



Australian Government  
Australian Accounting Standards Board



NZ ACCOUNTING  
STANDARDS  
BOARD

## Memorandum

<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	12 May 2015
<b>From:</b>	<b>Vanessa Sealy-Fisher (NZASB) and Mark Shying (AASB)</b>	<b>Agenda Item:</b>	12.1
<b>Subject:</b>	<b>Reduced Disclosure Requirements</b>	<b>Project Priority:</b>	High
<b>Project Status:</b>	<b>Initial deliberation</b>	<b>Decision-Making:</b>	High

### Action for this meeting

To make key decisions on:

- 1 whether to change the principles for determining reduced disclosure requirements (RDR) and, if so:
- 2 the principles to be applied in determining RDR for all entities reporting under Tier 2 accounting requirements in Australia and for-profit entities reporting under Tier 2 accounting requirements in New Zealand;
- 3 the process for updating RDR; and
- 4 the method of communicating RDR.

### Link to project summary

[http://www.aasb.gov.au/admin/file/content102/c3/Reduced\\_Disclosure\\_Requirements\\_Project\\_Summary.pdf](http://www.aasb.gov.au/admin/file/content102/c3/Reduced_Disclosure_Requirements_Project_Summary.pdf)

### Attachments

- Agenda Paper 12.2 – AASB/NZASB staff issues paper: Reduced Disclosure Requirements – Proposed Principles
- Agenda Paper 12.3 – AASB/NZASB staff issues paper: Reduced Disclosure Requirements – Method of Communicating RDR

## Overview of agenda papers

### *Agenda Paper 12.2 – AASB/NZASB staff issues paper: Proposed principles*

This Paper:

- (a) identifies the types of entities that are permitted, or choose, to prepare financial statements using RDR;
- (b) provides information about the outreach undertaken in Australia and New Zealand to determine what information users find useful in the financial statements prepared by Tier 2 entities;
- (c) lists the principles proposed by staff to be applied in determining RDR;
- (d) outlines three options for identifying and articulating disclosure concessions;
- (e) proposes that future RDR be considered by the Boards once the IASB has issued a new or amending standard rather than as soon as possible after the IASB has issued an exposure draft proposing a new IFRS or amendments to existing IFRSs; and
- (f) proposes that AASB staff and NZASB staff should work together to determine recommended RDR and prepare joint papers for consideration at Board meetings.

The proposed high-level principles for determining RDR are based on feedback received from the outreach conducted in Australia and New Zealand in relation to Tier 2 financial reporting. Based on that feedback, staff propose the following principles for determining RDR:

- (a) financial performance, financial position and cash flows;
- (b) liquidity and solvency;
- (c) the entity's accounting policy choices and any changes in those policies;
- (d) transactions and other events that are significant to the entity in its operations, including significant subsequent events that affect future cash flows; and
- (e) risks to which the entity is exposed.

Three options are outlined for identifying and articulating the Tier 2 disclosure requirements.

- *Option 1:* Explain the principles to be applied and leave preparers of financial statements to decide for themselves the disclosures to be made to 'tell their story'.
- *Option 2:* The AASB and NZASB apply the agreed principles to identify all the disclosures required to be made by Tier 2 entities.
- *Option 3:* The AASB and NZASB identify the minimum disclosures required, with preparers applying the agreed principles to determine whether any entity-specific disclosures significant to the entity are required (that is, a combination of Options 1 and 2).

Staff recommend Option 3.

Staff recommend that it would be more efficient to consider disclosure requirements in new or amending standards for Tier 2 entities when the IASB issues an IFRS or an amending standard rather than as soon as possible after the IASB issues an exposure draft. Staff also recommend that AASB staff and NZASB staff should work together to determine recommended RDR. As a consequence, the same papers should be prepared for AASB and NZASB meetings for consideration of the members of both Boards.

**Agenda Paper 12.2 includes the following Questions to Board members:**

- Q1 Do Board members agree that the principles for determining RDR should be changed?
- Q2 Do Board members agree with the principles proposed by staff in paragraph 39 for determining RDR?
- Q3 Do Board members agree that Option 3, whereby the Boards identify the minimum disclosures and require preparers to apply the principles to determine entity-specific disclosures, is the appropriate option for identifying and articulating Tier 2 disclosures?
- Q4 Do Board members agree that it would be more efficient to wait until the IASB has finalised and issued a new IFRS before issuing a domestic ED proposing RDR for that IFRS?
- Q5 Do Board members agree that:
- (a) AASB staff and NZASB staff should work together to determine recommended RDR for new and amending IFRSs; and
  - (b) the same papers should be prepared for both AASB and NZASB meetings for consideration by Board members?

*Agenda Paper 12.3 – AASB/NZASB staff issues paper: Method of communicating RDR*

Agenda Paper 12.3 outlines two approaches to achieving Option 3: (i) the current method of shading/asterisking (\*) the disclosures not required by Tier 2 entities across all standards, and (ii) issuing a separate RDR standard. Staff seek the Boards' views on their preferred approach.

**Agenda Paper 12.3 includes the following Question to Board members:**

- Q1 Do Board members have a preference for:
- (a) retaining the current approach of shading or asterisking (\*) the disclosures that Tier 2 entities are not required to make across all standards; or
  - (b) issuing a separate RDR standard which contains the disclosures that Tier 2 entities are required to make?