



Australian Government

Australian Accounting Standards Board

Exposure Draft ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*

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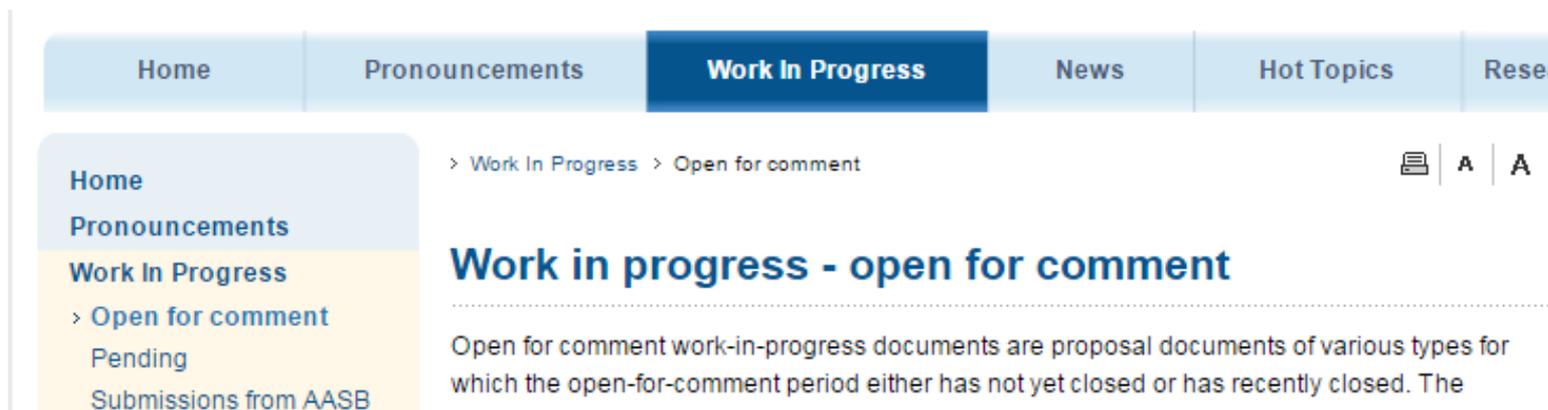
What will this webinar cover

- The overarching principles for determining disclosures
- The Australian approach for:
 - disclosing accounting policies
 - disclosing accounting estimates and judgements
 - general and specific disclosure guidance
 - general and specific cross-references
- The proposed presentation of RDR (appendix)



How can you get involved

- Comments are officially due 26 May 2017
- Collation of comments will be taken to AASB meeting 15 August
- All comments to AASB are welcome, submissions can be made through the Work-in-progress\Open for comment page on AASB website



The screenshot shows the AASB website navigation menu with 'Work In Progress' selected. The breadcrumb trail is '> Work In Progress > Open for comment'. The main heading is 'Work in progress - open for comment'. The text below reads: 'Open for comment work-in-progress documents are proposal documents of various types for which the open-for-comment period either has not yet closed or has recently closed. The'.

Reduced disclosure requirements (RDR)

Why the AASB is undertaking this project

2010 RDR project did not deliver the desired outcome

Framework needs to better balance needs of users and cost

IFRS for SMEs has not be updated for amendments and new standards

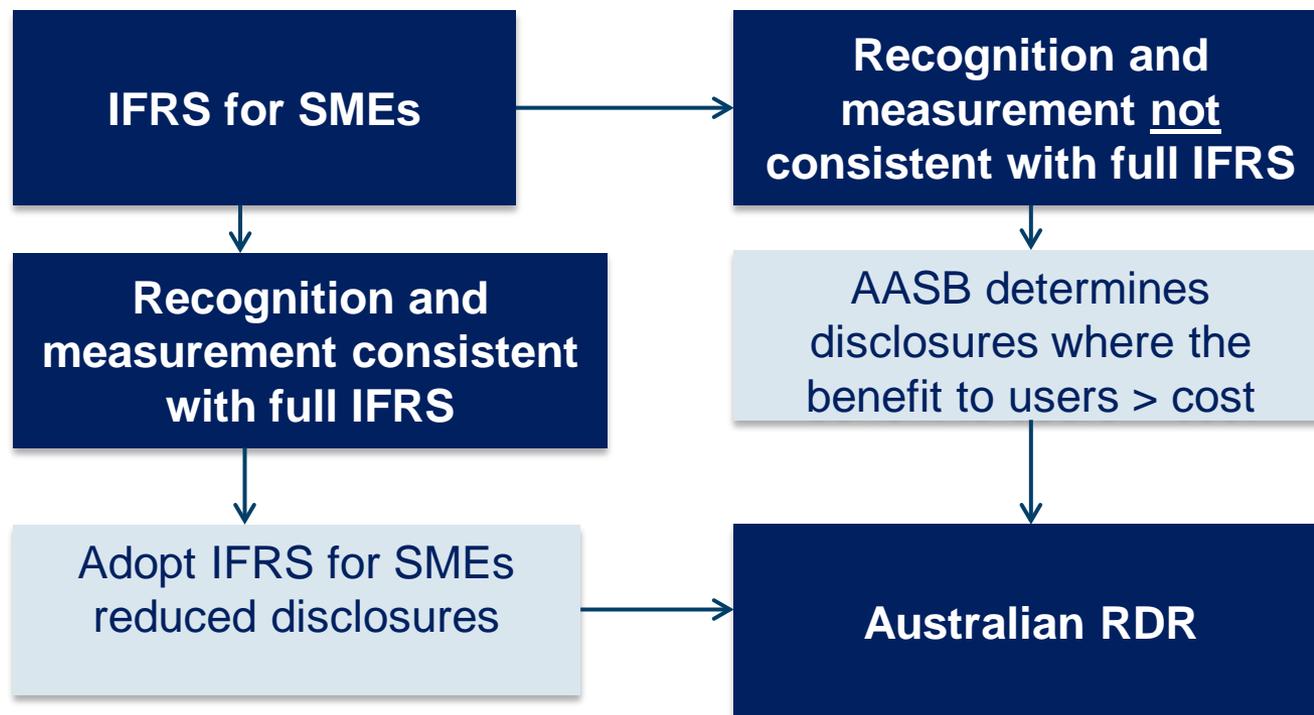
Only 10% of eligible *Large Proprietary Companies* use RDR



Reduced disclosure requirements (RDR)

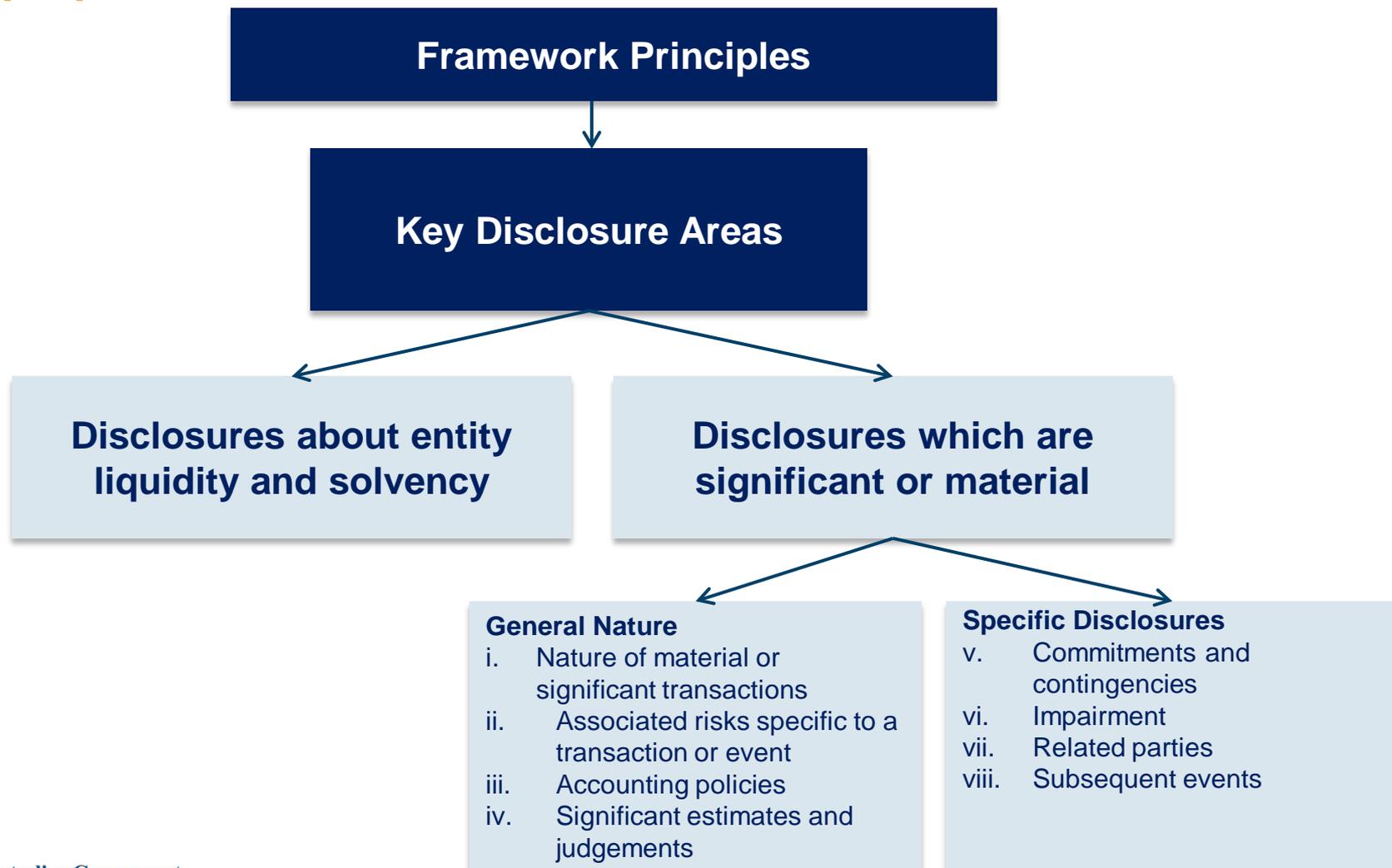
The current RDR framework

- Developed by the AASB in 2010
- Utilises IFRS for SMEs as the base for determining required disclosures
- IFRS for SMEs was not adopted by the AASB



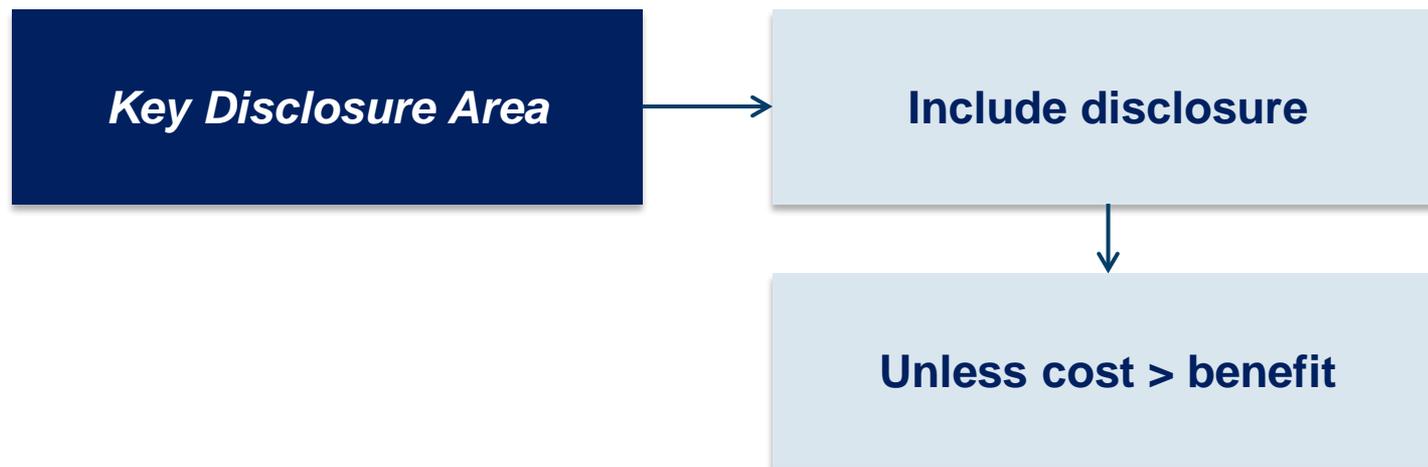
Reduced disclosure requirements (RDR)

The proposed new RDR framework



Reduced disclosure requirements (RDR)

Application of framework in staff analysis

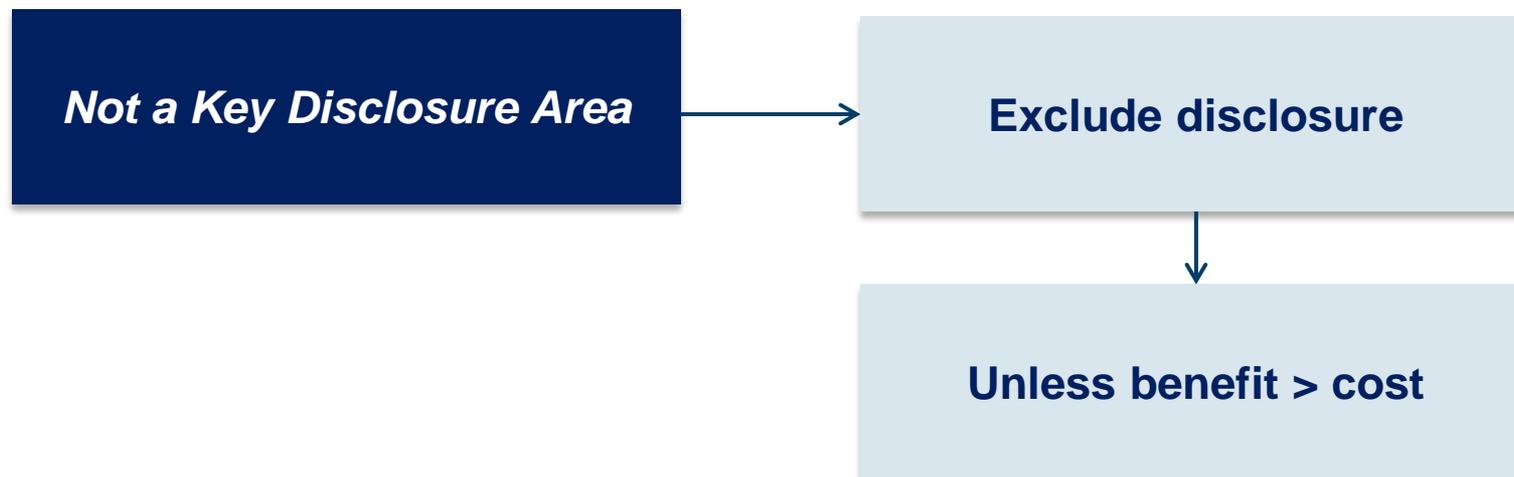


AASB 12/NZ IFRS 12 Disclosures of Interest in Other entities		
Extract from staff analysis	KDA	Included or excluded
Para 22. An entity shall also disclose: (c) the unrecognised share of losses of a joint venture or associate, both for the reporting period and cumulatively, if the entity has stopped recognising its share of losses of the joint venture or associate when applying the equity method.	Yes – current liquidity and solvency	Excluded – The investment would be measured as nil and the entity has no liability for the losses. Cost is expected to exceed benefit.



Reduced disclosure requirements (RDR)

Application of framework in staff analysis



AASB 108/NZ IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors		
Extract from staff analysis	KDA	Included or excluded
Para 40. Change in accounting estimates If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose that fact.	No	Included – Not considered a KDA however impracticability of estimating the effect in future periods is useful information .



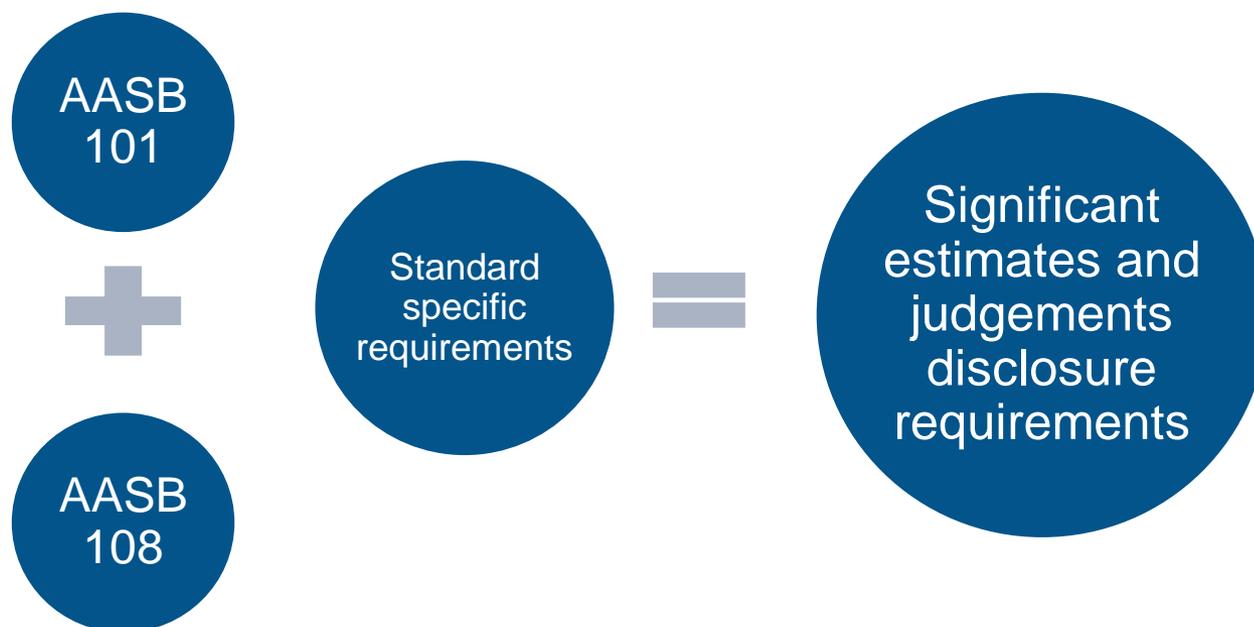
Accounting policies

- Rely on disclosure requirements within AASB 101 and AASB 108
- Specific accounting policy disclosure requirements in other Standards would not apply to Tier 2
- Those Standards would include sign post to consider AASB 101 and AASB 108



Significant estimates and judgements

- Different approach to that for accounting policies
- AASB 101 and AASB 108 solely, would not provide the necessary context for the disclosures about significant estimates and judgements
- Retain such disclosures in other Standards for Tier 2 where needed



Why AASB has proposed a different approach

- Accounting policy notes will often be a repeat of the requirements of the Standard
- A general approach is sufficient except in situations where there are choices of accounting policies



Guidance of a general nature

- NZASB has retained all guidance
- AASB reduced some of the guidance for disclosures where it has been judged unnecessary to meet the related Tier 2 disclosure requirement.

AASB 7/NZ IFRS 7 *Financial Instruments: Disclosures*

Para 21D To meet the objectives in paragraph 21A, an entity shall (except as otherwise specified below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed.

However, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in this Standard/NZ IFRS and AASB 13/NZ IFRS 13 Fair Value Measurement.



Guidance of a specific nature

- Specific guidance to assist preparer in meeting the related Tier 2 disclosure requirement has been retained.

AASB 7/NZ IFRS 7 *Financial Instruments: Disclosures*

Para 23B To meet the requirement in paragraph 23A, an entity shall provide a breakdown that discloses:

- (a) a profile of the timing of the nominal amount of the hedging instrument; and
- (b) if applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument.

Cross-references to other Standards

- NZASB has kept all cross-references
- AASB has retained specific cross-referencing of a Tier 2 disclosure

AASB 3/NZ IFRS 3 *Business Combinations*

Para B67 (c) for contingent liabilities recognised in a business combination, the acquirer shall disclose the information required by paragraphs 84 and 85 of AASB 137/NZ IAS 37 for each class of provision.

- Cross-referencing of a general nature has been reduced

AASB 16/NZ IFRS 16 *Leases*

Para 96 A lessor shall apply the disclosure requirements in AASB 136/NZ IAS 36, AASB 138/NZ IAS 38, AAASB 140/NZ IAS 40 and AASB 141/NZ IAS 41 for assets subject to operating leases.



Why AASB has proposed a different approach

- AASB considered general cross-references to be a duplication of a disclosure requirement
- NZASB have retained all cross-references as it they considered it may be misinterpreted as implying the Tier 2 for-profit entities are not required to comply with the referenced disclosure requirements in other standards



Presentation – Why an appendix?

- AASB propose an appendix to each Standard to replace current shading method
- NZASB are proposing to retain their current asterix(*) method
- Appendix provides more flexibility to the AASB
 - Guidance can be added without affecting Tier 1 preparers
- Using an appendix is consistent with past approach of appending Standards for not-for-profit entities



Presentation – What does this look like?

AASB 16 Leases

The following are the disclosures proposed to be identified in Appendix E of AASB 16 as disclosures required under Tier 2.

This appendix is an integral part of AASB 16.

- AusE1** The requirements of this appendix apply to Tier 2 entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. The disclosures identified in this appendix are all the disclosure requirements of AASB 16 that Tier 2 entities are required to comply with in preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.
- AusE2** Tier 2 entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of the disclosure requirements of AASB 16 that are not required by this appendix.
- AusE3** The Australian Accounting Standards – Reduced Disclosure Requirements do not affect the face of the financial statements.
- AusE4** With respect to accounting policies, the disclosure requirements for Tier 2 entities in AASB 101 *Presentation of Financial Statements* (paragraphs 117-133) and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (paragraphs 28-31 and 39-40) apply where relevant. Should the entity assess that under AASB 101 and/or AASB 108 disclosure of a significant accounting policy relating to transactions or other events dealt with under this Standard would be required, the entity might refer to disclosure requirements in the main body of this Standard, if any, for guidance.

Lessee

Disclosure

- 51** The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Paragraphs 52–60 specify requirements on how to meet this objective.



Presentation – What does this look like?

AASB 16/NZ IFRS 16 <i>Leases</i>	
AASB 16 full	AASB 16 proposed RDR
<p>Para 53 A lessee shall disclose the following amounts for the reporting period:</p> <ul style="list-style-type: none">(a) depreciation charge for right-of-use asset by class of underlying asset;(b) interest expense on lease liabilities;	<p>Para 53 A lessee shall disclose the following amounts for the reporting period:</p> <ul style="list-style-type: none">(a) depreciation charge for right-of-use assets;(b) interest expense on lease liabilities;

Presentation – What does this look like?

AASB 16/NZ IFRS 16 <i>Leases</i>	
NZ IFRS 16 full	NZ IFRS 16 proposed RDR
<p>Para 53 A lessee shall disclose the following amounts for the reporting period:</p> <ul style="list-style-type: none">(a) depreciation charge for right-of-use asset by class of underlying asset;(b) interest expense on lease liabilities;	<p>Para 53 A lessee shall disclose the following amounts for the reporting period:</p> <ul style="list-style-type: none">*(a) depreciation charge for right-of-use assets by class of underlying asset;(b) interest expense on lease liabilities; <p>RDR 53.1 A Tier 2 entity shall disclose the total depreciation charge for a right-of-use asset.</p>

Presentation vs Disclosure

AASB 101 Presentation of Financial Statements

The following are the disclosures proposed to be identified in Appendix B of AASB 101 as disclosures required under Tier 2.

This appendix is an integral part of AASB 101.

- AusB1** The requirements of this appendix apply to Tier 2 entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. The disclosures identified in this appendix are all the disclosure requirements of AASB 101 that Tier 2 entities are required to comply with in preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.
- AusB2** Tier 2 entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of the disclosure requirements of AASB 101 that are not required by this appendix.
- AusB3** AASB 101 prescribes the basis for the presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. The Australian Accounting Standards – Reduced Disclosure Requirements do not affect the face of the financial statements when Tier 2 entities present general purpose financial statements under those requirements. As a consequence, the presentation requirements for Tier 1 and Tier 2 entities, including the presentation requirements of AASB 101, are the same, except that paragraph 10(f) of this Standard does not apply to Tier 2 entities applying Australian Accounting Standards – Reduced Disclosure Requirements, because a third statement of financial position is required only of Tier 1 entities in certain circumstances.
- AusB4** AASB 101 sets out overall requirements for the presentation of financial statements, considerations for their structure and minimum requirements for their content. For example, paragraph 17 explains how fair presentation is achieved. Other paragraphs address going concern, accrual basis of accounting, consistency of presentation, materiality and aggregation, offsetting and comparative information. All of these requirements apply to Tier 2 entities applying Australian Accounting Standards – Reduced Disclosure Requirements. For example, paragraphs in AASB 101 that apply to Tier 2 entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements include paragraphs , 17, 18, 19, Aus19.1, 54, 55, 55A, 56, 60, 65, 81A, 81B, 82, 82A, 85B, 87 and Aus136.1.



Key info

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Getting involved

Exploring new ways you can engage with us

AASB Weekly Update

More Upcoming Events

In case you missed

INVESTOR FORUM 2016



Australian Government
Australian Accounting Standards Board

Targeted sessions | Workshop style

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IASB guest speakers

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Alternate forms of providing feedback

