



Australian Government
**Australian Accounting
Standards Board**

AASB 10 April 2013
Agenda paper 3.5 (M130)

Level 7, 600 Bourke Street
MELBOURNE VIC 3000
Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600
Facsimile: (03) 9617 7608

12 March 2013

General Manager
Corporations and Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600
[Email: corporations.amendments@treasury.gov.au]

Dear Manager

Exposure Draft: Corporations Amendment (Remuneration Disclosures and other Measures) Bill 2012

Thank you for providing the opportunity to comment on the Exposure Draft. The following reflects the views of AASB staff and is limited to two matters in the proposals related to Australian Accounting Standards that we think would benefit from further consideration.

The first issue arises in the context of chapter 2 of the Explanatory Memorandum, which, in relation to the remuneration report, refers in numerous places to ‘the amount’ that was granted. We note that the proposals do not specify the basis for the measurement of ‘the amount’. We think it would be helpful if the amendments clarified the measurement basis required to be applied and, for example, whether the measurement requirements in AASB 119 *Employee Benefits* and AASB 2 *Share-based Payment* would be mandated. We support the proposal that grant date is the measurement basis for options, which is consistent with AASB 2.

More generally, we do not expect that International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) [which are incorporated into Australian Accounting Standards] would adopt the remuneration proposals for financial reporting purposes. Nor do we expect any fundamental changes in AASB 19 and AASB 2 in the short to medium term. A post-implementation review of those Standards will be scheduled by the IASB at some point, but we have seen nothing to date that would suggest the basic approach of those Standards would be in question at that time.

The second issue arises in the context of paragraph 3.22 of the Explanatory Memorandum, which refers to AASB 1031 *Materiality* and its definition of ‘material’. For your information, at its February 2012 meeting the AASB decided to issue an Exposure Draft proposing to withdraw AASB 1031. The Board noted that it would not expect the withdrawal to change practice regarding the application of materiality in financial reporting. The proposed withdrawal is simply to achieve consistency with a policy of not providing unnecessary local guidance on matters covered by International Financial Reporting Standards (IFRS). Although the AASB has not yet implemented this decision, we suggest consideration be given to changing the references to materiality in the Bill from AASB 1031 to AASB 101 *Presentation of Financial Statements*, which includes a definition of ‘material’ (see paragraph 7). That reference could be ambulatory, to allow for

the fact that the definition might change in due course depending on how the International Accounting Standards Board (IASB) deals with the issues.

We hope these comments are helpful in progressing the development of the Bill. If you would like to follow up on either of the issues raised, please do not hesitate to contact Robert Keys, AASB Technical Director, on 03 9617 7624 or at rkeys@aab.gov.au.

Yours sincerely,

A handwritten signature in black ink that reads "K.M. Stevenson". The signature is written in a cursive style with a long, sweeping underline.

Kevin M. Stevenson
Chairman and CEO