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| Project: | Reduced Disclosure Requirements for Tier 2 Entities | Meeting | AASB December 2017 (M161) |
| Topic: | Application to AASB 16, AASB 1058 and AASB 1059 | Agenda Item: | 9.1 |
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| | | Decision-Making: | High |
| | | Project Status: | Deliberations |

Objective of this paper

- 1 The objective of this paper is to seek the Board's decision on staff proposals for establishing reduced disclosure requirements for Tier 2 entities through applying the current RDR decision-making framework to three Standards:
 - (a) AASB 16 *Leases*;
 - (b) AASB 1058 *Income of Not-for-Profit Entities*; and
 - (c) AASB 1059 *Service Concession Arrangements: Grantors*.

Attachments

- Agenda Paper 9.2 Principles in determining disclosures under Tier 2 (RDR)
- Agenda Paper 9.3 Analysis of Tier 2 disclosure requirements for AASB 16
- Agenda Paper 9.4 Analysis of Tier 2 disclosure requirements for AASB 1058
- Agenda Paper 9.5 Analysis of Tier 2 disclosure requirements for AASB 1059
- *Agenda Paper 9.6 Draft Exposure Draft of RDR proposals.

Overview of attachments

- 2 The attachments provide the staff analysis of applying the current RDR decision-making framework to the disclosures in AASB 16, AASB 1058 and AASB 1059 to identify potential reduced disclosure requirements for Tier 2 entities.

* Second mailout of agenda papers.

Background

- 3 In 2015 the Board decided that RDR proposals should be based on a final Standard rather than the Exposure Draft preceding the Standard. Three Standards issued since then do not presently include any Tier 2 disclosure concessions: AASB 16 issued in February 2016, AASB 1058 in December 2016, and AASB 1059 in July 2017. All of these Standards are applicable to annual reporting periods beginning on or after 1 January 2019. Reduced disclosure requirements for Tier 2 entities in these Standards need to be determined through a separate due process and are hence addressed in this paper.
- 4 A new RDR decision-making framework has been proposed in ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* (January 2017). However, the proposed RDR framework has not been finalised and approved by the Board. Therefore, the current RDR framework is the authority for determining disclosures under Tier 2.

Application of the current RDR decision-making framework

- 5 The staff analysis in the attached agenda papers apply the current RDR decision-making framework and its operational guidance as set out in the ‘Tier 2 Disclosure Principles’ document[†]. In general, when the recognition and measurement accounting policies are the same (or substantively the same) in the *IFRS for SMEs* Standard as in the full IFRS Standards, the proposals for disclosure concessions in a respective Standard are determined by benchmarking to disclosures in the *IFRS for SMEs* Standard – unless the relevant Tier 1 disclosures are new or revised disclosures that were not considered in the development or revision of the *IFRS for SMEs* Standard. If not, the ‘user need’ and ‘cost-benefit’ principles have to be applied to determine the disclosure concessions for Tier 2 entities.
- 6 The three Standards analysed in this paper could not be directly benchmarked to the latest *IFRS for SMEs* Standard due to the recent issuance of AASB 16 and the domestic, not-for-profit scope of AASB 1058 and AASB 1059. The next comprehensive review of the *IFRS for SMEs* Standard is expected to commence in early 2019, which is supposed to incorporate IFRS 16. Therefore, the present RDR determination process for the three Standards should start by applying the ‘user need’ and ‘cost-benefit’ principles set out in the ‘Tier 2 Disclosure Principles’ document.

Leases

- 7 To support the analysis of RDR proposals in relation to AASB 16 under the current RDR decision-making framework, a comparison was made to the RDR proposals for AASB 16 under the proposed RDR decision-making framework as per ED 277. In addition, the AASB 16 disclosures were compared with the current *IFRS for SMEs* Standard Section 20, which is based on the previous Standard IAS 17 *Leases*.
- 8 Staff analysis identified the following issues to be considered by the Board:

[†] The document can be found at: [AASB Tier 2 Disclosure Principles](#)

- (a) application of current and proposed RDR frameworks resulted in different proposals for RDR concessions, which is mainly due to dissimilar classification of disclosure paragraphs (i.e. as presentation requirements, measurement requirements, disclosure requirements or guidance), which is treated differently under the two RDR decision-making frameworks; and
 - (b) application of current RDR framework results in proposals for RDR concessions in AASB 16 that are different from the previous application of current RDR framework and its outcome in AASB 117.
- 9 Staff has proposed to reduce for Tier 2 entities several paragraphs in AASB 16: paragraphs 53(h), 58, 91 and B52 fully; and paragraphs 54, 90(b), B50, B51, C4, C12 and C13 in part. See Agenda Paper 9.3.

Income of Not-for-Profit Entities

- 10 Staff analysis has proposed to reduce for Tier 2 entities several disclosure paragraphs in AASB 1058: paragraphs 27, 34, 36, 37 fully; and paragraphs 35, C5 and C7 in part. See Agenda Paper 9.4.

Service Concession Arrangements – Grantors

- 11 Staff analysis has proposed to reduce for Tier 2 entities only one paragraph: C4 in part. The outcome from reaching out to universities and HoTARAC to identify whether there is the need for RDR proposals in AASB 1059 suggests that there is limited need for RDR concessions for Tier 2 entities. See Agenda Paper 9.5.

Staff recommendations

- 12 Staff recommends to propose reduced disclosure requirements for Tier 2 entities as identified per each attachment.

Question for Board members

- Q1 Do Board members agree with the analysis and the proposed Tier 2 reduced disclosure requirements in the attachments to this paper for AASB 16, AASB 1058 and AASB 1059?

Next steps

- 13 If the Board decides to approve the recommendations, staff will proceed with issuing an Exposure Draft. A draft ED is attached as Appendix Paper 9.6 (second mailout). The suggested exposure period is 3 months – approximately until 30 March 2018.

Question for Board members

- Q2 Do Board members support a three-month comment period?