



Cover Memo

Project: **Reduced Disclosure Requirements (Tier 2) Principles** **Meeting** AASB December 2016 (M155)

Topic: **Cover memo** **Agenda Item:** 4.0

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Project Priority: High
Decision-Making: High
Project Status: Draft ED

Introduction and objective of the meeting

- 1 The objective of this meeting is to ask the Board to:
 - (a) review the draft ED 2XX *Reduced Disclosure Requirements for Tier 2 Entities* with a view to approving the Exposure Draft;
 - (b) agree an effective date for the proposals of annual periods beginning on or after 1 January 2019, with early application permitted;
 - (c) agree a comment period of 120 days; and
 - (d) agree a project plan.
- 2 A draft analysis of the Standards and interpretations undertaken to determine the disclosure requirements for Tier 2 entities (agenda item 4.2 in the supporting documents) is provided for the Board's reference. Please note that the material analysed has been the subject of review by the joint subcommittee of the AASB and the New Zealand Accounting Standards Board (NZASB).
- 3 A New Zealand Invitation to Comment and Exposure Draft containing substantially the same proposals will be tabled for consideration and approval to issue for comment by the NZASB at its meeting on 15 December 2016.

Link to project summary

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

Attachments

- Agenda Paper 4.1 Draft ED 2XX
- Agenda Paper 4.2 Draft analysis of standards and interpretations to determine disclosure requirements for Tier 2 entities (*for information only*)

Background

- 4 The Board has been working on a joint project with the NZASB to develop an RDR decision-making framework for the identification of reduced disclosures for Tier 2 entities¹. Changes have been made to the RDR decision-making framework over the course of the project for refinement.
- 5 Over the course of the project, the AASB and the NZASB have also considered the application of the proposed RDR decision-making framework to the disclosure requirements in the accounting standards applicable in Australia and New Zealand.
- 6 Several joint subcommittee meetings have been held over the course of the project and standards analysed have also been tabled at both AASB and NZASB meetings.
- 7 The Board last considered this project at the June 2016 meeting. In the intervening period higher-priority Board projects that needed to be finalised then took precedence over this project. At that meeting, the Board:
- (a) agreed the draft joint Australian and New Zealand Policy Statement for Determining RDR for Tier 2 Entities be finalised for comments provided by joint subcommittee members; and
 - (b) noted the progress in the preparation of the analysis of AASB Standards based on the RDR decision making framework and asked AASB staff to prepare an ED of Reduced Disclosure Requirements for consideration at a future meeting.
- 8 In August 2016, the NZASB:
- (a) considered and provided feedback on a draft ED and an Invitation to Comment (ITC);
 - (b) noted the analysis of NZ IFRS to accompany the ED; and
 - (c) noted that the ITC and ED would be tabled at a future meeting for approval to issue.
- 9 In the second half of 2016, staff have:

¹ RDR in New Zealand is developed for application to Tier 2 for-profit entities whereas RDR determined under this project applies to all Tier 2 entities in Australia.

- (a) liaised with NZASB staff:
 - (i) regarding the analysis of standards and reached agreement on the analysis and rationale for the outcome of applying the proposed RDR decision-making framework; and
 - (ii) to update the analysis of standards and interpretations to determine disclosure requirements for Tier 2 entities and use comment bubbles to identify when the outcome in New Zealand is different and the reason for that difference. The NZASB equivalent document mirrors this approach;
 - (iii) to update the draft joint Policy Statement (see Appendix A of the ED); and
 - (iv) updated the draft ITC to reflect feedback received in August (see paragraphs x–X); and
- (b) prepared the draft ED.

Overview of agenda papers

10 Agenda Paper 4.1 is the draft ED and includes:

- (a) the draft joint Policy Statement;
- (b) the Tier 2 disclosures; and
- (c) an example of the New Zealand approach to identifying Tier 2 disclosures.

11 Agenda Paper 4.2 is the analysis of the standards and interpretations.

Comment period

12 The *AASB Policies and Processes* document notes that the Board will normally seek to provide a 90-day comment period for EDs. The length of the comment period provided for constituents is a matter of judgement and is influenced by the nature and significance of the proposals and their impact on current practice.

13 Staff propose and recommend a comment period of 120 days.

14 This is a significant domestic project and time is needed for constituents to understand the proposed RDR-decision-making framework and consider the Board's application of that framework to the standards.

Question 1 to the Board

Do Board members agree with the staff recommendation of a comment period of 120 days?

Effective date, early application and transition

- 15 At the start of this joint project, the Boards agreed that the proposals should have an effective date of annual periods beginning on or after 1 January 2018 with early application permitted.
- 16 Staff propose and recommend that the effective date be deferred by one year to annual periods beginning on or after 1 January 2019.
- 17 Staff consider that it is appropriate to provide entities with sufficient time to identify the changes and make any necessary systems changes needed to capture the information. It is likely that this project will be completed in the second half of 2017 at the earliest so deferring the mandatory effective date should provide entities with enough time to make any necessary systems and process changes.
- 18 At the October 2015 AASB meeting, the Board tentatively decided that early application be permitted, with AASB 101, AASB 107 and AASB 108 as revised by this ED applied at the same time an entity first applies a Standard that is revised by this ED.
- 19 Staff propose and recommend that early application still be permitted with a deferral of the effective date

Question 2 to the Board

Do Board members agree with the staff recommendations:

- (a) of an effective date of annual periods beginning on or after 1 January 2019?; and
- (b) that early application still be permitted. with AASB 101, AASB 107 and AASB 108 as revised by this ED applied at the same time an entity first applies a Standard that is revised by this ED?

- 20 At the October 2015 AASB meeting, the Board tentatively decided to not include any transitional provisions in the Exposure Draft, but to ask a specific question in relation to this issue in the Exposure Draft.

Staff recommendation

- 21 The Board reaffirm its earlier tentative decision.

Question 3 to the Board

Do Board members agree with the staff recommendation that the Board reaffirm its earlier tentative decision to not include any transitional provisions in the Exposure Draft, but to ask a specific question in relation to this issue in the Exposure Draft?

Next steps

22 To consider out-of-session a pre-ballot draft of the ED.

Date	Project milestone
December	<p>13 December – Review the draft Exposure Draft.</p> <p>15 December – NZASB to consider and approve the Invitation to Comment to accompany its Exposure Draft and consider and approve for issue to comment the Exposure Draft.</p> <p>Publish fatal flaw draft on the website for comment by 4 October.</p> <p>16 December – Identify any additional steps we need to take in relation to NZASB meeting including whether to involve the subcommittee.</p> <p>20 December – Send ballot draft ED to Board for voting.</p>
January	<p>2 January – Voting closes on ballot draft.</p> <p>9 January – Publish ED.</p>

Question 4 to the Board

Do Board members agree with the proposed plan or do members want to involve the subcommittee again before the finalisation of the ballot draft ED?