

Principles Used in Developing RDR Disclosures

(ED 192) APPENDIX C

ANALYSIS OF PROPOSED DISCLOSURES

Introduction

The following introduction sets out the principles that were applied in analysing full IFRSs as adopted in Australia in determining the proposed reduced disclosures. The analyses are available on AASB website.

- IN1 The disclosures under the proposed RDR have been determined by:
- (a) drawing directly on the *IFRS for SMEs* when the RDR recognition and measurement requirements are the same as those under the *IFRS for SMEs*; and
 - (b) using the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when the RDR recognition and measurement requirements are not the same as those available under the *IFRS for SMEs*.

This is further explained below.

Approach when recognition and measurement requirements are the same

- IN2 Where the disclosure requirements under a full IFRS as adopted in Australia and the *IFRS for SMEs* are the same or similar (that is, result in the same disclosures), those disclosure requirements are retained as part of the proposed RDR, using the wording of the relevant full IFRS as adopted in Australia.
- IN3 Where the *IFRS for SMEs* does not require a disclosure that is required in the relevant full IFRS, the proposed RDR does not retain that disclosure. Furthermore, where the *IFRS for SMEs* is less onerous than the relevant full IFRS, the less onerous disclosure is adopted. This is on the basis that, in developing the *IFRS for SMEs*, the IASB has already applied the user needs and cost benefit considerations and concluded that an exemption or reduced disclosure is appropriate. Although the *IFRS for SMEs* has been developed to apply to for-profit private sector entities, broadly it is considered reasonable to rely on the judgements made in developing the *IFRS for SMEs* in respect of both for-profit and not-for-profit (including public sector) entities in Australia given that IFRSs are generally applied to all types of Australian entities. The AASB uses its *Process for Modifying IFRSs for PBE/NFP* in assessing the need for specific requirements relating to not-for-profit entities. In most cases, the structure of the words in the relevant full IFRS enables the use of shading to show that a relevant disclosure is excluded or reduced so as to match the *IFRS for SMEs* disclosure outcome. In the few cases where this is not feasible, the wording in the *IFRS for SMEs* is used as an Aus paragraph/RDR paragraph.
- IN4 In the few cases where the *IFRS for SMEs* has an additional disclosure requirement that is not included in the full IFRS, that disclosure is not included in the proposed RDR.

Approach when recognition and measurement requirements are not the same

- IN5 The disclosures under the proposed RDR have been determined by drawing on the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when the RDR recognition and measurement requirements are not the same as those under the *IFRS for SMEs*.
- IN6 The principles applied by the IASB in developing its *IFRS for SMEs* are grounded in the view that users of financial information of non-publicly accountable for-profit entities are particularly interested in knowing about:
- (a) short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities;
 - (b) liquidity and solvency;
 - (c) measurement uncertainties;
 - (d) the entity's accounting policy choices;
 - (e) disaggregations of amounts presented in the financial statements; and
 - (f) transactions and other events and conditions encountered by such entities.

Guidance

IN7 Guidance relating to a disclosure that is retained in the RDR is also retained on the grounds that it assists entities in making that disclosure and would not add to the disclosure burden. Guidance that relates to a disclosure that is not retained in the proposed RDR is also not retained in the proposed RDR. Text in the nature of contextual material has not been treated as guidance. Such text is retained in the RDR on the ground that its retention does not add to the disclosure burden.

Disclosure Encouraged

IN8 Where a disclosure is encouraged, whether under the full IFRSs as adopted in Australia or the *IFRS for SMEs*, it is not included.

Presentation vs Disclosure

IN9 The RDR does not amend the presentation (sometimes used interchangeably with classification) requirements of full IFRSs and is concerned with reducing the disclosure burden. Sometimes judgement is required as to whether a particular requirement relates to presentation or disclosure. The following criteria are used to distinguish between presentation and disclosure:

‘Presentation requirements are limited to requirements that specify the broad structure of financial statements including the basis of classification of items. Specifications relating to subclassifications or line items to be shown on the face of financial statements, or in the notes, are treated as matters of disclosure.’

Clarification in relation to not-for-profit and public sector entities

IN10 Paragraphs IN3 and IN6 are relevant to all types of entities, since the same transactions are generally accounted for in the same manner for all types of entities under the AASB’s policy of transaction neutrality. However, there are a limited number of disclosure requirements in full IFRSs as adopted in Australia specific to the circumstances of not-for-profit and public sector entities. In relation to these disclosures, the proposed RDR disclosures have been determined by drawing on the principles applied by the IASB in developing its *IFRS for SMEs* in the context of the specific needs of users of not-for-profit and public sector entity financial statements.