



Memorandum

To:	AASB members	Date:	27 January 2015
From:	David Ji	Agenda Item:	9.1 (M143)
Subject:	Reduced Disclosure Requirements for AASB 9 (December 2014)	Project Priority:	High
Project Status:	Redeliberation	Decision-Making:	High

Action for this meeting

1. To consider the Reduced Disclosure Requirements (RDR) related to AASB 9 *Financial Instruments* (December 2014); and
2. To consider whether further due process is required prior to finalising RDR requirements.

Attachments

- Agenda Paper 9.2 Financial Instruments (December 2014): Amendments to AASB 7 – Classification and Measurement RDR for Tier 2 Entities – Staff Analysis
- Agenda Paper 9.3 Financial Instruments (December 2014): Amendments to AASB 7 and AASB 101 – Impairment RDR for Tier 2 Entities – Staff Analysis
- Agenda Paper 9.4 Comment letters received in relation to the Tier 2 Supplement to AASB ED 230 Classification and Measurement: Limited Amendments to AASB 9 and the Tier 2 Supplement to AASB ED 237 Financial Instruments: Expected Credit Losses **[For information only]**
- Agenda Paper 9.5 Illustrative working draft of AASB 7 incorporating staff recommendations

Background

The recent issuance of AASB 9 (December 2014) has given rise to consequential amendments affecting the disclosure requirements of AASB 7 *Financial Instruments: Disclosures* and AASB 101 *Presentation of Financial Statements*, respectively. This memo includes staff recommendations in relation to the RDR for Tier 2 entities in respect of paragraphs amended by AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*. Staff have undertaken analysis of the amendments taking into account the previous staff analyses to the [Tier 2 Supplement to ED 230](#) (Limited Amendments to Classification and Measurement) and [Tier 2 Supplement to ED 237](#) (Expected Credit Losses). The previous Tier 2 analyses can be located as follows: [ED 230](#) and [ED 237](#).

Agenda Paper 9.5 is a working draft of AASB 7 to illustrate the staff recommendations in relation to Tier 2 disclosures. Agenda Paper 9.5 is marked up (in blue text) to show the amendments arising from AASB 2014-7. Existing RDR exclusions are shown in grey shading and recommended exclusions are shown in green shading. RDR text as recommended by staff is shown in dark red. Unshaded marked up text indicates staff recommend retaining for RDR.

Overview of agenda papers

Agenda Paper 9.2 Financial Instruments (December 2014): Amendments to AASB 7 – Classification and Measurement RDR for Tier 2 Entities – Staff Analysis

Agenda Paper 9.2 contains staff analysis and recommendations as to whether, and if so how, AASB 7 should be amended in response to the changes in disclosure requirements arising from AASB 2014-7 in relation to classification and measurement.

Based on the staff analysis in Agenda Paper 9.2, staff recommend **excluding** all of the added text for paragraphs 9 and 12C, and the following texts the following paragraphs or part thereof:

- (a) paragraph 8(a) – the text “, showing separately... with AASB 9”;
- (b) paragraph 8(e) – the text “, showing separately... in AASB 9”;
- (c) paragraph 8(h) – the text “showing separately... with paragraph 5.7.5 of AASB 9.”;
- (d) paragraph 9 – all of the added text;
- (e) paragraph 12C – all of the added text;
- (f) paragraph 20(a)(i) – the text “, showing separately... held for trading in AASB 9.”;
- (g) paragraph 20(b) – the text “(showing these amounts separately)”;
- (h) paragraph 20(c)(i) – the added text “and”.

Staff recommend **retaining** all of the added text for paragraphs 12D, 16A, 20(a)(vii) and 20(a)(viii).

Subsequent to the release of the *Tier 2 Supplement to AASB ED 230*, comment letters were received from two constituents ([PwC](#) and [EY](#)). The former specifically expressed support for the recommended exclusion of paragraph 8(h), while the latter commented more generally to indicate support for the proposals.

Question to Board members:

Q1 Does the Board agree with the staff’s recommendations in Agenda Paper 9.2 for RDR?

Agenda Paper 9.3 Financial Instruments (December 2014): Amendments to AASB 7 and AASB 101 – Impairment RDR for Tier 2 Entities – Staff Analysis

Agenda Paper 9.3 contains staff analysis and recommendations as to whether, and if so how, AASB 7 and AASB 101 should be amended in response to the changes in disclosure requirements arising from AASB 2014-7 including in relation to impairment.

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Based on the analysis in Agenda Paper 9.3, staff recommend **excluding** all of the added text for paragraphs 35A(a)-(b), 35B, 35D, 35E, 35F(a), 35F(a)(i), 35F(b)-(d), 35F(f), 35G-35K, 35M-35N, 36, B8A-B8J and B9. For paragraphs 35A and 35F, staff recommend **excluding** the following texts:

- (a) paragraph 35A – the text “However.”; and
- (b) paragraph 35F – the text “An entity shall... meet this objective”

However, staff recommend **retaining** all of the added text for paragraphs 5A, 35F(a)(ii), 35L and 42I-42S. For paragraphs 35A and 35F, staff recommend **retaining** the following texts:

- (a) paragraph 35A – the text “An entity shall... in AASB 9 are applied”; and
- (b) paragraph 35F – the text “...an entity shall disclose... and evaluate.”

Comment letters were received from the same constituents as above. EY did not raise any specific issues regarding the proposals, however noted that, in the light of concerns expressed by the IASB ED respondents regarding disclosure requirements, it might be appropriate to revisit the Tier 2 disclosures when the expected credit loss section of AASB 9 is finalised. Similarly, PwC noted that a second round of consultation might be required if there were to be significant differences between the proposals in the exposure drafts and the final Standards. PwC also submitted specific comments in relation to paragraphs 37, 39, 42, 45 and 40.

Staff note, as highlighted in Agenda Paper 9.3, that the final amendments have been renumbered and reworded from those included in ED 237. In addition, some amendments include new text not previously included ED 237 or other exposure drafts. Staff recommend the Board consider additional due process in order for constituents to consider the final disclosures for RDR purposes.

Question to Board members:

Q2 Does the Board agree with the staff’s recommendations in Agenda Paper 9.3 for RDR?

- (a) impairment amendments to AASB 7 (from p.1-17);
- (b) disclosures on initial application of AASB 9 (from p.18-23);
- (c) amendments to Application Guidance to AASB 7 (from p.24-26); and
- (d) amendments to AASB 101 (from p.27-28).

Due Process

In light of the number of changes in disclosure requirements between ED 230 and ED 237 and the final requirements of AASB 9 *Financial Instruments* (December 2014), staff consider that the past due process regarding Tier 2 Disclosure Requirements is not sufficient, and accordingly, re-exposure of the proposed disclosure requirements is required prior to incorporating the Tier 2 reduced disclosure requirements into the final Standard.

Staff have identified two options for re-exposure of the requirements:

- (a) Issue a ‘full’ Exposure Draft with a comment period of approximately 90 days; or

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- (b) Issue an ‘adverse comment’ Exposure Draft with a comment period of approximately 30 days¹;

Similar to the decision made by the Board in July 2014 in relation to the Revenue from Contracts with Customers Tier 2 disclosure requirements, staff recommend option (b) – issuing an ‘adverse comment’ Exposure Draft.

Alternatively, if the Board does not agree with the staff recommendation in relation to due process above, staff recommend sending a ballot draft of the amendments to Board members for voting out-of-session.

Question to Board members:

Q3 Does the Board agree with the staff’s recommendation for further due process in the form of an ‘Adverse Comment’ ED?

¹ An ‘adverse comment’ ED does not invite questions on all aspects of the proposals. Rather, the ED on requests comments if constituents disagree with the AASB’s view.