



Project:	Reduced Disclosure Requirements for Tier 2 Entities	Meeting	AASB August 2017 (M159)
Topic:	Comments on ED 277	Agenda Item:	7.2
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		Decision-Making:	High
		Project Status:	Redliberations

Introduction and objective of this paper

- 1 This document sets out respondents' comments on ED 277, organised by Specific Matter for Comment. This paper is a supporting document to the collation of comments, agenda item 7.1.
- 2 The tables in this document show how the responses have been classified by staff in the collation document. All Matters are contained within this document with the exception of SMC 7 which will be addressed at the next Board meeting.
- 3 Submissions were received from the following respondents.

R#	Respondent Name	Sector
AR1	John Church	Not-for-Profit Sector
AR2	Heads of Treasuries Accounting and Reporting Advisory Committee	Public Sector Advisory Committee - Preparers
AR3	Keith Reilly	Not-for-Profit Sector
AR4	Australian Charities and Not-for-profits Commission	Not-for-Profit Private Sector Regulator
AR5	PWC	Professional Services Firm
AR6	CA ANZ	Professional Body
AR7	Australasian Council of Auditors-General	Public Sector Advisory Committee
AR8	BDO Australia	Professional Services Firm
AR9	CPA Australia	Professional Body
AR10	Australian Institute of Company Directors	Professional Body
AR11	Grant Thornton	Professional Services Firm
AR12	The Institute of Public Accountants	Professional Body
AR13	EY	Professional Services Firm
AR14	KPMG	Professional Services Firm

Specific Matter for Comment 1 – Overarching Principles

Do you agree with the overarching principles on which the proposed RDR decision-making framework identified in the proposed joint Policy Statement is based (that is, user needs and cost-benefit)? If you disagree, please explain why?

Category (C#)	Total
A – Agree	13
– No response	1

R #	C #	Responses to SMC 1
AR1	–	-
AR2	A	HoTARAC agrees and strongly supports the AASB’s decision to establish a consistent set of principles to determine Tier 2 entity disclosures.
AR3	A	Yes, subject to my comments on IFRS for SMEs and Non-Reporting Entities
AR4	A	<p>The ACNC agrees with the overarching principles on which the proposed RDR decision-making framework is based. The ACNC’s own objects, one and three, support the same overarching principles; that is, there is a need to maintain and protect public trust and confidence by ensuring information provided in financial reports is useful, and that such reports enhance the knowledge of the public’s understanding of these organisations financial operations. We also understand that some users of these reports will be seeking information that allows them to make decisions.</p> <p>However, a weakness in determining the requirements in any standard relating to financial reporting for charities lies in the fact that we do not have an adequate understanding of who the users are and what they need. As such, in order to better assess user needs, the ACNC suggest the AASB broaden the range of constituents consulted as outlined within the ED. Information was ‘<i>obtained from bankers, specialist practitioners who help businesses to avoid liquidation, business valuers, private equity investors and funders of not-for-profit entities</i>’. It would be beneficial to seek input from a wider spectrum of users representing the charity and not for profit sector. The ACNC recognises that the purpose of the ED is to receive such feedback and hopefully the feedback addresses the issue raised.</p> <p>The ACNC believes that the term ‘benefit’ needs definition and that this definition should be transparently shared. Commensurate with our concern regarding the identification of users and their needs, we would also ask: who the recipients of the benefit might be (the preparers or the end users). Often a benefit to the preparer (reduced disclosure requirements) is a cost (less information) to the end user and vice a versa.</p>
AR5	A	PWC agrees
AR6	A	We agree with the overarching principles.

R #	C #	Responses to SMC 1
AR7	A	We support the overarching principles of user needs and cost-benefit as the basis for what is to be included in financial statements
AR8	A	Yes, we agree with these overarching principles. We do however believe that this principle has not been applied given the extensive disclosure proposed in this ED.
AR9	A	We agree with the overarching principles on which the RDR decision-making process is based. However, we recommend the term “user needs” is further elaborated upon within the framework so it better informs both the AASB and preparers.
AR10	A	We agree with the overarching principles identified in paragraph 6 of the ED, being: <ul style="list-style-type: none"> (a) The information provided by the financial statements meets user needs; and (b) The benefits of providing the disclosures exceed the costs.
AR11	A	We support the overarching principles which are based on user needs and cost-benefit. However, as we noted in our covering letter, we encourage the AASB to consider undertaking a broader fundamental review of the RDR framework in due course in the context of the Australian Financial Reporting Framework project (and the potential third tier of reporting requirements in Australia), the IASB’s Principles of Disclosure project and the emergence of streamlined financial reports.
AR12	A	As we note in our covering letter we believe the issues of transparency and governance need to be considered in determining differential reporting requirements. While we agree with the broad context of user needs, the IPA is of the view user needs should include the requirement for transparency. Furthermore, disclosure requirements need to be viewed within the context of those needed to reinforce good governance
AR13	A	<p>We agree with the overarching principles on which the RDR decision-making framework is based, namely 'user needs' and 'cost-benefit'. These principles are consistent with the current requirements of the Conceptual Framework for Financial Reporting. We note that these overarching principles were those identified and applied, albeit in a different manner, in identifying Tier 2 disclosure requirements when the RDR was initially introduced. At that time these were identified as the principles used by the International Accounting Standards Board (IASB) in determining the disclosures to be required in the <i>International Financial Reporting Standard for Small and Medium-sized Enterprises (IFRS for SMEs)</i>, with RDR disclosures drawn from that standard where the <i>IFRS for SMEs</i> recognition and measurement requirements were the same as in Australian Accounting Standards. Where recognition and measurement requirements were not the same, the principles of 'user needs' and 'cost-benefit' were applied directly to the AASB Standards (albeit again with different operational guidance to that outlined in the proposed Policy Statement) to determine the disclosures under RDR.</p> <p>With the IASB decision not to update <i>IFRS for SMEs</i> for some recent amendments and new IFRS standards, and based on the results of the post-implementation review of Tier 2 disclosure requirements for GPFS as detailed in BC11-BC15 of the ED, we agree with the Board's proposed amended approach to identifying Tier 2 disclosures, in particular the amended approach to application of user needs and cost-benefit as the overarching principles to be applied.</p>

R #	C #	Responses to SMC 1
AR14	A	We agree with the overarching principles.

Specific Matter for Comment 2 – Key Disclosure Areas

Do you agree with the two Key Disclosure Areas identified in the proposed joint Policy Statement as being essential for meeting user needs? If you disagree with either Key Disclosure Area (including any of the specific disclosures about transactions and other events significant or material to understanding the entity’s operations as represented by the financial statements), please explain which one(s) you disagree with and why?

Category (C#)	Total
A – Agree	6
B – Partially agree	4
C – Disagree	3
– No response	1

R #	C #	Responses to SMC 2
AR1	–	-
AR2	B	<p>HoTARAC agrees that Key Disclosure Areas should be identified in line with the overarching principles. HoTARAC notes the application of these principles to determining whether to include individual disclosures in ED 277.</p> <p>HoTARAC notes that “current liquidity and solvency of the entity” (paragraph 8(a)) would have limited application to many General Government Sector public sector entities, whose main form of funding is through annual appropriations. In HoTARAC’s view the Key Disclosure Area identified in paragraph 8(b) as “transactions and other events that are significant or material” applies to both the ‘for profit’ and ‘not for profit’ sectors. However, HoTARAC stresses that this does not necessarily mean that the disclosures relevant to for-profit entities are relevant to not-for-profit entities.</p> <p>Consistent with the principles-based approach the AASB has developed for related party disclosures, HoTARAC recommends consideration be given to applying 8(a) only where it is relevant to the disclosing entity. As the AASB has already identified the application of this Key Disclosure Area by standard, a simple application of the cost/benefit principle could determine if the disclosure is necessary for public sector entities.</p> <p>HoTARAC notes the number of uses of this Key Disclosure Area in complying with AASB 7 <i>Financial Instruments: Presentation</i> and the potential for</p>

R #	C #	Responses to SMC 2
		<p>significant reductions in required disclosures for a number of public sector entities.</p> <p>HoTARAC also notes that paragraph 15 mentions two additional areas (information about the reporting framework under which the financial statements are prepared, and information about the structure of the reporting entity) where the benefits of disclosure exceed the costs. For completeness, it is suggested that these be explicitly included within the Key Disclosure Areas.</p>
AR3	A	Yes
AR4	B	<p>The ACNC agrees with the two key disclosure areas.</p> <p>Liquidity and solvency is of utmost importance in the charity sector particularly from a user's perspective. Revenue streams are often volatile for charities year to year and the sustainability of charities can often be misunderstood if referring only to the statement of profit and loss and other comprehensive income. So a focus on solvency and liquidity is supported by the ACNC.</p> <p>Significant or material transactions or events also constitute a useful disclosure area and can be equally applied to entities independent of size. The absence of a threshold allows preparers to apply their own judgment in terms of materiality according to the nature of the entity and its operations. It is worth noting though that the capacity for professional judgment present in some charities may be lacking in the same way that it is probably lacking in terms of entities in the commercial and public sectors. Therefore, additional guidance may help charities and could take the form of case studies, guides on how to transition etc.</p> <p>From a charity perspective, we believe that accountability and transparency should be considered as a key disclosure area. The principle being that financial information reported annually should accurately reflect the financial health or otherwise of an entity while decisions, actions and outcomes should be reported on and are able to be clearly understood by a user. In this way entities can be held to account for their actions. The right level of disclosure is central to good accountability and transparency in financial reporting. Given the previous discussion relating to the use of flowcharts, including accountability and transparency as a key disclosure area, might overcomplicate the application of a flowchart.</p>
AR5	A	PWC agrees
AR6	B	We agree, in principle, with the two Key Disclosure Areas. However (ii) associated risks specific to a transaction or event; and (iv) significant estimates and judgements specific to a transaction or event are covered by (i) the nature of the transaction or event that makes it significant or material to the entity. On this basis we recommend that (ii) and (iv) are removed.
AR7	B	We agree with the two Key Disclosure Areas identified and suggest an additional principle for stewardship and accountability. This would facilitate important disclosures such as those required by AASB 1052 Disaggregated Disclosures which, in our view, should be included in financial statements of both Tier 1 and Tier 2 public sector agencies in order to provide accountability about whether programs have been achieved.

R #	C #	Responses to SMC 2
		Although liquidity and solvency are not always relevant in the public sector, materiality principles can be applied to further reduce any unnecessary information being provided in financial statements in this regard.
AR8	C	<p>We do not agree with the two overall Key Disclosure Areas identified in (a) and (b), being: current liquidity and solvency; and significant/material transactions or events, as being essential for meeting user needs. Please refer to our detailed comments below.</p> <p>Current liquidity and solvency</p> <p>While we agree with the overall principle in (a), i.e. current liquidity and solvency of the entity as being a Key Disclosure Area for determining which Tier 1 disclosures should be retained for Tier 2, we note from the detailed Staff Analysis that the AASB seems to consider disclosures regarding balances (assets) as falling under the principle of solvency.</p> <p>Examples of a few of these include:</p> <p>AASB 116, paragraph 73(d) for disclosure of gross carrying amount and accumulated depreciation</p> <p>AASB 141, paragraph 54(f) for disclosure of gross carrying amount and accumulated depreciation, and</p> <p>AASB 13, paragraph 93(a) and 93(i) for disclosure about fair value.</p> <p>As solvency is the ability of an entity to pay its debts as and when they fall due, on a going concern basis, we do not consider disclosures about asset carrying and fair values to belong under the principle of liquidity and solvency. Refer our further comments on this in (b) below for ‘Asset values’.</p> <p>Our key concern with this framework is that it is not driven by the key objective of disclosure, being to enable a user to understand the performance of an entity. Any proposed framework should be driven by the principle of allowing users to understand the measurement and judgement around material balances, not just transactions. The shoehorning of disclosures about material, illiquid balances under the heading of ‘solvency’ would in our opinion appear to be a workaround of the basic flaws in the proposed framework.</p> <p>Transactions and other events that are ‘significant’ or material to an understanding of the entity’s operations as represented in the financial statements</p> <p>We have the following comments on principle (b) of the proposed framework.</p> <p>‘Significant’</p> <p>Firstly, as a general point, we would prefer the terminology in the framework to restrict itself to the term ‘material’ rather than introduce a new term, i.e. ‘significant’. We are unsure of the difference in meaning between ‘material’ and ‘significant’, that is, whether there could be instances where</p>

R #	C #	Responses to SMC 2
		<p>disclosures are significant but not material, or material but not significant. In our view, both terms mean the same thing.</p> <p>Asset values</p> <p>Secondly, following on from our discussion in (a) above, we believe the framework should also include reference to ‘material balances’. For users to understand the performance of the entity, we believe users require disclosure about measurement and judgements for material asset balances, not just transactions. As noted under (a) above, we do not consider asset disclosures to be covered by ‘liquidity and solvency’ principles.</p> <p>The bullet point items in the framework, part (b)(i) to (b)(viii), appears largely to be reverse engineering the additional disclosures proposed, particularly in respect of AASB 7. The framework appears to omit the needs of users in respect of measurement of material balances, particularly in respect of balances recorded at fair value. We believe that section (b) is therefore missing the basic principle of disclosing sufficient information to enable a user to understand material balances rather than merely material transactions.</p> <p>If the disclosure principle in (b) is to include information about all significant or material transactions or other events, we would prefer to see ‘asset’ and long term liability disclosures falling into Key Disclosure Area (b) rather than being subsumed into principle (a) as noted above.</p> <p>Other events</p> <p>Lastly, we also do not understand what disclosures would be contemplated for ‘other events’. We do not believe that significant or material ‘other events’ should be captured in principle (b) as a Key Disclosure Area because it is too broad a concept, and could be used as a means to include a wide variety of disclosures for Tier 2 entities that do not otherwise fit in with any of the items in principles (b)(i) to (b)(viii). In other words, we are concerned that it could be used to ‘shoe horn’ the desired disclosures of a particular standard into principle (b). We would therefore recommend that ‘other events’ be removed from the wording in principle (b) as well as (b)(i).</p> <p>Recommended alternative wording for principle (b)</p> <p>Taking into account our three comments above, we believe that principle (b) should be reworded as follows:</p> <p><i>“transactions that are material to an understanding of the entity’s operations and balances as represented by the financial statements. This comprises disclosures about:...”</i></p> <p>(b)(i) the nature of the transaction or event that makes it significant or material to the entity</p> <p>We understand this principle to be requiring disclosure as to why a transaction (or balance) is material (i.e. disclosures will be required for Tier 2 entities where the disclosures describe the nature of the transaction (or balance) that makes it material to the entity).</p>

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 2</i>
		<p>Because disclosure is always required for material transactions and balances, we are unsure why a principle is required to bring in disclosures describing why it is material. Providing information regarding material items should be sufficient for Tier 2 entities.</p> <p>We note that the Staff Paper brings in many income and expense items, such as for share-based payments under AASB 2 and gains on bargain purchases under AASB 3, acquisition date fair values of consideration in a business combination under AASB 3, amounts of categories of financial assets and liabilities under AASB 9, as well as various revenue disclosures under AASB 15. These disclosures should be encompassed within the broader principle (b) and a more detailed line item for these should not be required.</p> <p>We therefore recommend that (b)(i) be deleted.</p> <p>(b)(ii) associated risks specific to a transaction or an event</p> <p>We do not agree with (b)(ii) being included as part of the framework because there are a large number of risks affecting financial statement items for which there are no disclosure requirements, even in Tier 1. The inclusion of ‘risks’ in the framework would appear to be a justification for including additional AASB 7 disclosures. If this disclosure is warranted, it should be in the context of liquidity or solvency.</p> <p>We therefore recommend that (b)(ii) be deleted.</p> <p>(b)(iii) accounting policy on recognition or measurement specific to a transaction or event</p> <p>We agree with this principle. Refer to further comments under Question 4 below.</p> <p>(b)(iv) significant estimates and judgements specific to a transaction or event</p> <p>We agree with this principle. Refer to further comments under General Matters for Comment at the end of this Appendix.</p> <p>(b)(v) commitments and contingencies</p> <p>We do not believe that a separate category is necessary for this specific topic. In our view, commitments are more appropriately included under the general ‘liquidity’ principle and contingencies is more appropriately included under the general ‘solvency and liquidity’ principle, or even as part of (b)(iv) – estimates and judgements.</p> <p>In order to have enduring relevance, and to be consistent with Australian Accounting Standards being principles-based, rather than rules-based, we believe that the Key Disclosure Areas should enunciate principles for disclosures, rather than a list of areas considered important by financiers and other users of RDR financial statements.</p>

R #	C #	Responses to SMC 2
		<p>In our view, the principle for Key Disclosure Area (b) for Tier 2 entities should be to disclose transactions and balances that are material to an understanding of the entity's operations as represented by the financial statements so as to enable users to understand the performance of the entity.</p> <p>(b)(vi) impairment</p> <p>We do not understand why this one measurement area has been isolated as a Key Disclosure Area when other measurement areas have not. In our view this area is covered by (b)(iv) – estimates and judgements, and a separate area is not needed.</p> <p>(b)(vii) related parties and (b)(viii) subsequent events</p> <p>In our view, these two specific areas which are presumed to be material should be separated into a third Key Disclosure Area for specific items.</p>
AR9	A	We agree with the two Key Disclosure Areas (KDA) proposed.
AR10	C	<p>We consider that this question should be the subject of further consultation linked to the identification of users and the determination of their specific needs – considering both the for-profit and not-profit sectors separately. The not-for-profit sector should be further considered from a public sector versus private sector perspective.</p> <p>We note the original disclosure reductions made within IFRS for SMEs were based on the following principles which identified users' interest in information about:</p> <ul style="list-style-type: none"> - Short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities; - Liquidity and solvency; - Measurement uncertainties; - The entity's accounting policy choices; - Disaggregation of amounts presented in the financial statements; and - Transactions and other events and conditions encountered by such entities. <p>The above areas were determined through international consultation when the IFRS for SMEs standard was first being developed.</p> <p>We note the AASB have expanded the key disclosure areas in this ED to specifically cover risks, judgements, impairment, related parties and subsequent events. We note that this expansion has had the effect of adding disclosures to the RDR in certain standards, which include AASB 7 <i>Financial Instruments: Disclosures</i>, AASB 12 <i>Disclosure of Interests in Other Entities</i>, AASB 119 <i>Employee Benefits</i>, AASB 124 <i>Related party Disclosures</i>, AASB 127 <i>Separate Financial Statements</i> and AASB 136 <i>Impairment of Assets</i>.</p>

R #	C #	Responses to SMC 2
		We do not consider there is a need for increasing disclosures in all these areas, as we cannot clearly identify how these additional areas relate to ‘user needs’. Therefore, we recommend a comprehensive study of user identification and user needs is undertaken before finalising the Key Disclosure Areas.
AR11	A	We agree with the proposals
AR12	C	As indicated in our response to Question 1 and our covering letter, the IPA believes any disclosure requirements need to be framed in the overall context of governance and transparency. As the IPA is of the opinion the disclosure framework of RDR does not adequately deal with governance and transparency, the IPA is not satisfied the Key Disclosure Areas are sufficient.
AR13	A	<p>We agree with the two key disclosure areas (KDAs) identified in the proposed Policy Statement, namely (1) current liquidity and solvency of the entity and (2) transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements. We consider that the specific areas of disclosure identified for the latter KDA encompass those disclosures related to significant or material transactions or events that are likely to be most useful to users of the financial statements of Tier 2 entities. We do question whether the identified KDAs sufficiently focus on financial performance, which is identified in the Preface to the ED (page 6) as one of the common information needs of the users of the financial statements of Tier 2 entities. (See for example our specific comment in Appendix B on AASB 15.C8(a).)</p> <p>We note that the framework for RDR decision making is based on a rebuttable presumption that the benefits of providing these disclosures as listed in paragraph 8 of the draft Policy Statement exceed the costs, and that unless the Board rebuts this presumption Tier 2 entities will be required to make these disclosures. Conversely, where a disclosure is not a KDA there is a rebuttable presumption that the costs of providing the disclosures exceed the benefits, and unless the presumption is rebutted Tier 2 entities are not required to make these disclosures.</p> <p>We consider that the use of these rebuttable presumptions is an appropriate basis of operationalising the RDR decision making framework, but note that the assessment of costs versus benefits, and therefore determining when these presumptions are rebutted, will inevitably involve a degree of judgement. Alternatively, if rather than using these rebuttable presumptions the Board simply indicated that judgement would be exercised based on cost-benefit it might be expected that the same outcome in terms of disclosures included in RDR would result.</p>
AR14	A	<p>We agree with the two Key Disclosure Areas identified.</p> <p>Many preparers and entities struggle with identifying transactions and other events significant and material to understanding the entity's operations. We encourage the AASB to provide an education program when the new RDR for Tier 2 entities framework is released and becomes effective to assist preparers in consistently identifying that transactions and events that are significant and material to understanding the entity's operations. Without preparers having a context and understanding of these transactions and events, the risk is that the overlay of the emphasis of materiality will not occur and the disclosure of immaterial information will continue, negating the effect of reduced disclosures.</p>

Specific Matter for Comment 3 – Joint Policy Statement

Do you agree with the proposed joint Policy Statement as a whole for determining RDR for Tier 2 entities? If you disagree, please explain why (see the [draft] joint Policy Statement to this ED). In relation to the proposed joint Policy Statement, the AASB is particularly seeking to know whether the disclosures required of not-for-profit entities are appropriate relative to the disclosures required of for-profit entities.

Category (C#)	Total
A – Agree	7
B – Partially agree	2
C – Disagree	4
– No response	1

R #	C #	Responses to SMC 3
AR1	–	-
AR2	B	HoTARAC agrees subject to our comments in Question 2 on the applicability of the liquidity and solvency Key Disclosure Area.
AR3	C	No. (a) I believe that the AASB should allow IFRS for SMEs as an option to full IFRS/AASBs, or RDR for non- publicly accountable reporting entities as is allowed by most overseas countries; and (b) Non-Reporting Entities should be allowed to adopt the simplified disclosures in AASB 101, 107, 108 and 1054.
AR4	B	Not-for-profit private entities and public sector entities have different aims and missions compared to a for-profit entity. Private Not-for-profits also have differing disclosure requirements as compared to Public Not-for-profit entities. The key disclosure areas mainly focus on the profit and liquidity of the entity which is important for both for-profit and not-for-profit entities. However, the ACNC is mindful that the purpose of not-for-profit entities is to achieve objectives and outcomes that often come at the expense of making or increasing profit, therefore the sector may require disclosures more specific to the nature of their operations. While the comparison between for-profit and not-for profit entities is worthwhile, it is important to remember that charities themselves are far from homogenous. Trust funds are typically asset rich, schools and churches often have a variety of income streams, some charities often operate on very small budgets, and users have a more equal interest in both financial and non-financial information. The charity sector is motivated by mission and in this way is mission-centric rather than-profit centric, a charity’s existence and purpose revolves around achieving non-financial outcomes.

R #	C #	Responses to SMC 3
AR5	A	PWC agrees
AR6	A	We agree with the proposed joint Policy Statement.
AR7	A	Other than the comments provided above, ACAG agrees with the proposed joint Policy Statement as a whole for determining RDR for Tier 2 entities. ACAG requests that the AASB clarify that the Policy Statement is intended for the use of the AASB, and is not required to be used by Tier 2 entities in determining their individual reporting obligations.
AR8	C	Subject to our comments for Question 2 above, we agree with the proposed joint Policy Statement as a whole for determining RDR for Tier 2 entities, including both for-profit and not-for-profit entities.
AR9	B	We are broadly supportive of the joint Policy Statement as a whole. However, we have highlighted some significant concerns in our cover letter, which primarily relate to the Australian financial reporting environment. Whilst we appreciate that this project has progressed jointly between the AASB and NZASB, changes to the New Zealand financial reporting framework have given rise to significant differences compared to the Australian financial reporting framework. Given the possibility that there could be changes to the Australian financial reporting framework in the future, we suggest the AASB considers the issues that affect the Australian financial reporting environment to ensure a reporting solution that addresses these issues.
AR10	C	Refer to our answer provided in question 2.
AR11	A	We agree with the proposals.
AR12	C	As we note in our covering letter, while the IPA supports the concept of differential reporting, the IPA is unconvinced that RDR represents the best way to implement differential reporting and therefore does not support the proposed joint Policy Statement.
AR13	A	With the exception of issues raised in our responses to specific matters for comment on the exposure draft, we are in agreement with the proposed joint Policy Statement as a whole for determining RDR for Tier 2 entities. We agree with the principle of maintaining the same presentation requirements under Tier 1 and Tier 2 (with the exception of the presentation of a third statement of financial position). We acknowledge that the distinction between presentation and disclosure will not always be clear and that judgement will be required in such cases. We note that the IASB is currently undertaking work on this issue as part of its Principles of Disclosure (POD) project and would encourage the Board to consider the IASB's work. We agree with the guidance provided in paragraph 20(d), that where there is an option for provision of information either on the face of the financial statement or in the notes (e.g., AASB 101.106A) this be considered disclosure and assessed against the RDR decision making framework. We agree that 'encouraged disclosures' should be removed for Tier 2 entities (paragraph 26) and that reconciliations not be required to be prepared by

R #	C #	Responses to SMC 3
		<p>such entities (paragraph 27). Further, given that AASB 8 and AASB 133 do not apply to Tier 2 entities we agree that paragraphs that refer to these two standards should be removed for such entities. (See however our specific comment on AASB 110.22(f) in Appendix B.)</p> <p>We find the distinction (paragraphs 21 and 23) between the different types of paragraphs that contain disclosure objectives, some of which are reduced for Tier 2 entities and some of which are not, to be confusing. For example, we see little difference between AASB 15.110 (proposed to be removed) and the requirement in AASB 16.51 (referred to in footnote 9 on page 13) which it is proposed will be retained.</p> <p>Paragraph 23 indicates that disclosure objectives that do not themselves require an entity to provide specific disclosures are retained for Tier 2 entities. On applying the framework, it may be possible that some specific disclosures that meet the retained objective are actually removed for Tier 2 entities (e.g., because the costs exceed the benefit, or they do not relate to a KDA). In such circumstances, where the specific disclosures are not required, it might affect whether the entity can in fact claim compliance with Tier 2, as it would not have provided sufficient disclosure to meet the objective in the standard. We suggest the Board consider whether this is an unintended consequence of retaining disclosure objectives for Tier 2 entities.</p>
AR14	A	We agree with the approach of having a joint Policy Statement. Refer to the discussion in the cover of this submission for our concerns around the practical application of the decision-making framework.

Specific Matter for Comment 4 – Accounting Policies	
Do you agree with the approach in the proposed joint Policy Statement taken by the AASB regarding disclosures about accounting policies? If you disagree, please explain why (see [draft] joint Policy Statement paragraph Aus12.1 to this ED).	
Category (C#)	Total
A – Agree	9
B – Partially agree	3
C – Disagree	1
– No response	1

R #	C #	Responses to SMC 4
AR1	–	-

R #	C #	Responses to SMC 4
AR2	A	HoTARAC agrees.
AR3	A	Yes.
AR4	A	Yes.
AR5	A	PWC agrees
AR6	C	We refer to our response to question 8 and our support to retain the current method of shading to indicate which disclosures are not required by Tier 2 entities. On this basis, the suggested approach in the Policy Statement regarding disclosures about accounting policies could cause confusion if disclosures about accounting policies are required in AASB 101 or AASB 108 but are identified as a disclosure concession in a standard dealing with a specific type of transaction or event.
AR7	B	<p>While we generally support the proposed approach with regards to disclosure of accounting policies, there are some cases where we do not consider that the scope of AASB 101 would necessarily capture disclosures proposed to be removed from other standards.</p> <p>AASB 101 paragraph 117 focusses on disclosure of the measurement basis used in preparing the financial statements. Requirements previously contained in standards which go beyond this should be retained if the AASB consider them important. An example is AASB 102 paragraph 36(a).</p>
AR8	B	<p>Yes, we agree with the approach taken by the AASB to remove the requirement for Tier 2 entities to disclose specific accounting policies because AASB 101 and AASB 108 include overarching requirements to disclose significant accounting policies. However, in practice, we recognise that many preparers of RDR financial statements may use a 'checklist' approach to RDR disclosures, and erroneously omit significant accounting policies because they were not reminded in each relevant standard.</p> <p>We believe this approach should have been extended to the whole project, where the key requirements of disclosure are largely those contained in AASB 101 and AASB 108.</p> <p>We also note that this approach is different to that taken by the NZASB, which intends to retain the requirement for specific accounting policies in various accounting standards.</p>
AR9	A	We are supportive of the approach proposed regarding disclosures of accounting policies. However, our response to question 8 might have an impact on the approach the AASB may wish to take in respect of accounting policies disclosures in the final RDR accounting standards
AR10	A	We agree with the AASB approach regarding disclosures about accounting policies. This approach is to rely on the general requirements for disclosure of accounting policies in AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and</i>

R #	C #	Responses to SMC 4
		<p><i>Errors</i> rather than repeating accounting policy disclosure requirements contained in other specific standards.</p> <p>This may require some simplified user communication (perhaps in the form of a flow chart) to indicate that the lack of a specific provision does not mean that an accounting policy is not required, and they need to assess the requirement of an accounting policy within the context of AASB 101 and AASB 108 applying materiality principles.</p> <p>However, if this approach is taken in respect of the disclosures about accounting policies it would be useful and consistent to also use this approach in respect of disclosures about estimation uncertainty. For example, AASB 101 contains a general requirement regarding the source of estimation uncertainty (paragraph 125). However, the proposed RDR framework includes also specific disclosures regarding uncertainties (such as paragraph 85(b) of AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>, assumptions in paragraph 134 of AASB 136 <i>Impairment of Assets</i> and paragraph 9 of AASB 12 <i>Disclosure of Interests in Other Entities</i>.</p> <p>We note in both the areas identified above, it would be helpful if Australia and New Zealand had a consistent approach.</p>
AR11	A	We agree with the proposals.
AR12	A	The IPA agrees with the approach at paragraph Aus12.1 of the draft joint Policy Statement.
AR13	B	<p>We note the AASB's proposed approach to accounting policies is to solely rely on AASB 101 and AASB 108 for such disclosures. As such, any disclosures about accounting policies contained in other standards are removed for Tier 2 entities. In contrast, the NZASB has decided not to rely on the New Zealand equivalents of AASB 101 and AASB 108 for disclosures about accounting policies.</p> <p>While we support the Board's proposal to rely on AASB 101 and AASB 108 for accounting policy disclosures, we consider the emphasis should be placed on disclosing those accounting policies that are most significant to understanding the financial statements, and in particular the key judgements made in applying those policies. Only in this way will such disclosures of Tier 2 entities be provided in an entity-specific (rather than boilerplate) manner that is useful to users. We also note the work of the IASB in its POD project relating to the disclosure of accounting policies, and encourage the AASB to consider this work.</p>
AR14	A	We agree with the AASB's approach regarding disclosures about accounting policies.

Specific Matter for Comment 5 – Guidance

Do you agree with the approach in the proposed joint Policy Statement taken by the AASB regarding guidance for disclosure requirements? If you disagree, please explain why (see [draft] joint Policy Statement paragraph Aus25.1 to this ED).

Category (C#)	Total
A – Agree	8
B – Partially agree	1
C – Disagree	4
– No response	1

R #	C #	Responses to SMC 5
AR1	–	-
AR2	C	HoTARAC considers that guidance is actually designed to help preparers of financial statements, rather than directly creating a disclosure burden. This is particularly important for Tier 2 entities, which may have less internal financial reporting resources and expertise available. On that basis, HoTARAC questions the AASB’s approach, and recommends that the Basis for Conclusions include further explanation of the motivation behind this reduction in guidance. If the guidance is unnecessary or redundant, why is it included in the standard? (As a general principle, HOTALARAC supports removal of paragraphs that do not provide a significant benefit to users of the standard.)
AR3	A	Yes.
AR4	A	The ACNC generally agrees with reducing disclosure requirements for tier 2 entities where disclosure is encouraged rather than required for tier 1 entities. Guidance that is specific to disclosure requirements should be kept for tier 2 entities.
AR5	A	PWC agrees
AR6	A	We agree with this approach.
AR7	C	We do not agree with the proposed approach to reduce some of the guidance for disclosures that are retained for Tier 2 entities. Where guidance is provided to support a paragraph which has been retained for Tier 2 reporting, it should be included in the Appendix. Guidance assists preparers to understand the key requirements and does not create an additional burden. An example is AASB 7 paragraph 22A. The guidance in the second sentence of that paragraph is useful in determining what level of detail is appropriate for the explanation of risk management

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 5</i>
		<p>strategies used.</p> <p>For paragraphs which require disclosures to meet a stated objective, these seem broad enough in nature to be retained without increasing the risk of over-disclosure. These paragraphs assist in evaluating what level of disclosure should be provided and should be retained on the basis that they provide useful information to enable preparer judgement.</p> <p>For example, AASB 16 paragraph B48 provides guidance in relation to paragraph 59 which is retained for Tier 2 reporting. This guidance would be useful to preparers in considering whether additional information is required and could help to achieve the correct balance of reporting.</p>
AR8	A	<p>Yes, we agree with the approach taken by the AASB to delete guidance where it merely relates to presentation of information ‘in a tabular format unless another format is more appropriate’.</p> <p>While we acknowledge that some preparers may find the guidance helpful, the wording of these disclosures requires that the disclosures specified ‘shall’ be provided in a tabular format unless another format is more appropriate. To leave these paragraphs in would mean that Tier 2 entities would be required to justify each disclosure format that is not presented in a table.</p> <p>We note that this approach is different to that taken by the NZASB, which intends to retain this guidance.</p>
AR9	C	<p>We are not supportive of the approach proposed regarding the removal of guidance for disclosure requirements. The removal of the guidance as proposed by the AASB will not in itself increase or reduce the disclosure requirements arising from the RDR framework. Instead, such guidance provides more assistance to the preparers when considering specific disclosures. Accordingly, we recommend retaining all disclosures related guidance.</p>
AR10	A	<p>We agree with this approach. This approach is to reduce some of the guidance for Tier 2 entities where it is considered unnecessary. However, we consider that Australia and New Zealand should adopt the same approach.</p>
AR11	A	<p>We agree with the proposals.</p>
AR12	A	<p>Subject to the IPA’s overall concerns relating to the RDR disclosure framework, the IPA agrees with the approach at paragraph Aus25.1 of the draft joint Policy Statement.</p>
AR13	C	<p>We note that the AASB proposes to remove some of the guidance that is of a general nature. On the other hand, the NZASB has decided to keep all guidance supporting required disclosures, on the basis that the guidance is intended to assist preparers in providing the disclosures.</p> <p>While we understand the AASB's desire to reduce the volume of material included, we find the removal of guidance intended to assist preparers, whether general or specific, to be counterintuitive. By their nature some entities might be less sophisticated in terms of the processes and resources</p>

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 5</i>
		available for financial statement preparation. On this basis, any guidance, whether general or specific, that may assist in the preparation of those disclosures would seem to be useful.
AR14	B	Refer to the discussion in the cover of this submission for our concerns around the practical application of the decision-making framework. Given, however, that the guidance for disclosure requirements contained in Australian Accounting Standards is often useful for preparers in understanding the types of disclosures that could or should be made, we encourage the AASB to provide an education program when the new RDR for Tier 2 entities framework is released and becomes effective. This will enhance the understanding for preparers that the guidance in the Australian Accounting Standards relating to disclosure requirements is a useful and important resource for entities in preparing the disclosures.

Specific Matter for Comment 6 – Cross referencing

Do you agree with the approach in the proposed joint Policy Statement taken by the AASB regarding cross-references to other standards that are general rather than specific? If you disagree, please explain why (see [draft] joint Policy Statement paragraph Aus29.1 to this ED).

Category (C#)	Total
A – Agree	11
B – Partially agree	1
C – Disagree	1
– No response	1

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 6</i>
AR1	–	-
AR2	A	HoTARAC considers that while cross-referencing can be seen as a duplication of disclosure requirements, cross-referencing does serve as a reminder of other applicable standards. Tier 2 entities are smaller and less well resourced compared to Tier 1 entities, so HoTARAC is supportive of cross-referencing for Tier 2 entities that directs those entities to the specific Tier 2 disclosure requirements of those other standards.
AR3	A	Yes.

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 6</i>
AR4	B	This question is probably better answered by preparers of financial statements, however from an ACNC perspective we can see some value in cross-referencing to other standards. However, taking the holistic approach and in light of the purpose of the ED ultimately being about reducing information, the ACNC feel that the Aus paragraphs give enough guidance to appropriately apply the disclosure requirements.
AR5	A	PWC agrees
AR6	A	We agree with this approach.
AR7	A	<p>ACAG does not have any concerns with the proposal to remove general cross-references. However, some paragraphs in the staff analysis identified as being ‘general cross-references’ included additional requirements.</p> <p>For example:</p> <p>AASB 16 paragraph 95 in referring to AASB 116 contains requirements to further disaggregate classes of property, plant and equipment in addition to the disaggregation requirements in AASB 116.</p> <p>The level of disaggregation required by AASB 101 paragraphs 78(b) and (d) is not required by any other standard.</p> <p>The attachment to this letter notes all instances we identified.</p>
AR8	A	<p>Yes, we agree with the approach taken by the AASB for:</p> <ul style="list-style-type: none"> - Cross references to specific disclosures in other standards (specific paragraph numbers) – either keep or reduce in both standards, and - Cross references that are general in nature (to standard names only and not to a specific paragraph) – to reduce. <p>We note that this approach is different to that taken by the NZASB, which intends to retain all cross references of a general nature.</p>
AR9	A	We are supportive of the approach proposed regarding cross-references to other standards that are general rather than specific. However, please see our response to question 8 as this might have an impact on the approach the AASB may wish to take in respect of accounting policies disclosures in the final RDR accounting standards.
AR10	A	We agree with this approach. This approach is to reduce the cross-referencing to other standards where this cross-referencing is general in nature. However, we consider that Australia and New Zealand should adopt the same approach.
AR11	A	We agree with the proposals.

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 6</i>
AR12	A	The IPA agrees with the approach at paragraph Aus29.1 of the draft joint Policy Statement.
AR13	C	The AASB proposes to remove cross-referencing of a general nature as it considers these to be a duplication, while the NZASB proposes to keep such cross-referencing for Tier 2 entities. BC59 of the ED explains the basis for the NZASB proposal to be that removal might be misinterpreted as implying that Tier 2 entities are not required to comply with the disclosure requirements in the other standards. On balance we favour the position taken by the NZASB, particularly since as pointed out in BC58 this would not result in any additional disclosure being required.
AR14	A	We agree with the approach taken by the AASB regarding cross-references to other standards.

Specific Matter for Comment 8 – Method of Presentation

Which approach do you prefer for identifying RDR for Tier 2 entities:

- (a) the approach taken in this ED with the Proposed Tier 2 Disclosures to include an Australian Appendix in each Australian Accounting Standard that identifies the disclosures that Tier 2 entities are required to provide; or
- (b) use the approach taken in the New Zealand ED to use an asterisk (*) for disclosures that are not required and explaining partial concessions by means of an RDR paragraph? The approach taken in the New Zealand ED is illustrated in the Appendix A to this ED.

Category (C#)	Total
A – Appendix	4
B – Appendix (with qualification)	2
C – Appendix and shading	1
D – Asterix (shading if available)	1
E - Shading	5
– No response	1

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 8</i>
AR1	–	-

R #	C #	Responses to SMC 8
AR2	A	HoTARAC favours approach (a).
AR3	E	Neither. I believe that the existing shading system should remain.
AR4	B	<p>The ACNC see benefit in the use of an appendix but not as a standalone reference guide. Ideally the appendix should be used as part of a flowchart interacting with the RDR decision making framework. As mentioned earlier, the ACNC has reviewed the ED from an analytical perspective and more consideration should be given to the needs of those that prepare financial statements.</p> <p>An issue with an Appendix is that it will lengthen the standards with duplicated information for tier 2 entities repeated in the Appendix. Also the approach may limit tier 2 entities to only focus on the disclosures in the Appendix and would not refer to Tier 1 entities' requirement whereas the current adopted approach may still encourage preparers to read the unshaded disclosure requirements.</p> <p>It is worthwhile noting, that if the appendix is a standalone reference guide we would prefer the existing shaded method to identify RDR. The main reason for this is that entities would still be required to navigate to the main body of the standard to read the recognition and measurement requirements.</p> <p>In particular AASB 101, we found it difficult to differentiate which paragraphs were guidance/presentation requirements from the disclosure requirements especially if the proposed Appendix method was adopted</p>
AR5	A	PWC agrees
AR6	D	<p>Of the two suggested options, we prefer approach (b) because approach (a) would duplicate content and contribute to the length of the standards. Also in our view the appendix approach may cause challenges for preparers having to move between the appendix and the body of the standard.</p> <p>However, the current shading approach in Australia works well, so we are in favour of keeping the shading approach to indicate which disclosures are not required by Tier 2 entities. However, we do encourage trans-Tasman harmonisation in this regard.</p>
AR7	B	<p>Of these two options, ACAG prefers the approach taken in this ED to include an Australian Appendix. Advantages include:</p> <ul style="list-style-type: none"> - The RDR disclosure requirements in a standard can easily be found in the appendix. - The appendix approach allows flexibility to rewrite some of the paragraphs if necessary. <p>The New Zealand approach would be difficult to apply as the RDR paragraphs would not be easily identified. Further, this approach does not work well where there is partial application of a paragraph.</p> <p>Some ACAG members prefer the current approach of shading the disclosures not required for Tier 2 over the proposed appendix approach. This is</p>

R #	C #	Responses to SMC 8
		<p>because the relevant paragraphs are easily identified and it enables preparer judgement due to the disclosure requirements being read in the context of all requirements of the standard.</p> <p>The approach taken in this ED does not easily enable an understanding of how the disclosure requirements link to the overall objectives of the standard. Further, some are of the view that creating further appendices to standards is undesirable.</p> <p>Including the presentation and disclosure requirements in an appendix only has the risk of readers incorrectly interpreting that they are not required to comply with certain paragraphs in the main body of the standard for Tier 2 reporting. For example, AASB 5 paragraph 5B is about disclosures. This paragraph has not been included in the proposed appendix. This is an important paragraph as it clarifies that certain disclosure requirements contained in other standards do not apply. Preparers could interpret that this does not apply to Tier 2.</p> <p>Another example is AASB 101 paragraph 10A. This has not been included in the proposed appendix despite relating to presentation.</p> <p>However, we appreciate there are complexities in administering the current approach, particularly where standards change.</p>
AR8	E	<p>We do not believe that either of these approaches are useful for preparers of Tier 2 financial statements. Instead we recommend the AASB retain the status quo of using grey shading within standards to indicate reduced disclosures.</p>
AR9	E	<p>Feedback we have received suggests that the retention of the asterisk approach in New Zealand has been largely because no problems have been identified with this approach. Feedback also suggests that the current shading approach provides financial report preparers with better context and a more meaningful consideration of the accounting standard as a whole. It also enables preparers to obtain a better understanding of the intent and requirement of the accounting standard, including when and where professional judgement needs to be applied. Unless the AASB has identified significant problems with its previous shading approach to RDR disclosures, we support its retention. If however, the AASB has obtained evidence that indicates that the proposed appendix approach is likely to improve the usage of the RDR framework we suggest such evidence is published in support of its appendix approach.</p> <p>If the AASB decides to revert back to the shading approach, it may need to reconsider the decisions it has made in respect of disclosures relating to accounting policies and cross-references to other standards that are general rather than specific. Under the shading approach, the removal of disclosures relating to accounting policies and cross-references to other standards will be displayed as shaded paragraphs. This could create confusion amongst preparers who may incorrectly conclude that these disclosures are not required under the RDR framework. We, therefore, recommend the AASB reconsiders its approach in the joint Policy Statement on disclosures relating accounting policies and cross-references to other standards, if it decides to revert back to the shading approach.</p>
AR10	E	<p>We do not support approach (a) because this approach would duplicate content and contribute to the length of each accounting standard. We also consider this approach would be a challenge for preparers when applying standards – having to move between the standard and the appendix when</p>

R #	C #	Responses to SMC 8
		<p>applying, presenting and disclosing information. We consider that mandatory disclosure requirements should be contained in the main body of the accounting standard.</p> <p>The current shading approach in Australia has not been subject to any complaints and it works well. Disclosures are shaded when the disclosure is not required by Tier 2 entities. We do not see a need to change this approach.</p> <p>However, we do consider that Australia and New Zealand should adopt the same approach in this regard.</p>
AR11	E	As noted in our cover letter, our preference is to keep the existing ‘shading’ approach (as opposed to moving all RDR requirements to an Appendix) as this method works well in practice and provides context to the disclosure requirements. We find the shading approach very helpful in practice and this is also the feedback we get from our clients. We’re not aware of any concerns from users’ or preparers’ perspective justifying the move to an appendix based approach.
AR12	A	The IPA prefers the approach taken in the ED i.e. the Australian approach. However, the IPA would consider an approach with a separate RDR standard as an acceptable alternative.
AR13	A	<p>We note that both the AASB’s and NZASB’s proposals for identifying RDR for Tier 2 entities differs from the current approach in AASB standards of highlighting/shading those disclosures <i>not</i> required by Tier 2 entities (Option 1 in BC63). The current practice in Australia might be useful to users in that it provides a method to easily visually assess the extent of disclosure relief.</p> <p>We do not favour adopting the NZASB approach (Option 2 in BC63) of using an asterisk (*) to identify disclosures not required by Tier 2 entities. If the general approach of identifying disclosures <i>not</i> required were to be adopted we would support continuing to use highlighting of such disclosures as is currently the practice in Australia. As pointed out in BC64, this practice is familiar to preparers in this jurisdiction. We also understand that where an asterisk is used to designate disclosures not required it is likely to be easier to miss or overlook a paragraph than one that is shaded.</p> <p>BC64-BC65 indicate that arguments in favour of including an Australian Appendix in each standard that contains Tier 2 disclosures (Option 4 in BC63) include flexibility in amending the RDR and convenience of being located in the same standard as the related recognition, measurement and presentation requirements (as opposed to Option 3, which is to issue a separate standard containing all Tier 2 disclosure requirements). We consider both these arguments to be persuasive. We also consider it helpful to have only those disclosures required by Tier 2 entities provided in one location. Further this option is consistent with the AASB’s past practice of appending to standards any not-for-profit specific guidance, and BC65 indicates that preparers support this approach.</p> <p>On the basis of the arguments provided in the Basis for Conclusions we support the proposal to include the Tier 2 disclosures in an appendix to each standard, but would not object to continuing the current practice of shading those disclosures not required.</p>
AR14	C	We prefer the approach taken in this ED with the Proposed Tier 2 Disclosures to include an Australian Appendix in each Australian Accounting

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 8</i>
		<p>Standard that identifies the disclosures that Tier 2 entities are required to provide.</p> <p>We are aware that a third option is also available for consideration — being the approach currently adopted by the AASB of shading the disclosures that are reduced for Tier 2 disclosure purposes.</p> <p>We would support consideration being given to both shading and an Australian Appendix. This would potentially cater for different accounting standard user styles.</p> <p>In addition, proposed approach relating to the disclosure of accounting policies set out in paragraphs 12 and Aus12.1 would be more effective if presented in an Appendix — as illustrated by the Proposed Tier 2 Disclosures in ED 277.</p>

Specific Matter for Comment 9 – Disclosure and Presentation Requirements

Do you agree that when an Australian Accounting Standard does not have separate sections for disclosure and presentation requirements, both presentation and disclosure requirements are included in the Australian Appendix to each Australian Accounting Standard that identifies the disclosures that Tier 2 entities are required to provide? If you disagree, please explain why.

Category (C#)	Total
A – Agree	6
B – Partially agree	4
C – Disagree	3
– No response	1

<i>R #</i>	<i>C #</i>	<i>Responses to SMC 9</i>
AR1	–	-
AR2	A	HoTARAC agrees.

R #	C #	Responses to SMC 9
AR3	A	Yes.
AR4	B	This approach will make accounting standards rather lengthy as it presents the same if not similar information in the Appendix which has previously been stated in the body of the standard for tier 1 entities. But given that some standards do not differentiate between disclosure and presentation, including in the Appendix seems logical.
AR5	A	PWC agrees
AR6	C	As outlined in our response to question 8, we do not agree with the use of an appendix to identify which disclosures Tier 2 entities are required to provide.
AR7	A	Yes, if the appendix approach is adopted, both presentation and disclosure requirements are necessary to avoid confusion.
AR8	C	Refer to our response for Question 8. We do not agree because we do not believe that adding an Australian Appendix for Tier 2 disclosures is the most efficient way for preparers to prepare RDR financial statements.
AR9	B	We agree with the proposed approach, subject to our comments in response to question 7.
AR10	C	As outlined in our response to question 8, we do not agree with the use of an appendix to identify which disclosures Tier 2 entities are required to provide.
AR11	B	As noted in our response to Question 8 above, we prefer to keep the existing 'shading' approach. In the event that the AASB decides to move to an Appendix approach, we would support including both presentation and disclosure requirements in the Appendix where a standard does not have separate presentation and disclosure requirements.
AR12	A	The IPA agrees that both presentation and disclosure requirements be included in the Australian RDR appendix of Australian Accounting Standards.
AR13	B	On the assumption that the Board adopts the approach of including disclosures for Tier 2 entities in a separate appendix, we agree that from a practical perspective where both presentation and disclosure requirements are not in separate sections within a standard that both should be included in the appendix. Extracting and including only disclosures could result in a loss of context, or be practically difficult if presentation and disclosure matters are dealt with together.
AR14	A	We agree with the inclusion of both presentation and disclosure requirement in the Australian Appendix where an Australian Accounting Standard does not have separate sections for disclosure and presentation requirements.

Specific Matter for Comment 10 – Effective Date

Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 January 2019 with early application permitted? Early application is permitted for periods beginning on or after 1 January 2018 (with early adoption of the amended Tier 2 disclosures in AASB 140 *Investment Property* permitted when an entity first applies AASB 16 *Leases*), with AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* as revised by this [draft] Standard applied at the same time an entity first applies a Standard that is revised by this [draft] Standard.

Category (C#)	Total
A – Agree	13
B – Partially agree	-
C – Disagree	-
– No response	1

R #	C #	Responses to SMC 10
AR1	–	-
AR2	A	HoTARAC agrees.
AR3	A	Yes.
AR4	A	ACNC see no issue with the effective date or the early adoption option.
AR5	A	PWC agrees
AR6	A	We agree with the effective date.
AR7	A	ACAG supports the mandatory application date of 1 January 2019. To accommodate entities concerned about implementing this standard at the same time as other substantial changes to accounting, ACAG would encourage that early application be permitted for periods beginning on or after 1 January or 1 July 2017.

R #	C #	Responses to SMC 10
AR8	A	<p>Yes, we agree.</p> <p>We understand that entities will be able to early adopt the revised RDR disclosure requirements on a standard by standard basis, provided that the revised Tier 2 disclosures for AASB 101, 107 and 108 are applied at the same time. This means that entities will be able to cherry pick which of the revised Tier 2 disclosures they want to early adopt.</p>
AR9	A	We support the effective date of 1 January 2019 and early application as proposed.
AR10	A	We agree with the effective date.
AR11	A	We agree with the proposals.
AR12	A	The IPA supports the proposed operative date of the amended Tier 2 disclosure requirements.
AR13	A	<p>Given that the final standard is not expected to be issued until the second half of 2017 at the earliest, we agree with the proposed application date of periods beginning on or after 1 January 2019.</p> <p>We consider that permitting early adoption for periods beginning on or after 1 January 2018 is acceptable given this implies the earliest financial year end to which the new standard could be applied is 31 December 2018, providing sufficient lead time for Tier 2 entities to implement the new requirements if they wish to do so, and also allowing the entity to apply the new requirements at the same time as it first applies AASB 15. We note the options considered by the Board as outlined in BC71, and that Option 1 of no early application would not allow reduced disclosures for AASB 15 in the year it is first adopted. Of the remaining two options we consider Option 3 to be preferable as it avoids the mismatch of disclosures that could arise from early adoption of the revised Tier 2 disclosures prior to applying the new standards effective from 1 January 2018, particularly AASB 7 (as amended for AASB 9) and AASB 15.</p>
AR14	A	We agree with the proposed effective date and early adoption provisions outlined above.

Specific Matter for Comment 11 – Transition Requirements	
The Exposure Draft does not propose any specific transition requirements. Do any issues warrant transitional provisions and, if so, what transitional provisions do you suggest?	
Category (C#)	Total
A – Agree	12

B – Partially agree	-
C – Disagree	1
– No response	1

R #	C #	Responses to SMC 11
AR1	–	-
AR2	A	HoTARAC agrees with not proposing specific transition requirements.
AR3	A	Yes
AR4	A	ACNC see no requirement for any transitional arrangements
AR5	A	PWC agrees
AR6	A	We are not aware of any issues.
AR7	A	ACAG does not see the need for any specific transition requirements based on the limited number of additional disclosure requirements.
AR8	C	As noted in our response to Question 7, the ED requires disclosures in some areas where disclosures are not currently required for Tier 2 entities. If such disclosures are retained, we would like to see exemptions from having to include these comparative disclosures in the first year that these changes apply.
AR9	A	We have not identified any issues that warrant specific transitional provisions.
AR10	A	We are not aware of any specific transition issues.
AR11	A	We are not aware of any need for specific transition requirements.
AR12	A	The IPA does not believe any transition requirements are necessary.
AR13	A	We do not believe that any issues arising in the Exposure Draft warrant any specific transitional provisions. AASB 1053 specifies requirements for transitioning into and out of the different tiers of financial reporting. For an entity currently applying Tier 2 disclosure requirements, the change from the current to the proposed Tier 2 disclosures should only mean removing disclosures no longer required and adding disclosures not currently included

R #	C #	Responses to SMC 11
		in RDR but added by the revised Tier 2 requirements.
AR14	A	We do not believe that any specific transition requirements are needed.

Specific Matter for Comment 12 – Impact on Entities		
Do you think that when approved, the amended Tier 2 disclosures would encourage eligible entities that currently:		
(a) prepare Special Purpose Financial Statements to prepare Tier 2 General Purpose Financial Statements; and		
(b) prepare Tier 1 General Purpose Financial Statements to prepare Tier 2 General Purpose Financial Statements.		
Category (C#)	Total (a)	Total (b)
A – Agree	-	-
B – Partially agree	-	-
C – Disagree	12	13
– No response	2	1

R #	C (a)	C (b)	Responses to SMC 12
AR1	–		-
AR2	-	C	(a) No comment (b) HOTARAC’s view is that the amended Tier 2 disclosures do not provide sufficient additional benefit to encourage eligible public sector entities to prepare Tier 2 statements. (In most instances outside the Commonwealth, public sector not-for-profit entities presently apply Tier 1.)
AR3	C	C	(a) No. (b) Possibly but they would be better served by being allowed the option of adopting RDR or IFRS for SMEs
AR4	C	C	The ACNC do not believe that the proposed ED will encourage eligible entities to move from SPFS to tier 2 GPFS – RDR, primarily as the benefit of transitioning is not well understood from a preparer’s perspective.

R #	C (a)	C (b)	Responses to SMC 12
			<p>There is scope to highlight what is required to transition and perhaps a workflow chart showing how the RDR decision making framework functions this may simplify the process by which entities can transition.</p> <p>The ACNC do not believe that tier 1 preparers will move to tier 2, particularly as RDR has a stigma of being not as good as full GPFS.</p>
AR5	C	C	Refer to cover letter.
AR6	C	C	In our view, the amended Tier 2 disclosures as currently proposed would not encourage eligible entities to prepare Tier 2 General Purpose Financial Statements.
AR7	C	C	<p>While we welcome the review of the reduced disclosure requirements, we do not anticipate that these changes would provide a significant incentive within the public sector to move from Tier 1 to Tier 2.</p> <p>Further, ACAG does not believe that there will be a significant shift from Special Purpose Financial Statements to Tier 2 GPFS, as there are likely to be additional disclosures</p>
AR8	C	C	<p>We do not think that when approved, the amended Tier 2 disclosures would encourage eligible entities in (a) to prepare Tier 2 general purpose financial statements because there would still be a significantly higher number of disclosure requirements than the minimum required for entities preparing financial statements under Part 2M of the <i>Corporations Act 2001</i>, i.e.:</p> <ul style="list-style-type: none"> - AASB 101 <i>Presentation of Financial Statements</i> - AASB 107 <i>Statement of Cash Flows</i> - AASB108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> - AASB 1054 <i>Australian Additional Disclosures</i>. <p>For entities in (b) above, we believe that the proposed amendments would still see a significant reduction in disclosures for Tier 2 entities, compared to Tier 1 entities, preparing general purpose financial reports. However, if eligible Tier 2 entities have not adopted RDR to date, we cannot see whether these different requirements would entice such entities to adopt.</p>
AR9	C	C	We refer you to our comments in the cover letter.
AR10	C	C	In our view the amended Tier 2 disclosures would not encourage eligible entities identified in (a) and (b) above to prepare Tier 2 General Purpose Financial Statements. The AICD considers that entities will unlikely incur the cost to change their current approach unless they can see significant cost savings – which the proposed RDR does not achieve.
AR11	C	C	As noted in our cover letter, we're not convinced that the proposals will make RDR more attractive to entities currently preparing special purpose

R #	C (a)	C (b)	Responses to SMC 12
			<p>financial statements or those that are preparing Tier 1 general purpose financial statements (GPFS) and are eligible for RDR.</p> <p>We also note that currently there are uncertainties as to whether RDR will be allowed as an option for Significant Global Entities that are required to prepare and lodge general purpose financial statements (GPFS) with the Australian Taxation Office (ATO) under <i>Tax Law Amendment (Combating Multinational Tax Avoidance Act 2015)</i>. The ATO is expected to release its implementation guidance in early June 2017. If the ATO decides not to accept RDR as a GPFS for the purposes of this legislation, this could potentially reduce the attractiveness of RDR as an acceptable form of GPFS.</p>
AR12	C	C	<p>The IPA expects that while the revised RDR disclosures will be more attractive to those entities required to prepare general purpose financial statements and are able to take advantage of RDR, the IPA does not believe RDR will be attractive to entities that have the option to produce special purpose financial statements.</p>
AR13	C	C	<p>(a) We doubt that under the current Australian financial reporting framework, which continues to use the 'reporting entity' concept as the basis for determining whether an entity must prepare general purpose financial statements (GPFS) or can prepare special purpose financial statements (SPFS), the changes to the Tier 2 disclosures will encourage entities that are non-reporting entities (able to prepare SPFS) to adopt the RDR and prepare Tier 2 GPFS. We think that further revision of the Australian financial reporting framework is required to address the ambiguity in determining if an entity is a 'reporting entity', and to shift the focus of application of Australian Accounting Standards from the reporting entity concept to a focus on GPFS.</p> <p>(b) We expect that whether the amended Tier 2 disclosures will encourage eligible entities that currently prepare Tier 1 GPFS to move to preparing Tier 2 GPFS will be dependent upon an individual entity's specific circumstances. Provided the revised Tier 2 disclosures are significantly less than would be required under the current Tier 2 requirements, and that there are no other factors which make continued preparation of Tier 1 GPFS necessary (e.g., a foreign parent preparing full IFRS financial statements requires full Tier 1 disclosures to assist with preparation of the parent's consolidated financial statements), then we would expect the revised Tier 2 requirements will provide an incentive to change. For eligible entities with complex financial instruments and financial risk management processes the decision is likely to be more complex. While the revised Tier 2 disclosures for AASB 7 include removing a significant number of disclosures currently required for Tier 2 entities, it also adds a substantial amount of disclosures, particularly those related to the KDAs of liquidity and solvency and risks associated with financial instrument transactions. For those entities that would be required to make significantly more disclosures in relation to these matters under the revised Tier 2 requirements we think it is unlikely that they would perceive that there is significant advantage to moving from Tier 1 to Tier 2 GPFS, unless they gain significant disclosure relief in relation to other standards.</p>
AR14	C	C	<p>On balance we do not think that the amended Tier 2 disclosures would encourage eligible entities that currently prepare Special Purpose Financial Statements to prepare Tier 2 General Purpose Financial Statements. Special Purpose Financial Statements prepared within the Corporations Act framework are only required to comply with AASB 101, AASB 107, AASB 108, AASB 1048 <i>Interpretation and Application of Standards</i>, AASB 1054 <i>Australian Additional Disclosures</i> and AASB 1057 <i>Application of Australian Accounting Standards</i> and those disclosures considered necessary by the directors to meet the needs of members. We consider that these entities will still view the amended Tier 2 disclosures as being in excess of their current disclosure requirements.</p> <p>We believe that the amendments to RDR should just be one step as part of a larger project that considers the role of special purpose financial statements</p>

<i>R #</i>	<i>C (a)</i>	<i>C (b)</i>	<i>Responses to SMC 12</i>
			<p>for entities (in particular companies). As a package of changes then entities would be encouraged to adopt the Tier 2 reporting framework.</p> <p>In relation to entities that currently prepare Tier 1 financial reports, and are not publically accountable, it is harder to form a view on a move to the Tier 2 reporting framework. Historically entities are required to prepare general purpose financial reports for any number of commercial reasons. It would therefore be a commercial decisions as to whether the preparer would want to request a change or if the user would accept such a change. Either way I suspect any trend would not be immediate, but instead would occur over a number of reporting periods.</p>

Specific Matter for Comment 13 – Other issues

Whether:

- (a) there are any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals by not-for-profit entities, including any issues relating to public sector entities, such as GAAP/GFS implications?
- (b) overall, the proposals would result in reporting that would be useful to users?
- (c) the proposals are in the best interests of the Australian economy?

<i>R #</i>	<i>Responses to SMC 13</i>
AR1	-
AR2	<p>HoTARAC considers that public sector, reporting requirements are often set in specific public finance or local government legislation. The Executive and Public Accounts Committees may influence the requirements of this legislation, and its application. In some instances, this may work to restrict the ability of public sector entities to adopt Tier 2 reporting.</p> <p>Further, some specific accountability reporting requirements may work to restrict the benefit to some entities of presenting financial statement on a Tier 2 basis. For example, universities are required to report financial statements to the Department of Education and Training (Commonwealth). As the specification for the reporting are Tier 1, universities may not view it appropriate to produce Tier 2 financial statements for their own reporting purposes.</p> <p>Finally, some preparers in the public sector in Australia, particularly in Commonwealth and State Governments, see limited benefit in preparing Tier 2 financial reports, when they still need to prepare the additional Tier 1 disclosures for inclusion in the consolidated whole-of-government financial statements. While this issue is not unique to the public sector, it is accentuated because almost every entity is considered a “subsidiary” of the whole-of-government.</p> <p>HoTARAC notes that cost savings to preparers from reduced disclosures are offset by: the need to supply full Tier 1 information on consolidation, resulting in the use of a supplementary pack to collect the information; and</p>

R #	Responses to SMC 13
	increased differentiation in disclosures made by similar entities with similar user groups, particularly in the public sector where Tier 1 need only be applied at the consolidated level. This may result in similar entities within a particular jurisdiction choosing to adopt Tier 2 only when convenient, rather than when justified on the basis of user needs.
AR3	<p>13 (a) Regulatory or Other Issues of concern No.</p> <p>13 (b) Reporting useful to users Possibly. (a) I believe that the AASB should allow IFRS for SMEs as an option to full IFRS/AASBs, or RDR for non- publicly accountable reporting entities as is allowed by most overseas countries; and (b) Non-Reporting Entities should be allowed to adopt the simplified disclosures in AASB 101, 107, 108 and 1054.</p> <p>13(c) Proposals in the best interests of the Australian economy Probably not. (a) I believe that the AASB should allow IFRS for SMEs as an option to full IFRS/AASBs, or RDR for non- publicly accountable reporting entities as is allowed by most overseas countries; and (b) Non-Reporting Entities should be allowed to adopt the simplified disclosures in AASB 101, 107, 108 and 1054.</p>
AR4	No further comment
AR5	-
AR6	No further comment
AR7	<p>Overall the proposals will result in useful reporting that is in the best interests of the Australian economy where the option to prepare Tier 2 financial statements is adopted.</p> <p>ACAG does not provide any further comments related to costs or cost savings.</p> <p>The existing Conceptual Framework does not provide guidance around presentation and disclosure.</p> <p>To ensure that preparers apply the principles contained in the draft policy when determining whether disclosures at either the Tier 2 or Tier 1 level are provided, the AASB may wish to consider including these principles in guidance to AASB 1053. This would alleviate some of our concerns in the staff analysis. We understand that the AASB are considering preparing a flowchart which may outline the approach to be taken by preparers. This would be welcomed.</p>
AR8	Similar to the AASB's proposal regarding relying on the overarching requirement in AASB 101 and AASB 108 include overarching requirements to disclose significant accounting policies, we also recommend that the AASB reduce disclosures for specific estimates and judgements in specific standards and rely on the

R #	Responses to SMC 13
	<p>overarching requirements in AASB 101, paragraphs 122 to 133.</p> <p>However, in practice, we recognise that many preparers of RDR financial statements may use a ‘checklist’ approach to RDR disclosures, and erroneously omit disclosure about estimates and judgements because they were not reminded in each relevant standard.</p> <p>We do not believe that these proposed changes to RDR disclosures will result in a greater level of adoption by large proprietary companies currently preparing special purpose financial statements because the numbers of RDR disclosures required will still be significantly more than those currently required by the minimum mandatory standards. In our view, take up of Tier 2 instead of special purpose financial reporting would require action by regulators to increase revenue and asset thresholds for entities lodging financial statements on the public record, and to specifically require lodgement of general purpose financial reports.</p>
AR9	No further comment.
AR10	<p>The AICD considers that users will differ and their needs will differ for private NFPs versus government NFPs. Therefore these sectors will need to be approached differently.</p> <p>Whether such reporting is useful to users needs to be determined by comprehensive analysis with identified users, taking sector approach.</p> <p>The AICD cannot determine whether these proposals, made in isolation of the review of the whole financial reporting framework, are in the best interests of the Australian economy without further research undertaken on users and their specific needs. Without such analysis, it is difficult to see how changing the current requirements will benefit organisations since it will only increase their costs in converting to the new RDR Framework.</p> <p>Any changes to the RDR framework would be best achieved together with a review of the whole financial reporting framework which would include an update on who is required to prepare and lodge financial reports and what form of financial report is required to be lodged.</p>
AR11	<p>Subject to our comments in the covering letter, we believe that the proposals would result in financial statements that would be useful to users.</p> <p>We believe that the proposals are in the best interests of the Australian economy.</p>
AR12	<p>The IPA is unaware of any regulatory or other issues that may affect the implementation of the proposals for not-for-profit entities.</p> <p>As the IPA has mentioned in our covering letter we do not necessarily believe the proposals are in the best interests of users and also not necessarily in the best interests of the Australian economy as a whole.</p>
AR13	(a) We are not aware of any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals by not-for-profit entities, including any issues relating to public sector entities.

R #	Responses to SMC 13
	<p>(b) Subject to our responses to the specific matters raised for comment as provided above, we believe that overall the proposals would result in reporting that is useful to users.</p> <p>(c) As noted under 12(a) above, we believe that further revision to the Australian financial reporting environment is required to address the issues that arise as a result of the current focus upon the reporting entity concept as the basis for differential reporting. In this respect Australia is unique in adopting the reporting entity concept for this purpose, and might be out of step with other jurisdictions where the focus for the application of accounting standards is generally on the GPFS. However, we consider that in the context of the current Australian reporting framework it is appropriate to make the RDR more attractive on cost-benefit grounds to those entities that currently qualify to prepare Tier 2 GPFS.</p>
AR14	-