



Australian Government
Australian Accounting Standards Board



NZ ACCOUNTING
STANDARDS
BOARD

Memorandum

To:	AASB members	Date:	18 August 2015
From:	Vanessa Sealy-Fisher (NZASB), Mark Shying and Lisa Panetta (AASB)	Agenda Item:	4.1 (M147)
Subject:	Reduced Disclosure Requirements	Project Priority	High
Project Status:	Continue deliberations	Decision- Making:	High

Action for this meeting

To make key decisions to:

- (a) confirm the process to be used by staff to apply the Boards' RDR decision-making framework to determine the disclosures to be required by Tier 2 entities;
- (b) consider the potential impact of applying the RDR decision-making framework on the disclosures required by Tier 2 entities for a selection of standards;
- (c) decide the basis for deciding the approach to identifying Tier 2 disclosure requirements in standards and their presentation; and
- (d) confirm the draft staff project plan.

Link to project summary

http://www.aasb.gov.au/admin/file/content102/c3/Reduced_Disclosure_Requirements_Project_Summary.pdf

Attachments

- Agenda Paper 4.2 – AASB/NZASB staff issues paper: RDR – Process for Determining Tier 2 Disclosures
- Agenda Paper 4.3 – AASB/NZASB staff issues paper: Application of the RDR Decision-Making Framework

Agenda Paper 4.4 – AASB/NZASB staff issues paper: RDR – Identifying Disclosure Requirements in Accounting Standards and their Presentation

Overview of Agenda Papers

Agenda Paper 4.2 – AASB/NZASB staff issues paper: RDR – Process for Determining Tier 2 Disclosures

This Agenda Paper:

- (a) outlines the process to apply the Boards' RDR decision-making framework, to determine Tier 2 disclosures including Core Disclosure Areas (CDAs) and Supporting Disclosure Areas (SDAs);
- (b) identifies guidance that staff have used in the process of applying the RDR decision-making framework:
 - (i) CDAs: there is a rebuttable presumption that the benefits of disclosure exceed the costs; and
 - (ii) SDAs: there is a rebuttable presumption that the benefits of disclosure *do not* exceed the costs; and
- (c) includes a flowchart of the process.

Agenda Paper 4.2 includes the following question to Board members:

Q1 Do Board members agree with the process developed by staff to apply the Boards' RDR decision-making framework to determine the disclosures that Tier 2 entities would be required to make?

Agenda Paper 4.3 – AASB/NZASB staff issues paper: Application of the RDR Decision-Making Framework

Agenda Paper 4.3 (specifically Appendices A – C1) illustrates the potential impact of applying the Boards' RDR decision-making framework on the disclosures required by Tier 2 entities for three accounting standards. The staff analysis uses two approaches to present the disclosure requirements (refer to Agenda Paper 4.4 for discussion of the three options identified by staff for presenting the disclosures that Tier 2 entities are required to make).

Approach 1: Shade the disclosures that are not required to be made by Tier 2 entities (i.e., the current approach used in Australia to present the disclosures required by Tier 2 entities).

Approach 2: Identify the disclosures required by Tier 2 entities in an appendix to the relevant standard for that particular topic/type of transaction.

Note that Agenda Paper 4.3 is not seeking views as to whether Approach 1 or 2 is appropriate; obtaining your views on the options for presenting the disclosures that Tier 2 entities are required to make is the subject of Agenda Paper 4.4.

Agenda Paper 4.3 includes the following question to Board members:

Q1 Do Board members agree with the analysis outlined in the appendices to Agenda Paper 4.3?

Agenda Paper 4.4 – AASB/NZASB staff issues paper: RDR – Identifying Disclosure Requirements in Accounting Standards and their Presentation

Agenda Paper 4.4 provides a basis for deciding the approach to identifying Tier 2 disclosure requirements and how the disclosure requirements are to be presented in accounting standards.

Two options are identified by staff for identifying the disclosure requirements for Tier 2 entities:

- *Option 1:* Starting with the disclosures required for Tier 1 entities and reduce them by applying the RDR decision-making framework to identify the disclosures that Tier 2 entities are required to make (reducing Tier 1 disclosures).
- *Option 2:* Establishing the disclosure requirements for Tier 2 entities by using the RDR decision-making framework and applying a constraint that the Tier 2 disclosures will always be a subset of Tier 1 disclosures (a greenfields approach).

Staff recommend Option 1.

Assuming the Boards agree with the preceding staff recommendation, three options are outlined for the approach to presenting the disclosures required of Tier 2 entities.

- *Option 1:* Current method of shading or asterisking (*) the disclosures that are not required of Tier 2 entities.
- *Option 2:* An appendix in each standard that identifies for that standard the disclosures required of Tier 2 entities.
- *Option 3:* A separate standard presenting the disclosures that are required of Tier 2 entities.

Staff recommend Option 2.

The location of the disclosures that apply to Tier 2 entities is important to preparers and their inclusion in the same standard as the recognition, measurement and presentation requirements for a particular topic/type of transaction recognises that. In the context of Tier 2 disclosures, this option provides flexibility to the Boards in the way that they deal with amendments by the IASB to the disclosure requirements of IFRS. By issuing an ED proposing RDR requirements based on the final IFRS, constituents are better placed to provide more informed views to the Boards. Finally, this option is considered to be the least staff resource intensive in Australia.

Agenda Paper 4.4 includes the following questions to Board members:

Approach to identifying Tier 2 disclosures

- Q1 Do Board members agree that Option 1, whereby the Boards start with the disclosures required of Tier 1 entities and reduce them by applying the RDR decision-making framework to identify the disclosure requirements for Tier 2 entities is the appropriate option for determining the disclosures required by Tier 2 entities?

Approach to presenting Tier 2 disclosures

- Q2 Do Board members agree that Option 2, whereby the Boards include an appendix in each standard that identifies for that standard the disclosures required by Tier 2 entities is the appropriate option for presenting the disclosure requirements of Tier 2 entities?
- Q3 If Board members do not agree, which option do they prefer, and why?

Project plan

To progress the project, staff plan to bring to the Boards at the October Board meetings a paper on sweep issues, including the proposed effective date for the revised RDR disclosure requirements and transitional requirements. Following the October Board meetings staff propose to undertake analysis of each relevant accounting standard during Q4 2015 – Q1 2016.

Staff are targeting the issuance of an Australian Exposure Draft (ED) and New Zealand Invitation to Comment (ITC) for comment in Q1 2016 with a 90 day comment period.

It is expected that Board deliberations will take place across Q2-Q3 2016 with the revised Tier 2 disclosure requirements targeted for issue in H2 2016.

Question for Board members:

- Q1 Do Board members have any comments regarding the proposed project plan for the RDR project?