Australian Government
Australian Accounting Standards Board

XRB EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho
NZ ACCOUNTING STANDARDS BOARD

Staff Paper

Project:	**Reduced Disclosure Requirements (Tier 2) Principles**	**Meeting**	AASB February 2016 (M150)
Topic:	**RDR Exposure Draft including appendices to standards**	**Agenda Item:**	3.1
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Introduction and objective of this paper

1 The objective of this paper is to provide the Board with material to be considered for inclusion in the forthcoming Exposure Draft on disclosures required by Tier 2 entities.[1] The material includes:

(a) background information;

(b) information on outreach conducted and findings;

(c) the proposed revised RDR decision-making framework that the Boards would apply to Tier 1 disclosures to identify the disclosures applying to Tier 2 entities;

(d) operational guidance; and

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1 The material is not complete. For example, material about the post-implementation review process and the questions for respondents is still in development.The AASB's current pronouncements number 42 standards and 35 interpretations (staff note that 9 standards do not contain disclosure requirements and 2 standards have a limited 'shelf life' as they will shortly be superseded by more recently issued standards). Staff have applied the decision-making framework to another 9 standards and all the interpretations (not reported here). Twelve standards remain to be analysed.

(e) for 11 standards, an appendix to each standard that identifies for that standard the disclosures that Tier 2 entities are required to comply with (this is the new approach to presenting Tier 2 requirements that the AASB has tentatively proposed).[2]

2 This paper is structured as follows:

(a) Summary of staff recommendations (paragraph 3)

(b) Background (paragraphs 4-8)

(c) Material that might be included in the Exposure Draft (paragraphs 9-45)

Summary of staff recommendations

3 The staff recommend that the Exposure Draft be progressed using the material presented in this paper.

Background

4 The Australian Accounting Standards Board (AASB) and New Zealand Accounting Standards Board (NZASB) have tentatively proposed that to determine the minimum disclosures required of all Tier 2 entities that they would start with the disclosures required for Tier 1 entities and by applying the proposed revised RDR decision-making framework, reduce them to identify the disclosures that Tier 2 entities are required to make.

5 The AASB proposal is to discontinue its current method of shading the disclosures not required. Instead, the AASB proposal is to present the Tier 2 disclosures in an appendix to each Standard and Interpretation that identifies for that Standard or Interpretation, the disclosures that Tier 2 entities are required to comply with. Therefore, the disclosures that apply to Tier 2 entities would be included in the same standard as the recognition, measurement and presentation requirements for a particular topic/type of transaction.

6 The NZASB proposal is to continue its current method of asterisking (*) the disclosure paragraphs in NZ IFRS that Tier 2 entities are not required to comply with.

7 The AASB and NZASB plan to issue separate proposals. It is likely that some of the content will be the same. Other content will be specific to the jurisdiction.

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2 The AASB's current pronouncements number 42 standards and 35 interpretations (staff note that 9 standards do not contain disclosure requirements and 2 standards have a limited 'shelf life' as they will shortly be superseded by more recently issued standards). Staff have applied the decision-making framework to another 9 standards and all the interpretations (not reported here). Twelve standards remain to be analysed.

8 Some of the material that might be included in the Australian Exposure Draft follows. Other material which includes the appendices to all other standards and interpretations, information about the post-implementation review process and the questions for respondents is still in development.

Material that might be included in the Exposure Draft

Exposure Draft: Section 1

9 Two tiers of general purpose financial statements (GPFS) with the same recognition and measurement requirements, but different levels of disclosures, is a cornerstone of the existing Australian Financial Reporting Framework. The purpose of this Exposure Draft (ED) is not to change the scope of Reduced Disclosure Requirements (RDR). Entities that are currently able to apply RDR will continue to be able to apply RDR. Rather, the purpose of the ED is to propose new Tier 2 disclosure requirements that have been reached after applying a new approach to the analysis of the disclosures – the revised RDR decision-making framework.

Background

10 RDR has been available in Australia for annual reporting periods beginning on or after 1 July 2009. The Australian Accounting Standards Board's (AASB) decision to introduce RDR was in response to constituent concerns about the burden on entities preparing GPFS using the Australian Accounting Standards founded on the International Financial Reporting Standards (IFRSs).

11 The Basis of Conclusions to AASB 1053 *Application of Tiers of Australian Accounting Standards* paragraph BC10 states that prior to the introduction of AASB 1053 "[the] costs of preparing general purpose financial statements for some entities were greater than benefits for the users of those general purpose financial statements, because the framework resulted in requirements for general purpose financial statements that were overly burdensome for many entities."

12 The current process in Australia to determine the disclosures under Tier 2 is to:

(a) draw directly on the *IFRS for SMEs* when Tier 2 recognition and measurement requirements are the same as those under the *IFRS for SMEs*; and

(b) use the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when Tier 2 recognition and measurement requirements are not the same as those available under the *IFRS for SMEs*.

13 The Basis for Conclusions to AASB 1053 articulates the then Board's approach to determining disclosure requirements under RDR, specifically, "…that satisfying the objective of general purpose financial statements should be the overriding basis for determining the disclosures under the RDR…" (paragraph BC76). Paragraph BC78 states "…the AASB concluded that users of general purpose financial statements of non-publicly accountable for-profit entities [typically, private companies] are particularly interested in information about:

(a) short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities;

(b) liquidity and solvency;

(c) measurement uncertainties;

(d) the entity's accounting policy choices;

(e) disaggregation of amounts presented in the financial statements; and

(f) transactions and other events and conditions encountered by such entities."

14 Paragraph BC79 of AASB 1053 states "The Board also concluded that, in addition to the particular information needs of users of non-publicly accountable for-profit entities noted in paragraph BC78, the information needs of the users of general purpose financial statements of NFP entities [not-for-profit entities] in both the private and public sectors would be satisfied by adopting a similar approach, having regard to the specific needs of users of NFP, including public sector, entity financial statements."

15 At the February 2015 AASB Strategy meeting the Board noted:

(a) the consultation by AASB staff which indicates that the level of adoption of Tier 2 disclosure requirements by:

(i) companies limited by guarantee (not-for-profit entities) and subsidiaries of Tier 1 entities is reasonably widespread; and

(ii) other companies, including large private companies, is very low;

(b) the continuing view that Tier 2 disclosures are still viewed as burdensome; and

(c) that recent changes to IFRS have sharply increased the volume of Tier 2 disclosures.

16 At the Strategy meeting the Board agreed that it would be appropriate to review the principles used in determining the level of Tier 2 disclosures with a view to further reducing the level of disclosure requirements.

17 The types of entities that qualify to apply RDR in Australia are:

(a) for-profit entities that are reporting entities and prepare GPFS and that do not have public accountability as defined; and

(b) not-for-profit entities that are reporting entities and prepare GPFS and that do not have public accountability as defined.

18 RDR for for-profit entities was issued in New Zealand in November 2012 and is substantially the same as the RDR developed by the AASB. Therefore, the key difference is that in Australia, the same disclosure requirements for Tier 2 for-profit entities also apply to Tier 2 not-for-profit entities. Notwithstanding this difference the AASB and the NZASB (the Boards) undertook this project to review RDR jointly.

Outreach undertaken to identify user information needs for financial statements prepared on an RDR basis

19 The Boards considered that redefining the Boards' approach to determining RDR would benefit from an appreciation of the needs of users of a Tier 2 entity's financial statements.

20 Therefore, the Boards considered it important that they spoke to users of Australian for-profit and not-for-profit entity financial statements and New Zealand for-profit entities in considering the information needs of those users.

Outreach undertaken in Australia

21 Feedback was sought from representatives of users of Tier 2 entities' financial statements. Examples of those users include bankers, specialist practitioners who help businesses to avoid liquidation, business valuers, private equity investors, and funders of not-for-profit entities.

22 In summary, the common information needs of those users are those relating to:

(a) financial performance;

(b) liquidity and solvency;

(c) cash balances and cash flows;

(d) related party transactions and balances;

(e) accounting policies applied; and

(f) transactions and events that are significant for the entity.

23 Although some representatives noted that they would find a more detailed breakdown of expenses useful, this was not the majority view.

Outreach undertaken in New Zealand

24 Many of the entities that qualify to apply RDR in New Zealand are not required to lodge their financial statements with a regulator.

25 Feedback was sought from the Financial Markets Authority (FMA), the entity responsible for regulating the capital markets and financial services in New Zealand, and from the banking sector.

26 The information requirements of the FMA and the banking sector are consistent with the information requirements of the Australian constituents that use the financial statements of Tier 2 entities.

Revised RDR decision-making framework

27 The Boards established a revised RDR decision-making framework for use in determining the minimum disclosures required of all Tier 2 entities. This RDR

decision-making framework would start with the disclosures required for Tier 1 entities and reduce them to identify the disclosures that Tier 2 entities are required to make.[3] Operational guidance to facilitate the application of the RDR decision-making framework was also developed. The essential features of the RDR decision-making framework are:

(a) the overarching principles of user needs and cost-benefit;

(b) disclosure of financial performance, financial position and cash flows;

(c) to meet user needs, there are two Key Disclosure Areas (KDA):

(i) KDA1: current liquidity and solvency of the entity; and

(ii) KDA2: transactions and other events significant or material to understanding the entity's operations as represented by the financial statements, comprising:

(A) Core Disclosure Areas (CDA): (a) commitments and contingencies, (b) impairment, (c) related parties, and (d) subsequent events;

(B) two categories of Supporting Disclosure Areas (SDA): SDA1 (a) nature of transaction or event, (b) associated risks specific to a transaction or event, and SDA2: (c) accounting policy on recognition or measurement, and (d) significant estimates and judgements specific to a transaction or event; and

(C) Other Disclosure Areas (ODA).

28 The Boards determined that:

(a) a rebuttable presumption about benefits and costs apply to the KDA1, CDA, SDA1 and ODA disclosures, whereby:

(i) for a KDA1, CDA or SDA1 disclosure the rebuttable presumption is that the benefits of the disclosure do exceed the costs and therefore, the disclosure is kept for Tier 2 entities; and

(ii) for an ODA disclosure the rebuttable presumption is that benefits do not exceed the costs and therefore, the disclosure is reduced for Tier 2 entities; and

(b) a SDA2 disclosure be reduced for Tier 2 entities when the disclosure requirements of AASB 101/NZ IAS 1 *Presentation of Financial Statements*

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[3] Under this approach exposure of the proposed Tier 2 disclosures would no longer coincide with the issuing of the ED that includes proposals for Tier 1 disclosures. Instead, the ED proposing RDR requirements will be based on the final IFRS.

and/or AASB 108/NZ IAS 8 *Accounting Policies and Changes in Accounting Estimates and Errors* is sufficient.

Operational guidance

29 The Boards also developed operational guidance to facilitate the application of the RDR decision-making framework.

Presentation Vs Disclosure

30 The revised RDR decision-making framework does not involve amending the presentation (sometimes used interchangeably with classification) requirements of Tier 1 and is concerned only with reducing the disclosure burden. Sometimes judgement is required as to whether a particular requirement relates to presentation or disclosure.

31 The following guidance is used to distinguish between presentation and disclosure:

(a) Presentation requirements are requirements that specify, for the current and the comparative period, the broad structure of financial statements including the basis of classification of items.

(b) Requirements addressing additional line items, disaggregation and subclassification of line items on the face of the primary financial statements are considered to be presentation requirements.

(c) Specifications relating to additional line items and disaggregation to be disclosed in the notes are treated as matters of disclosure.

(d) Where a standard provides an option for disclosure of information either on the face of the financial statements or in the notes, this is considered a disclosure requirement and is assessed against the revised RDR decision-making framework to determine which disclosures, if any, are kept in Tier 2 requirements.

Disclosure objective/principle

32 Some IFRSs include a paragraph that identifies the disclosure objective/principle for that standard. Disclosure objective/principle paragraphs are kept in Tier 2 requirements.

Guidance

33 Ordinarily, the guidance under the IFRSs as adopted in Australia or New Zealand that relates to any disclosure is reduced. Guidance that relates to a disclosure that is kept in Tier 2 requirements is kept only when doing so is absolutely necessary to operationalise the Tier 2 disclosure requirement. Guidance that relates to a disclosure that is reduced in Tier 2 requirements is also reduced.

Disclosure Encouraged

34 Where a disclosure is encouraged under the IFRSs as adopted in Australia or New Zealand, it is reduced in Tier 2 requirements.

Reconciliation

35 A reconciliation required under IFRSs as adopted in Australia or New Zealand is reduced in Tier 2 requirements. However, the individual items that together form the reconciliation are individually assessed against the revised RDR decision-making framework to determine which disclosures, if any, are kept in Tier 2 requirements.

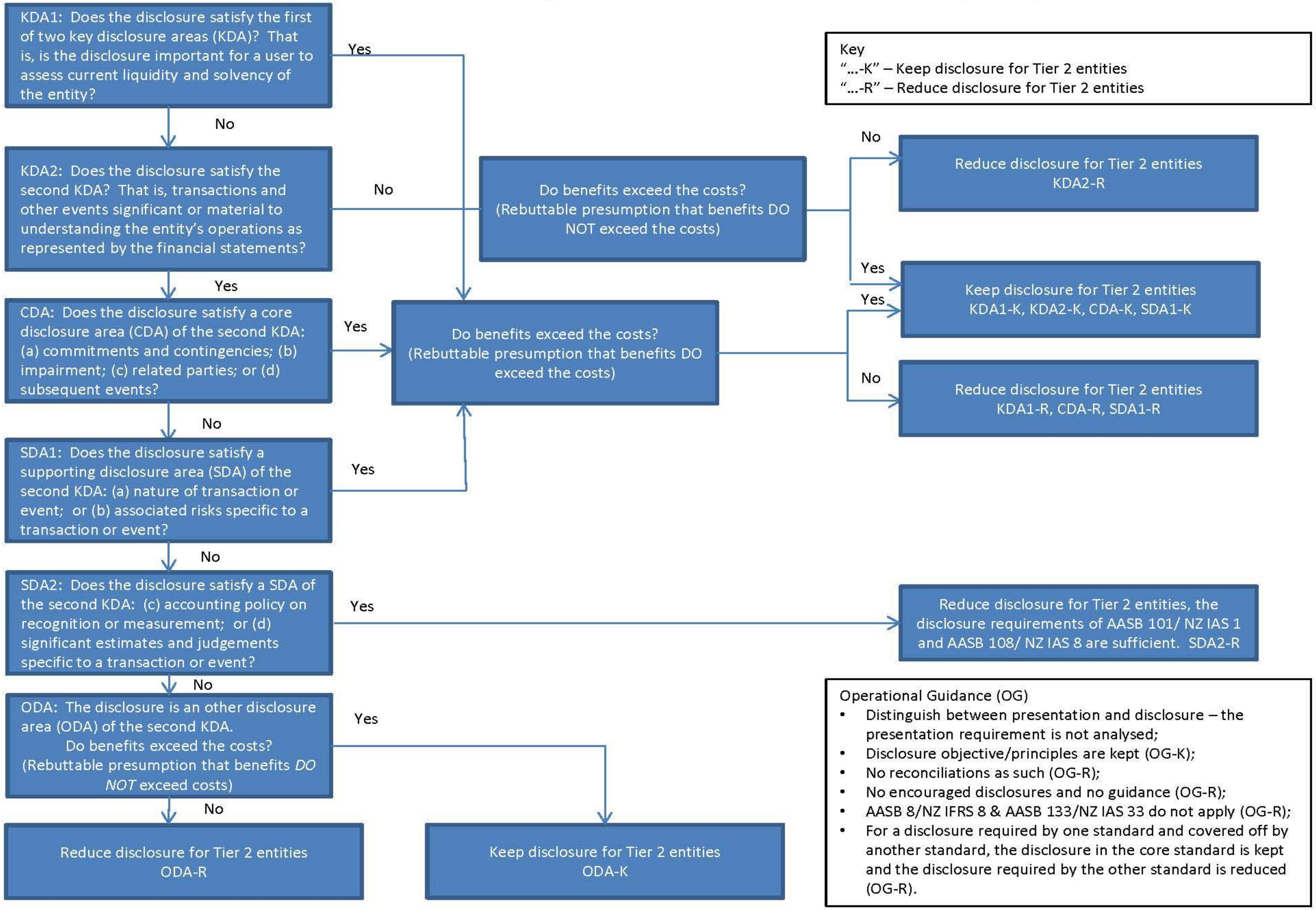
Other Standards

36 Sometimes, the disclosure required by one IFRS Standard adopted in Australia or New Zealand is covered off by the requirements of another adopted IFRS Standard. Some IFRS standards cross-reference to other standards. In both situations, the disclosure requirement in the core standard is kept in Tier 2 requirements when that is the outcome of applying the RDR decision-making framework and the disclosure required by the other standard is reduced. For example, AASB 3/NZ IFRS 3 *Business Combinations* cross refers to disclosures required in AASB 137/NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. In this instance, the paragraphs in AASB 3 are reduced.

37 Two IFRS Standards do not apply to Tier 2 entities – IFRS 8 *Operating Segments* and IAS 33 *Earnings per share*. References to either Standard are reduced in Tier 2 requirements.

Pictorial representation of the RDR decision-making framework (including operational guidance)

Process to apply the RDR decision-making framework to determine the disclosures required by Tier 2 entities



Exposure Draft: Section 2

Proposed Tier 2 disclosure requirements

38 The Boards' conclusions about proposed Tier 2 disclosure requirements have been reached after applying the revised RDR decision-making framework and operational guidance. Therefore, the proposed Tier 2 disclosure requirement for for-profit entities is the same in Australia and New Zealand.

39 However, the Boards propose different approaches to presenting Tier 2 disclosures.

40 The NZASB proposal is to continue its current method of asterisking (*) the disclosure paragraphs in NZ IFRS that Tier 2 entities are not required to comply with.

41 The AASB proposal is to discontinue its current method of shading the disclosures not required. The AASB noted that in Australia, this approach requires that the presentation of the proposed Tier 2 disclosures coincide with the issuing of the ED that includes proposals for Tier 1 disclosures. Because the ED proposing Tier 2 disclosure is not based on the final IFRS and as Tier 2 disclosures are a subset of Tier 1 disclosures the AASB noted that some constituents consider that it is too early in the process to provide feedback on an ED proposing Tier 2 disclosures.

42 Instead, the AASB proposal is to present the Tier 2 disclosures in an appendix to each Standard and Interpretation that identifies for that Standard or Interpretation, the disclosures that Tier 2 entities are required to comply with. Therefore, the disclosures that apply to Tier 2 entities would be included in the same standard as the recognition, measurement and presentation requirements for a particular topic/type of transaction. The AASB considered that the location of the disclosures that apply to Tier 2 entities is important to preparers and their inclusion in the same Standard or Interpretation as the recognition, measurement and presentation requirements for a particular topic/type of transaction recognises that. Where a topic/transaction is not relevant for the entity, the disclosures are not required.

43 The AASB noted that under this approach exposure of the proposed Tier 2 disclosures would no longer coincide with the issuing of the ED that includes proposals for Tier 1 disclosures. Instead, the ED proposing RDR requirements will be based on the final IFRS. This approach has been noted as being a more appropriate time to elicit constituent feedback on the Tier 2 proposals. The AASB considered that by issuing an ED proposing RDR requirements based on the final IFRS, constituents are better placed to provide more informed views.

44 The AASB considered that in the context of Tier 2 disclosures, presenting disclosures in an appendix to each Standard or Interpretation provides it with a flexibility that is not currently available to it in the way that it deals with amendments by the International Accounting Standards Board to the disclosure requirements of IFRS and Interpretations.

Disclosures applying to Tier 2 entities as listed in appendices

45 The AASB proposed Tier 2 disclosures apply to both for-profit and not-for-profit entities follow. The source of each list is addressed in the supporting documentation (see Agenda Paper 3.2). If the proposal to list in appendix to each standard and

interpretation was adopted by the AASB it would replace the current method of shading the disclosures that are not required of Tier 2 entities.

Appendix – AASB 102 *Inventories* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

36 The financial statements shall disclose:

(b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;

(e) the amount of any write-down of inventories recognised as an expense in the period in accordance with paragraph 34;

(f) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense in the period in accordance with paragraph 34;

(g) the circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph 34; and

(h) the carrying amount of inventories pledged as security for liabilities.

Aus36.1 Notwithstanding paragraph 36, in respect of not-for-profit entities, the financial statements shall disclose:

(b) the total carrying amount of inventories held for distribution and the carrying amount in classifications appropriate to the entity;

(d) the amount of any write-down of inventories held for distribution recognised as an expense in the period in accordance with paragraph Aus34.1;

(e) the amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories held for distribution recognised as expense in the period in accordance with paragraph Aus34.1;

(f) the circumstances or events that led to the reversal of a write-down of inventories held for distribution in accordance with paragraph Aus34.1;

(g) the carrying amount of inventories held for distribution pledged as security for liabilities; and

Appendix – AASB 110 *Events after the Reporting Period* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

Date of authorisation for issue

17 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

Updating disclosure about conditions at the end of the reporting period

19 If an entity receives information after the reporting period about conditions that existed at the end of the reporting period, it shall update disclosures that relate to those conditions, in the light of the new information.

Non-adjusting events after the reporting period

21 If non-adjusting events after the reporting period are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, an entity shall disclose the following for each material category of non-adjusting event after the reporting period:

(a) the nature of the event; and

(b) an estimate of its financial effect, or a statement that such an estimate cannot be made.

Appendix – AASB 121 *The Effects of Changes in Foreign Exchange Rates* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

52 **An entity shall disclose:**

(a) **the amount of exchange differences recognised in profit or loss except for those arising on financial instruments measured at fair value through profit or loss in accordance with AASB 9; and**

(b) **net exchange differences recognised in other comprehensive income and accumulated in a separate component of equity.**

53 **When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of the functional currency and the reason for using a different presentation currency.**

54 **When there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed.**

55 **When an entity presents its financial statements in a currency that is different from its functional currency, it shall describe the financial statements as complying with Australian Accounting Standards only if they comply with all the requirements of Australian Accounting Standards.**

57 **When an entity displays its financial statements or other financial information in a currency that is different from either its functional currency or its presentation currency and the requirements of paragraph 55 are not met, it shall:**

(a) **clearly identify the information as supplementary information to distinguish it from the information that complies with Australian Accounting Standards;**

(b) **disclose the currency in which the supplementary information is displayed; and**

(c) **disclose the entity's functional currency.**

Appendix – AASB 123 *Borrowing Costs* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

26 **An entity shall disclose:**

(a) **the amount of borrowing costs capitalised during the period; and**

Appendix – AASB 124 *Related Party Disclosures* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosures

All entities

13 **Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.**

Aus13.1 When any of the parent entities and/or ultimate controlling parties named in accordance with paragraph 13 is incorporated or otherwise constituted outside Australia, an entity shall:

- **(a) identify which of those entities is incorporated overseas and where; and**
- **(b) disclose the name of the ultimate controlling entity incorporated within Australia.**

15 The requirement to disclose related party relationships between a parent and its subsidiaries is in addition to the disclosure requirements in AASB 127and AASB 12 *Disclosure of Interests in Other Entities*.

17 **An entity shall disclose key management personnel compensation in total**

18 **If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:**

- **(a) the amount of the transactions;**
- **(b) the amount of outstanding balances, including commitments, and:**
  - **(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and**
  - **(ii) details of any guarantees given or received;**
- **(c) provisions for doubtful debts related to the amount of outstanding balances; and**
- **(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.**

18A **Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.**

Appendix – AASB 124 *Related Party Disclosures* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

19 The disclosures required by paragraph 18 shall be made separately for each of the following categories:

(a) the parent;

(b) entities with joint control of, or significant influence over the entity;

(c) subsidiaries;

(d) associates;

(e) joint ventures in which the entity is a joint venturer;

(f) key management personnel of the entity or its parent; and

(g) other related parties.

Government-related entities

25 A reporting entity is exempt from the disclosure requirements of paragraph 18 in relation to related party transactions and outstanding balances, including commitments, with:

(a) a government that has control or joint control of, or significant influence over, the reporting entity; and

(b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

26 If a reporting entity applies the exemption in paragraph 25, it shall disclose the following about the transactions and related outstanding balances referred to in paragraph 25:

(a) the name of the government and the nature of its relationship with the reporting entity (ie control, joint control or significant influence);

(b) the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements:

(i) the nature and amount of each individually significant transaction; and

(ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent. Types of transactions include those listed in paragraph 21.

Appendix – AASB 127 *Separate Financial Statements* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

15 An entity shall apply all applicable Australian Accounting Standards when providing disclosures in its separate financial statements, including the requirements in paragraphs 16–17.

16 When a parent, in accordance with paragraph 4(a) of AASB 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements:

(a) the fact that the financial statements are separate financial statements; that the exemption from consolidation has been used;

(b) a list of significant investments in subsidiaries, joint ventures and associates, including:

(i) the name of those investees.

Aus16.1 When a not-for-profit parent, in accordance with paragraphs 4(a), Aus4.1 and Aus4.2 of AASB 10, elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements the disclosures specified in paragraph 16, with the exception that the reference in paragraph 16(a) to 'International Financial Reporting Standards' is replaced by a reference to 'Australian Accounting Standards'.

16A When an investment entity that is a parent (other than a parent covered by paragraph 16) prepares, in accordance with paragraph 8A, separate financial statements as its only financial statements, it shall disclose that fact. The investment entity shall also present the disclosures relating to investment entities required by AASB 12 *Disclosure of Interests in Other Entities*.

17 When a parent (other than a parent covered by paragraphs 16–Aus16.1) or an investor with joint control of, or significant influence over, an investee prepares separate financial statements, the parent or investor shall identify the financial statements prepared in accordance with AASB 10, AASB 11 or AASB 128 (as amended in 2011) to which they relate. The parent or investor shall also disclose in its separate financial statements:

(a) the fact that the statements are separate financial statements

(b) a list of significant investments in subsidiaries, joint ventures and associates, including:

(i) the name of those investees.

Appendix – AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Presentation and disclosure

30 An entity shall present and disclose information that enables users of the financial statements to evaluate the financial effects of discontinued operations and disposals of non-current assets (or disposal groups).

33 An entity shall disclose:

(a) a single amount in the statement of comprehensive income comprising the total of:

(i) the post-tax profit or loss of discontinued operations; and

(ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

(c) the net cash flows attributable to the operating, investing and financing activities of discontinued operations. These disclosures may be presented either in the notes or in the financial statements

33A If an entity presents the items of profit or loss in a separate statement as described in paragraph 10A of AASB 1 (as amended in 2011), a section identified as relating to discontinued operations is presented in that statement.

34 An entity shall re-present the disclosures in paragraph 33 for prior periods presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented.

36 If an entity ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations in accordance with paragraphs 33–35 shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

36A An entity that is committed to a sale plan involving loss of control of a subsidiary shall disclose the information required in paragraphs 33–36 when the subsidiary is a disposal group that meets the definition of a discontinued operation in accordance with paragraph 32.

Gains or losses relating to continuing operations

37 Any gain or loss on the remeasurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation shall be included in profit or loss from continuing operations.

Presentation of a non-current asset or disposal group classified as held for sale

38 An entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. The major classes of assets and liabilities classified as held for sale shall be separately disclosed either in the statement of financial position or in the notes, except as permitted by paragraph 39. An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held for sale.

39 If the disposal group is a newly acquired subsidiary that meets the criteria to be classified as held for sale on acquisition (see paragraph 1), disclosure of the major classes of assets and liabilities is not required.

40 An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and

Appendix – AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

liabilities of disposal groups classified as held for sale in the statements of financial position for prior periods to reflect the classification in the statement of financial position for the latest period presented.

Additional disclosures

41 An entity shall disclose the following information in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

(a) a description of the non-current asset (or disposal group);

(b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal;

Appendix – AASB 6 *Exploration for and Evaluation of Mineral Resources* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

23 An entity shall disclose information that identifies and explains the amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources.

24 To comply with paragraph 23, an entity shall disclose:

(b) the amounts of assets, liabilities, income and expense and operating and investing cash flows arising from the exploration for and evaluation of mineral resources.

Aus24.1 In addition to the disclosure required by paragraph 24(b), an entity that recognises exploration and evaluation assets for any of its areas of interest shall, in disclosing the amounts of those assets, provide an explanation that recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

25 An entity shall treat exploration and evaluation assets as a separate class of assets and make the disclosures required by either AASB 116 or AASB 138 consistent with how the assets are classified.

Appendix – AASB 13 *Fair Value Measurement* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

91 An entity shall disclose information that helps users of its financial statements assess both of the following:

(a) for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements.

(b) for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

93 To meet the objectives in paragraph 91, an entity shall disclose, at a minimum, the following information for each class of assets and liabilities (see paragraph 94 for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Standard) in the statement of financial position after initial recognition:

(a) for recurring and non-recurring fair value measurements, the fair value measurement at the end of the reporting period, and for non-recurring fair value measurements, the reasons for the measurement. Recurring fair value measurements of assets or liabilities are those that other Australian Accounting Standards require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other Australian Accounting Standards require or permit in the statement of financial position in particular circumstances (eg when an entity measures an asset held for sale at fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* because the asset's fair value less costs to sell is lower than its carrying amount).

98 For a liability measured at fair value and issued with an inseparable third-party credit enhancement, an issuer shall disclose the existence of that credit enhancement and whether it is reflected in the fair value measurement of the liability.

Appendix – AASB 14 *Regulatory Deferral Accounts* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

Objective

27 **An entity that elects to apply this Standard shall disclose information that enables users to assess:**

(a) **the nature of, and the risks associated with, the rate regulation that establishes the price(s) that the entity can charge customers for the goods or services it provides; and**

(b) **the effects of that rate regulation on its financial position, financial performance and cash flows.**

Explanation of activities subject to rate regulation

30 To help a user of the financial statements assess the nature of, and the risks associated with, the entity's rate-regulated activities, an entity shall, for each type of rate-regulated activity, disclose:

(a) a brief description of the nature and extent of the rate-regulated activity and the nature of the regulatory rate-setting process;

(b) the identity of the rate regulator(s). If the rate regulator is a related party (as defined in AASB 124 *Related Party Disclosures*), the entity shall disclose that fact, together with an explanation of how it is related;

(c) how the future recovery of each class (ie each type of cost or income) of regulatory deferral account debit balance or reversal of each class of regulatory deferral account credit balance is affected by risks and uncertainty, for example:

(i) demand risk (for example, changes in consumer attitudes, the availability of alternative sources of supply or the level of competition);

(ii) regulatory risk (for example, the submission or approval of a rate-setting application or the entity's assessment of the expected future regulatory actions); and

(iii) other risks (for example, currency or other market risks).

33 For each type of rate-regulated activity, an entity shall disclose the following information for each class of regulatory deferral account balance:

35 When an entity provides disclosures in accordance with AASB 12 *Disclosure of Interests in Other Entities* for an interest in a subsidiary, associate or joint venture that has rate-regulated activities and for which regulatory deferral account balances are recognised in accordance with this Standard, the entity shall disclose the amounts that are included for the regulatory deferral account debit and credit balances and the net movement in those balances for the interests disclosed (see paragraphs B25–B28).

Application of NZ IFRS 12 *Disclosure of Interests in Other Entities*

B25 Paragraph 12(e) of AASB 12 requires an entity to disclose, for each of its subsidiaries that have non-controlling interests that are material to the reporting entity, the profit or loss that was allocated to non-controlling interests of the subsidiary during the reporting period. An entity that recognises regulatory deferral account balances in accordance with this Standard shall disclose the net movement in regulatory deferral account balances that is included within the amounts that are required to be disclosed by paragraph 12(e) of AASB 12.

B26 Paragraph 12(g) of AASB 12 requires an entity to disclose, for each of its subsidiaries that have non-controlling interests that are material to the reporting entity, summarised financial information about the subsidiary, as specified in paragraph B10 of AASB 12. Similarly, paragraph 21(b)(ii) of AASB 12 requires an entity to disclose, for each joint venture and associate that is material to the reporting entity,

Appendix – AASB 14 *Regulatory Deferral Accounts* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

summarised financial information as specified in paragraphs B12–B13 of AASB 12. Paragraph B16 of AASB 12 specifies the summary financial information that an entity is required to disclose for all other associates and joint ventures that are not individually material in accordance with paragraph 21(c) of AASB 12.

B27 In addition to the information specified in paragraphs 12, 21, B10, B12–B13 and B16 of AASB 12, an entity that recognises regulatory deferral account balances in accordance with this Standard shall also disclose the total regulatory deferral account debit balance, the total regulatory deferral account credit balance and the net movements in those balances, split between amounts recognised in profit or loss and amounts recognised in other comprehensive income, for each entity for which those AASB 12 disclosures are required.

B28 Paragraph 19 of AASB 12 specifies the information that an entity is required to disclose when the entity recognises a gain or loss on losing control of a subsidiary, calculated in accordance with paragraph 25 of AASB 10. In addition to the information required by paragraph 19 of AASB 12, an entity that elects to apply this Standard shall disclose the portion of that gain or loss that is attributable to derecognising regulatory deferral account balances in the former subsidiary at the date when control is lost.

Appendix – AASB 15 *Revenue from Contracts with Customers* disclosures applying to Tier 2 entities

With respect to accounting policies, significant judgements and sources of estimation uncertainty disclosures, only the general disclosures in AASB 101 *Presentation of Financial Statements* paragraphs 117-133 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* paragraphs 28-31 and 39-40 apply. The specific disclosures in this Standard may be useful in identifying the required general disclosures if applicable to material transactions and events.

Disclosure

110 The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about all of the following:

(a) its contracts with customers (see paragraphs 113–122);

(b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts (see paragraphs 123–126); and

(c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95 (see paragraphs 127–128).

112 An entity need not disclose information in accordance with this Standard if it has provided the information in accordance with another Standard.

Contracts with customers

113 An entity shall disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other Standards:

(a) revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and

	(b) any impairment losses recognised (in accordance with AASB 9) on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.
	Contract balances
116	An entity shall disclose all of the following: (a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed; (d) obligations for returns, refunds and other similar obligations; and (e) types of warranties and related obligations.
	Transaction price allocated to the remaining performance obligations
	Significant judgements in the application of this Standard
	Determining the timing of satisfaction of performance obligations
	Determining the transaction price and the amounts allocated to performance obligations
	Assets recognised from the costs to obtain or fulfil a contract with a customer
128	An entity shall disclose all of the following: (a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95)); and (b) the amount of any impairment losses recognised in the reporting period.
	Practical expedients
Transition	

Question 1 for Board members

Do Board members agree with the staff recommendation?

Are there any other issues that Board members would like to raise?