of-session.
- 10 **Reduced Disclosure Requirements.** ED 258 exposed Tier 2 proposals in respect of the proposed additional disclosures. The final amendments differ from the exposed proposals; in particular, the introduction of a disclosure objective rather than a specific requirement to disclose a reconciliation of debt.³ Having regard to this, and also to the

1 Comment letters were received from Coalface Software Solutions, Westworth Kemp, Ernst & Young, HoTARAC, CPA Australia, ANZ, Institute of Public Accountants, and PwC.

2 http://www.aasb.gov.au/admin/file/content106/c2/AASB_Submission_IASB_ED_2014_6_Proposed_Amendments_IAS_7.pdf

3 ED 258 proposed that the debt reconciliation be excluded in the Tier 2 disclosure requirements.

Board's current project on the Reduced Disclosure Requirements, staff recommend that the Board not make any amendments for Tier 2 general purpose financial statements at this time.

Questions for Board members

- Q1 Do any Board members intend to dissent from the issue of an Amending Standard incorporating IFRS *Disclosure Initiative (Amendments to IAS 7)*?
- Q2 Do Board members agree with the staff recommendation to finalise an Amending Standard out-of-session?
- Q3 Do Board members agree with the staff recommendation for the Amending Standard not to address amendments for Tier 2 general purpose financial statements at this time?