



Ms Kris Peach
The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Dear Ms Peach,

ED 258 Disclosure Initiative (Proposed amendments to AASB 107)

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on Exposure Draft 258 Disclosure Initiative (Proposed amendments to AASB 107).

HoTARAC does not support the proposed amendments. HoTARAC's view is that the IASB should not be adding ad hoc disclosure requirements to IAS 7 in light of the current project reviewing IAS 7 as part of the 'Disclosure Initiative'. If the IASB decides to proceed with introducing the proposed amendments, the AASB should consider the appropriateness and relevance of such new disclosures to Australian public sector entities in the General Government Sector. The AASB might consider providing an exemption from these new disclosure requirements for those entities.

HoTARAC would also urge the IASB to exercise caution in incorporating Extensible Business Reporting Language (the IFRS taxonomy) into exposure drafts to ensure this does not evolve into a set of de facto disclosure formats.

HoTARAC's detailed comments and responses to questions from the exposure draft are attached.

If you have any queries regarding HoTARAC's comments, please contact Tony Olliffe from the Australian Department of Finance by phone on 02 6215 3918 or by email, tony.olliffe@finance.gov.

Yours sincerely

David Nicol
Chair
Heads of Treasuries Accounting and Reporting Advisory Committee
March 2015

ATTACHMENT

Question 1—Disclosure Initiative amendments

This Exposure Draft of proposed amendments to IAS 7 forms part of the Disclosure Initiative. Its objectives are to improve:

- (a) information provided to users of financial statements about an entity's financing activities, excluding equity items; and
- (b) disclosures that help users of financial statements to understand the liquidity of an entity.

Do you agree with the proposed amendments (see paragraphs 44A and 50A)? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

- (a) HoTARAC does not agree with the proposed amendments.

HoTARAC questions whether the IASB should be attempting to introduce a requirement to disclose the information necessary for a debt reconciliation without a common understanding of what constitutes debt (BC 3). Paragraph 5 of the basis for conclusions uses the justification that defining what is to be measured would delay the project (BC5).

HoTARAC has a concern about adding ad hoc disclosure requirements to IAS 7, without a firm set of supporting principles, as part of an umbrella project that encompasses the principles of disclosure for, among others, IAS 7. HoTARAC notes that the principles of disclosure project was at least partly initiated through concerns over the volume of financial statement disclosures. HoTARAC notes there is no explanation as to why this change cannot be incorporated into the broader disclosure project to achieve a more robust and meaningful outcome.

HoTARAC considers that the principles of disclosure project should be completed before changes are made to IAS 7. HoTARAC notes that it would be more cost-effective for preparers to have a single revision to IAS 7 to incorporate into their accounting systems. As the proposed disclosure requirement is an indirect solution to the question of a debt reconciliation, it may also result in entities making unnecessary disclosures which are of no clear benefit to users.

- (b) While HoTARAC has no specific objection to the disclosure requirement, changes of this type should be made through the principles of disclosure project.

Question 2—Transition provisions

Do you agree with the proposed transition provisions for the amendments to IAS 7 as described in this Exposure Draft (see paragraph 59)?

If not, why and what alternative do you propose?

HoTARAC has no objection to the proposed transition provisions.

Question 3—IFRS Taxonomy

Do the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set out in the proposed amendments to IAS 7 and the accompanying illustrative example? In particular:

- (a) are the amendments reflected at a sufficient level of detail?
- (b) should any line items or members be added or removed?
- (c) do the proposed labels of elements faithfully represent their meaning?
- (d) do you agree that the proposed list of elements to be added to the IFRS Taxonomy should be limited to information required by the proposed amendments to IAS 7 or presented in the illustrative examples in IAS 7?

HoTARAC members do not use the IFRS taxonomy so has no comment.

Question 4—IFRS Taxonomy due process

As referenced in paragraph BC20, the IASB is holding a trial of a proposal to change the IFRS Taxonomy due process. Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:

- (a) do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?
- (b) do you find the form and content of the proposed IFRS Taxonomy Update useful? If not, why and what alternative or changes do you propose?

HoTARAC has no comment on the taxonomy as noted above. HoTARAC recommends the IASB ensure that IFRS taxonomy is clearly distinct from the standard setting process, so it does not result in a set of boilerplate disclosures. Again, this would seem to be contrary to the overall aim of the disclosure initiative.

AASB Specific Matters for Comment

1. whether you agree with the with the proposal to exclude the disclosures in paragraph 44A from Tier 2 disclosure requirements;

HoTARAC agrees.

2. whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:

(a) not-for-profit entities; and

(b) public sector entities, including GAAP/GFS implications;

HoTARAC is not aware of any regulatory impact on public sector entities. HoTARAC cannot comment on other not-for-profit entities. As this is a disclosure requirement, HoTARAC considers it unlikely there will be GAAP/GFS implications.

3. whether, overall, the proposals would result in financial statements that would be useful to users;

HoTARAC questions the usefulness of the disclosures. This appears to be a needlessly rushed amendment for a proposal that would more appropriately be considered as part of the 'Principles of Disclosure' project.

4. whether the proposals are in the best interests of the Australian economy; and

HoTARAC has no comment.

5. unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

In HoTARAC's view this will impose additional costs on preparers with no clear benefit to users. This is particularly pertinent to the public sector, where such a reconciliation is likely to be irrelevant to users of General Government Sector entity financial reports. These entities are funded through appropriations from consolidated revenue and are often prohibited from borrowing independently. If this exposure draft is progressed towards a standard, HoTARAC believes there is a strong case for exempting entities in the General Government Sector under the AASB's policy document *Process for Modifying IFRSs for PBE/NFP*. At a minimum, HoTARAC recommends public sector application be delayed until the proposal can be assessed under the AASB policy document (key points would be the costs and benefits and the nature of debt in the public sector).