List of Submissions for ED249 "Disclosure Initiative (proposed amendments to AASB 101):

1	DG & AB Maxwell Consulting Accountants
2	Group of 100

From: David Maxwell [mailto:davemax@ozemail.com.au]
Sent: Thursday, 12 June 2014 12:25 PM
To: AASB Mailbox; commentsletters@ifrs.org
Subject: **Disclosure Initiative - AASB ED 249; IASB ED/2014/1**

Sirs,

We are a firm specialising in the preparation of Annual Financial Statements for local governments in Australia. In particular, for the past 9 years we have been contracted by the South Australian Local Government Association to prepare the Model Statements used as a presentation and disclosure guide by the local government sector in that State. SA Councils are required to comply with the Australian Accounting Standards as they apply to not-for-profit entities (i.e. IFRSs plus specific "Aus" paragraphs for not-for-profits).

Due to the specific characteristics of the local government sector, there are a number of areas where the accounting standards are difficult to apply, have limited applicability to the sector or are mandated by legislative or other requirements.

> One example relates to the requirement in AASB 13 (IFRS 13) paragraph 94(h)(i) for sensitivity analysis of fair value hierarchy level 3 valuations of infrastructure assets such as roads, footpaths, stormwater drainage and the like. There being no market for such assets, and being non-revenue earning, they are valued at depreciated replacement cost. An example wording included in the Model Statements is as follows:
>
> > "There is no known market for these assets and they are valued at depreciated current replacement cost. This method involves:
> >
> > > The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
> > >
> > > The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.
> >
> > This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques."
>
> The editorial committee supervising the preparation of the Model Statements considers that a wording similar to the above expresses the uncertainties in the valuation process sufficiently well that the addition of a formal sensitivity analysis could not provide meaningful information. The editorial committee considers that it has complied with the intent of the Standard, although perhaps not strictly complying with the minimum disclosures included in paragraph 94.
>
> The editorial committee for a number of years has also recommended the disclosure of accounting policies for financial instruments in the relevant Note rather than in the Statement of Significant Accounting Policies, this giving early effect to the proposed change to paragraph 117.

Accordingly, we strongly support the intention of the Exposure Draft. We suspect, however, that minor wording changes may be required in future years as practitioners manage to misinterpret the wording proposed – although we ourselves are unable to improve on it.

However, we do take issue with the proposed new paragraph 139N relating to *Transition and effective date.*

We regard the Exposure Draft as not making changes to the existing suite of Accounting Standards, but as clarifying these in areas where misinterpretations have developed over a number of years.

We regard the action that the editorial committee has taken in the above example as being entirely in accordance with the existing suite of Accounting Standards, albeit that this will not be made explicit until the changes proposed in the Exposure Draft are made. We consider that it would be entirely inappropriate for the Model Statements to be required to report that we have adopted the amended standard early.

As the Basis for Conclusions makes clear, neither the definition nor concept of **materiality** is proposed to be changed. The purpose of the Exposure Draft is entirely to correct misconceptions existing within the profession as to how the existing definition and concept is applied.

We therefore recommend that the effective date be the date that the amendments to the Standard are made, and that the last two sentences of paragraph 139N be deleted.

That said, there will continue to be practitioners who continue to misinterpret the amended Standard. Assessing the materiality of an item is a matter of professional judgement, and both professional judgement and professional skills do vary.

We shall be pleased to supply any further information that you may require.

David G Maxwell FCA MLGMA
DG & AB Maxwell
Consulting Accountants
www.coalface.com.au
PO Box 5450, Wagga Wagga NSW 2650
Ph: 02 6925 5646
Fx: 02 6925 5647
Mb: 0408 293 396

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GROUP OF 100

The Group of 100 Incorporated
Level 20, 28 Freshwater Place
Southbank VIC 3006 AUSTRALIA
www.group100.com.au
Telephone: (03) 9606 9661
Facsimile: (03) 9670 8901
Email: g100@group100.com.au
ABN: 83 398 391 246

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23 June 2014

Mr H. Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6Xh
UNITED KINGDOM

publications@ifrs.org

Dear Mr Hoogervorst

ED/2014/1 "Disclosure Initiative: Proposed Amendments to IAS 1"

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. The G100 is pleased to provide comment on this ED.

The G100 strongly supports initiatives to address the volume and complexity of disclosure requirements and views ED/2014/1 as an important initial step by the IASB.

Q1 Disclosure Initiative amendments

The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard. The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement. The proposed amendments relate to:

a. Materiality and aggregation (see paras 29-31 and BC1-8 of this ED;
b. Statement of financial position and statement of profit or loss and other comprehensive income (see paras 54, 55A, 82, 85A and 85B and BC9-BC15 of this ED);
c. Notes structure (see paras 113-117 and BC16-BC19 of this ED
d. Disclosure of accounting policies (see paras 120 and BC20-BC22 of this ED;

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

The G100 supports the proposed amendments which seek to clarify some of the requirements of IAS 1 and practice which has evolved in applying those requirements.

In our publication "*Less is More* (2009) (www.group100.com.au/publications) we argued that the principles approach to standard-setting is contradicted by the rules-based approach to disclosure requirements and the approach to compliance. As explained in this document and our comments on the IASB's Discussion Paper '*A review of the conceptual framework...*' the G100 believes that the time is appropriate to develop a principles-based framework for assessing current disclosures and developing new disclosure requirements. The G100 believes that disclosure principles should focus on relevance, materiality and transparency.

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The G100 strongly supports the proposals to amend the materiality requirements so that directors and managers can better exercise their judgement as to whether an item is material or not without concerns about the insistence by auditors and regulators that disclosure is expected. Removal of disclosures that are immaterial will enable users to focus on the key information about the performance, position and cash flows of the entity. Recent developments in Australia also emphasise the importance of how the materiality concept is applied, for example, initiatives by PricewaterhouseCoopers in respect of streamlining financial reports and the AASB staff paper '*To disclose or not to disclose: Materiality is the question*'.

The G100 supports the proposed amendments:

- **to remove the potential for the requirements of IAS 1 para 54 to be interpreted as prescriptive requirements;**
- **to address the perception that sub-totals are not permitted;**
- **to clarify that entities have flexibility as to adopting a systematic order for the notes to better communicate with shareholders and other users of the financial statements. For example, a major feature of the PwC Australia approach to streamlining financial reports is a more user-friendly organisation of the structure and content of the notes; and**
- **relating to the disclosure of accounting policies.**

Q2 Presentation of items of other comprehensive income arising from equity-accounted investments

Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paras 82A, BC1-BC6 and the Guidance on implementing IAS 1)?
If not, why and what alternative do you propose?

The G100 agrees with the proposed amendment.

Q3 Transition provisions and effective date

Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this ED (see paras 139N and BC23-BC25)?
If not, why and what alternative do you propose?

The G100 agrees with the proposed transition requirements.

Yours sincerely
Group of 100 Inc

N Mitchell

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President

c.c. Mr K Stevenson – AASB Chairman