Issues raised by Board members subsequent to Board mail-out February 2015

Disclosures in AASB 7 and AASB 101 recommended by Board members to be reconsidered	Board member feedback	AASB staff response
AASB 7 *Financial Instruments: Disclosures*		
Statement of financial position **Financial assets or financial liabilities at fair value through profit or loss** 10 If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of AASB 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of AASB 9), it shall disclose: (a) … (d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.	One Board member queried as to why subparagraph 10(d) was retained for Tier 2 disclosures. The recommendation therefore is to exclude the whole of paragraph 10.	Paragraph 10(d) was not subject to AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2014) and hence the decision to retain was a past Board decision. The previous Board decision to retain paragraph 10(d) was based on Tier 2 Disclosure Principle paragraph 5 and 6(a), drawing on the 'user need' and 'cost-benefit' principle, and users' particular interest in short-term cash flows and obligations, respectively. Staff agree with the previous Board decision, and continue to recommend retaining paragraph 10(d).
Statement of financial position **Reclassification** 12B An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of AASB 9. For each such event, an entity shall disclose: (a) the date of reclassification;	One Board member recommended excluding paragraph 12D based on the view that disclosures required by paragraph 12B were sufficient as these provided disclosures at the point of reclassification. Para 12C is shaded and it relates to subsequent disclosures after the change. Para 12D is also concerned with disclosures after the change and is likely to incur significant costs to	Staff agree with the Board member's comments; however, staff also note the difference between the recurring nature of paragraph 12C, i.e., "For each reporting period following..." and the non-recurring, or one-off, nature of the disclosure requirements in paragraph 12D. Reclassification of financial assets is only allowed

Disclosures in AASB 7 and AASB 101 recommended by Board members to be reconsidered	Board member feedback	AASB staff response
(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements; and (c) the amount reclassified into and out of each category. 12C For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income in accordance with paragraph 4.4.1 of AASB 9: (a) the effective interest rate determined on the date of reclassification; and (b) the interest revenue income or expense recognised. 12D If, since its last annual reporting period, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income since its last annual reporting date, it shall disclose: (a) the fair value of the financial assets at the end of the reporting period; and (b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets had not been	obtain fair values when the asset is no longer being measured on this basis.	when there is a change in an entity's business model (paragraph 4.4.1 of AASB 9) and therefore, it is a significant event from a user's perspective. Staff expect users to benefit from knowing the fair value of the financial asset at the end of the reporting period in which reclassification has occurred and the notional amount that would have been recorded in other comprehensive income or profit or loss had the asset not been reclassified, as this would enable them to assess the effect of reclassification. Staff therefore continue to recommend retaining paragraph 12D.

Disclosures in AASB 7 and AASB 101 recommended by Board members to be reconsidered	Board member feedback	AASB staff response
reclassified.		
Statement of financial position **Allowance account for credit losses** 16A The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9 is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.	One Board member recommended shading the last sentence of paragraph 16A "However, an entity... to the financial statements" as the asset is already recognised at fair value and there seems little extra information value in having to keep a separate loss allowance account.	Loss allowance is recognised in other comprehensive income however, staff consider separate disclosure in the notes provides user benefits that could be considered to exceed the cost of its disclosure. Therefore staff disagree with the recommendation to exclude the last sentence of paragraph 16A and continue to recommend retaining the paragraph in full.
Statement of financial position **Defaults and breaches** RDR18.1 For *loans payable* recognised at the end of the reporting period for which there is a breach of terms or default of principal, interest, sinking fund, or redemption terms that has not been remedied by the end of the reporting period, an entity applying Australian Accounting Standards – Reduced Disclosure Requirements shall disclose the following: (a) details of that breach or default; (b) the carrying amount of the related loans payable at the end of the reporting period; and	One Board member made a recommendation to reassess paragraph RDR18.1, i.e., consider whether paragraph 18 could be shaded in such a way as not to require the RDR paragraph.	Paragraph RDR18.1 reproduces substantively the same disclosure requirements in the preceding paragraph 18, however with one significant difference. RDR18.1 requires disclosures of (a)-(c) for loans payable for which a breach has not been remedied, whereas the requirements in paragraph 18 apply irrespective of whether the breach has been remedied. Staff therefore agree with the past Board decision to insert an RDR paragraph in this instance.

Disclosures in AASB 7 and AASB 101 recommended by Board members to be reconsidered	Board member feedback	AASB staff response
(c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.		

Disclosures in AASB 7 and AASB 101 recommended by Board members to be reconsidered	Board member feedback	AASB staff response
Statement of comprehensive income **Item of income, expense, gains or losses** 20 An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes: (a) net gains or net losses on: (vii) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9; and (viii) financial assets measured at fair value through other comprehensive income~~;~~ in accordance with paragraph 4.1.2A of AASB 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.	Two board members disagreed with the staff recommendation to retain paragraph 20(a)(viii) on the grounds that it is inconsistent to provide relief from separate disclosures (the "split") for one financial statement (statement of financial position) whilst retaining the split for the other (statement of comprehensive income).	Staff note that the separate disclosure requirements in paragraph 8, i.e., paragraphs 8(a) and 8(h), require separating mandatorily classified financial assets from those that are classified as such by designation, are different in nature to the separate disclosures required to separately show the amount of gain or loss recognised during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period. Staff have also considered this issue in the context of applying consistency between the statement of financial position and the statement of comprehensive income. A potential hurdle to the above view might be that this is in conflict with the existing Tier 2 Disclosure Principle paragraph 6(e) which notes users' particular interest in disaggregations of amounts presented in the financial statements. Staff therefore continue to recommend retaining paragraph 20(a)(viii) for the reasons provided in the original analysis in Agenda Paper 9.2.
Credit risk **Quantitative and qualitative information about amounts arising from expected credit losses**	One Board member noted that a complete removal of a reconciliation from the opening balance to the closing balance of the loss allowance might result in a loss of useful information for users. A	Whilst acknowledging the potential usefulness of this disclosure, staff think that a reconciliation of the opening/closing balance of the loss allowance in the absence of the supplementary disclosures in

Disclosures in AASB 7 and AASB 101 recommended by Board members to be reconsidered	Board member feedback	AASB staff response
35H To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for: (a) the loss allowance measured at an amount equal to 12 month expected credit losses; (b) the loss allowance measured at an amount equal to lifetime expected credit losses for: (i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets; (ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and (iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of AASB 9. (c) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.	simplified form of reconciliation, i.e., without requiring separate disclosures for 12-month expected credit losses and lifetime expected credit losses, was recommended.	paragraph 35I would not be useful in light of the Tier 2 cost/benefit principle. As paragraph 35I is also recommended to be excluded, staff continue to recommend excluding paragraph 35H. Based on the above cost/benefit consideration, staff recommend excluding paragraph 35H in its entirety consistent with the original recommendation outlined in Agenda Paper 9.3

Disclosures in AASB 7 and AASB 101 recommended by Board members to be reconsidered	Board member feedback	AASB staff response
AASB 101 ***Presentation of Financial Statements***		
82 In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period: (a) revenue, presenting separately interest revenue calculated using the effective interest method;	One Board member recommended excluding the added text "presenting separately interest revenue calculated using the effective interest method" in paragraph 82(a) from Tier 2 disclosure requirements on the basis that there is no justifiable reason for this breakdown of revenue.	In the Agenda Paper 9.3 analysis, staff recommended **retaining** all the amendments to AASB 101 for Tier 2 disclosure requirements, based on Tier 2 Principle 5, drawing on the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when Tier 2 recognition and measurement accounting policies are not the same (or substantively the same) as those under the *IFRS for SMEs*. A similar disclosure issue was previously brought to the Board's attention in AASB 15 *Revenue from Contracts with Customers* paragraph 65. This paragraph requires interest revenue to be separately presented from revenue from contracts with customers in the statement of comprehensive income. Notwithstanding the specific nature of that requirement, i.e., that the distinction is in respect of revenue from contracts with customers rather than any revenue, the Board's decision not to exclude this requirement in AASB 15 has been considered by staff in reaching a decision to continue recommending that paragraph 82(a) be retained. Accordingly, staff continue to recommend retaining paragraph 82(a) in AASB 101.