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Ms Kris Peach
Chairperson
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1 June 2017

AASB Exposure Draft ED 277 - Reduced Disclosure Requirements for Tier 2 Entities

Dear Ms Peach

Ernst & Young is pleased to submit its comments on AASB Exposure Draft ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*. Our detailed responses to the Specific and General Matters for Comment are contained in Appendices A and B to this letter.

Overall we support the Board's efforts to enhance the desirability of adopting Tier 2 reporting requirements by entities eligible to do so, and the larger project of the Australian Accounting Standards Board (AASB) to assist in simplifying and improving the financial reporting framework in Australia. We think that in general the Policy Framework outlined in the ED provides a more robust approach for determining reduced disclosure requirements (RDR) for Tier 2 entities. However, as detailed in our responses to specific questions posed in the ED, we do not support the proposed approach to some of the specific matters covered in the draft policy which relate to how the framework is operationalised by the Board. In particular, we do not favour the approaches to guidance for disclosure requirements and cross-references to other standards that are general rather than specific. On these matters we are generally in agreement with the approach proposed by the New Zealand Accounting Standards Board (NZASB).

We are generally in agreement with many of the proposed disclosures required under the RDR as amended by the ED; however, we have identified in Appendix B a number of disclosures which have been included under the amended requirements which we believe do not meet the needs of users and conversely have identified a number of disclosure requirements not included in the revised RDR that we consider should be so included. With respect to the latter, we have prioritised the identified disclosures by distinguishing between those we believe are necessary disclosure for Tier 2 entities and those where we have mixed views based on the fundamental principles in the framework, and therefore the Board might wish to reconsider these disclosures.

We note that the volume of disclosures required under the proposals for some standards, particularly AASB 7 *Financial Instruments: Disclosures* and AASB 12 *Disclosure of Interests in Other Entities* are significantly in excess of the disclosures under the current RDR requirements, and would therefore likely act as a disincentive for entities eligible to adopt the RDR but for which disclosures would either not significantly decrease (if moving from Tier 1 to Tier 2) or would significantly increase (if moving from special purpose financial statements to Tier 2 general purpose financial statements).

Should you wish to discuss this letter with us, please contact Frank Palmer on (02) 8295 6264 or Peter Gerhardy on (08) 8417 2057.

Yours faithfully

Ernst & Young

Appendix A: Specific and General Matters for Comment

1. Do you agree with the overarching principles on which the proposed RDR decision-making framework identified in the proposed joint Policy Statement is based (that is, user needs and cost-benefit)? If you disagree, please explain why (see [draft] joint Policy Statement paragraph 6 to this ED).

We agree with the overarching principles on which the RDR decision-making framework is based, namely 'user needs' and 'cost-benefit'. These principles are consistent with the current requirements of the Conceptual Framework for Financial Reporting. We note that these overarching principles were those identified and applied, albeit in a different manner, in identifying Tier 2 disclosure requirements when the RDR was initially introduced. At that time these were identified as the principles used by the International Accounting Standards Board (IASB) in determining the disclosures to be required in the *International Financial Reporting Standard for Small and Medium-sized Enterprises (IFRS for SMEs)*, with RDR disclosures drawn from that standard where the *IFRS for SMEs* recognition and measurement requirements were the same as in Australian Accounting Standards. Where recognition and measurement requirements were not the same, the principles of 'user needs' and 'cost-benefit' were applied directly to the AASB Standards (albeit again with different operational guidance to that outlined in the proposed Policy Statement) to determine the disclosures under RDR.

With the IASB decision not to update *IFRS for SMEs* for some recent amendments and new IFRS standards, and based on the results of the post-implementation review of Tier 2 disclosure requirements for GPFS as detailed in BC11-BC15 of the ED, we agree with the Board's proposed amended approach to identifying Tier 2 disclosures, in particular the amended approach to application of user needs and cost-benefit as the overarching principles to be applied.

2. Do you agree with the two Key Disclosure Areas identified in the proposed joint Policy Statement as being essential for meeting user needs? If you disagree with either Key Disclosure Area (including any of the specific disclosures about transactions and other events significant or material to understanding the entity's operations as represented by the financial statements), please explain which one(s) you disagree with and why? (see [draft] joint Policy Statement paragraph 8 to this ED).

We agree with the two key disclosure areas (KDAs) identified in the proposed Policy Statement, namely (1) current liquidity and solvency of the entity and (2) transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements. We consider that the specific areas of disclosure identified for the latter KDA encompass those disclosures related to significant or material transactions or events that are likely to be most useful to users of the financial statements of Tier 2 entities. We do question whether the identified KDAs sufficiently focus on financial performance, which is identified in the Preface to the ED (page 6) as one of the common information needs of the users of the financial statements of Tier 2 entities. (See for example our specific comment in Appendix B on AASB 15.C8(a).)

We note that the framework for RDR decision making is based on a rebuttable presumption that the benefits of providing these disclosures as listed in paragraph 8 of the draft Policy Statement exceed the costs, and that unless the Board rebuts this presumption Tier 2 entities will be required to make these disclosures. Conversely, where a disclosure is not a KDA there is a rebuttable presumption that the costs of providing the disclosures exceed the benefits, and unless the presumption is rebutted Tier 2 entities are not required to make these disclosures.

We consider that the use of these rebuttable presumptions is an appropriate basis of operationalising the RDR decision making framework, but note that the assessment of costs versus benefits, and therefore determining when these presumptions are rebutted, will inevitably involve a degree of judgement. Alternatively, if rather than using these rebuttable presumptions the Board simply indicated that judgement would be exercised based on cost-benefit it might be expected that the same outcome in terms of disclosures included in RDR would result.

3. Do you agree with the proposed joint Policy Statement as a whole for determining RDR for Tier 2 entities? If you disagree, please explain why (see the [draft] joint Policy Statement to this ED). In relation to the proposed joint Policy Statement, the AASB is particularly seeking to know whether the disclosures required of not-for-profit entities are appropriate relative to the disclosures required of for-profit entities.

With the exception of issues raised in our responses to specific matters for comment on the exposure draft, we are in agreement with the proposed joint Policy Statement as a whole for determining RDR for Tier 2 entities.

We agree with the principle of maintaining the same presentation requirements under Tier 1 and Tier 2 (with the exception of the presentation of a third statement of financial position). We acknowledge that the distinction between presentation and disclosure will not always be clear and that judgement will be required in such cases. We note that the IASB is currently undertaking work on this issue as part of its Principles of Disclosure (POD) project and would encourage the Board to consider the IASB's work. We agree with the guidance provided in paragraph 20(d), that where there is an option for provision of information either on the face of the financial statement or in the notes (e.g., AASB 101.106A) this be considered disclosure and assessed against the RDR decision making framework.

We agree that 'encouraged disclosures' should be removed for Tier 2 entities (paragraph 26) and that reconciliations not be required to be prepared by such entities (paragraph 27). Further, given that AASB 8 and AASB 133 do not apply to Tier 2 entities we agree that paragraphs that refer to these two standards should be removed for such entities. (See however our specific comment on AASB 110.22(f) in Appendix B.)

We find the distinction (paragraphs 21 and 23) between the different types of paragraphs that contain disclosure objectives, some of which are reduced for Tier 2 entities and some of which are not, to be confusing. For example, we see little difference between AASB 15.110 (proposed to be removed) and the requirement in AASB 16.51 (referred to in footnote 9 on page 13) which it is proposed will be retained.

Paragraph 23 indicates that disclosure objectives that do not themselves require an entity to provide specific disclosures are retained for Tier 2 entities. On applying the framework, it may be possible that some specific disclosures that meet the retained objective are actually removed for Tier 2 entities (e.g., because the costs exceed the benefit, or they do not relate to a KDA). In such circumstances, where the specific disclosures are not required, it might affect whether the entity can in fact claim compliance with Tier 2, as it would not have provided sufficient disclosure to meet the objective in the standard. We suggest the Board consider whether this is an unintended consequence of retaining disclosure objectives for Tier 2 entities.

4. Do you agree with the approach in the proposed joint Policy Statement taken by the AASB regarding disclosures about accounting policies? If you disagree, please explain why (see [draft] joint Policy Statement paragraph Aus12.1 to this ED).

We note the AASB's proposed approach to accounting policies is to solely rely on AASB 101 and AASB 108 for such disclosures. As such, any disclosures about accounting policies contained in other standards are removed for Tier 2 entities. In contrast, the NZASB has decided not to rely on the New Zealand equivalents of AASB 101 and AASB 108 for disclosures about accounting policies.

While we support the Board's proposal to rely on AASB 101 and AASB 108 for accounting policy disclosures, we consider the emphasis should be placed on disclosing those accounting policies that are most significant to understanding the financial statements, and in particular the key judgements made in applying those policies. Only in this way will such disclosures of Tier 2 entities be provided in an entity-specific (rather than boilerplate) manner that is useful to users. We also note the work of the IASB in its POD project relating to the disclosure of accounting policies, and encourage the AASB to consider this work.

5. Do you agree with the approach in the proposed joint Policy Statement taken by the AASB regarding guidance for disclosure requirements? If you disagree, please explain why (see [draft] joint Policy Statement paragraph Aus25.1 to this ED).

We note that the AASB proposes to remove some of the guidance that is of a general nature. On the other hand, the NZASB has decided to keep all guidance supporting required disclosures, on the basis that the guidance is intended to assist preparers in providing the disclosures.

While we understand the AASB's desire to reduce the volume of material included, we find the removal of guidance intended to assist preparers, whether general or specific, to be counterintuitive. By their nature some entities might be less sophisticated in terms of the processes and resources available for financial statement preparation. On this basis, any guidance, whether general or specific, that may assist in the preparation of those disclosures would seem to be useful.

6. Do you agree with the approach in the proposed joint Policy Statement taken by the AASB regarding cross-references to other standards that are general rather than specific? If you disagree, please explain why (see [draft] joint Policy Statement paragraph Aus29.1 to this ED).

The AASB proposes to remove cross-referencing of a general nature as it considers these to be a duplication, while the NZASB proposes to keep such cross-referencing for Tier 2 entities. BC59 of the ED explains the basis for the NZASB proposal to be that removal might be misinterpreted as implying that Tier 2 entities are not required to comply with the disclosure requirements in the other standards. On balance we favour the position taken by the NZASB, particularly since as pointed out in BC58 this would not result in any additional disclosure being required.

7. Do you agree with the outcome of the application of the proposed joint Policy Statement to the disclosure requirements in Australian Accounting Standards to determine the disclosures that Tier 2 entities should be required to provide? (see Proposed Tier 2 Disclosures) If you disagree with the outcome, please identify, with reasons:
- (a) which disclosures that are identified as requirements that you believe Tier 2 entities should not be required to provide; and
 - (b) which disclosures that are identified as concessions that you believe Tier 2 entities should be required to provide.

See Appendix B for our comments on specific disclosure requirements of the RDR.

8. Which approach do you prefer for identifying RDR for Tier 2 entities:
- (a) the approach taken in this ED with the Proposed Tier 2 Disclosures to include an Australian Appendix in each Australian Accounting Standard that identifies the disclosures that Tier 2 entities are required to provide; or
 - (b) use the approach taken in the New Zealand ED to use an asterisk (*) for disclosures that are not required and explaining partial concessions by means of an RDR paragraph? The approach taken in the New Zealand ED is illustrated in the Appendix A to this ED.

We note that both the AASB's and NZASB's proposals for identifying RDR for Tier 2 entities differs from the current approach in AASB standards of highlighting/shading those disclosures *not* required by Tier 2 entities (Option 1 in BC63). The current practice in Australia might be useful to users in that it provides a method to easily visually assess the extent of disclosure relief.

We do not favour adopting the NZASB approach (Option 2 in BC63) of using an asterisk (*) to identify disclosures not required by Tier 2 entities. If the general approach of identifying disclosures *not* required were to be adopted we would support continuing to use highlighting of such disclosures as is currently the practice in Australia. As pointed out in BC64, this practice is familiar to preparers in this jurisdiction. We also understand that where an asterisk is used to designate disclosures not required it is likely to be easier to miss or overlook a paragraph than one that is shaded.

BC64-BC65 indicate that arguments in favour of including an Australian Appendix in each standard that contains Tier 2 disclosures (Option 4 in BC63) include flexibility in amending the RDR and convenience of being located in the same standard as the related recognition, measurement and presentation requirements (as opposed to Option 3, which is to issue a separate standard containing all Tier 2 disclosure requirements). We consider both these arguments to be persuasive. We also consider it helpful to have only those disclosures required by Tier 2 entities provided in one location. Further this option is consistent with the AASB's past practice of appending to standards any not-for-profit specific guidance, and BC65 indicates that preparers support this approach.

On the basis of the arguments provided in the Basis for Conclusions we support the proposal to include the Tier 2 disclosures in an appendix to each standard, but would not object to continuing the current practice of shading those disclosures not required.

9. Do you agree that when an Australian Accounting Standard does not have separate sections for disclosure and presentation requirements, both presentation and disclosure requirements are included in the Australian Appendix to each Australian Accounting Standard that identifies the disclosures that Tier 2 entities are required to provide? If you disagree, please explain why.

On the assumption that the Board adopts the approach of including disclosures for Tier 2 entities in a separate appendix, we agree that from a practical perspective where both presentation and disclosure requirements are not in separate sections within a standard that both should be included in the appendix. Extracting and including only disclosures could result in a loss of context, or be practically difficult if presentation and disclosure matters are dealt with together.

10. Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 January 2019 with early application

permitted? Early application is permitted for periods beginning on or after 1 January 2018 (with early adoption of the amended Tier 2 disclosures in AASB 140 Investment Property permitted when an entity first applies AASB 16 Leases), with AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors as revised by this [draft] Standard applied at the same time an entity first applies a Standard that is revised by this [draft] Standard.

Given that the final standard is not expected to be issued until the second half of 2017 at the earliest, we agree with the proposed application date of periods beginning on or after 1 January 2019.

We consider that permitting early adoption for periods beginning on or after 1 January 2018 is acceptable given this implies the earliest financial year end to which the new standard could be applied is 31 December 2018, providing sufficient lead time for Tier 2 entities to implement the new requirements if they wish to do so, and also allowing the entity to apply the new requirements at the same time as it first applies AASB 15. We note the options considered by the Board as outlined in BC71, and that Option 1 of no early application would not allow reduced disclosures for AASB 15 in the year it is first adopted. Of the remaining two options we consider Option 3 to be preferable as it avoids the mismatch of disclosures that could arise from early adoption of the revised Tier 2 disclosures prior to applying the new standards effective from 1 January 2018, particularly AASB 7 (as amended for AASB 9) and AASB 15.

11. The Exposure Draft does not propose any specific transition requirements. Do any issues warrant transitional provisions and, if so, what transitional provisions do you suggest?

We do not believe that any issues arising in the Exposure Draft warrant any specific transitional provisions. AASB 1053 specifies requirements for transitioning into and out of the different tiers of financial reporting. For an entity currently applying Tier 2 disclosure requirements, the change from the current to the proposed Tier 2 disclosures should only mean removing disclosures no longer required and adding disclosures not currently included in RDR but added by the revised Tier 2 requirements.

12. Do you think that when approved, the amended Tier 2 disclosures would encourage eligible entities that currently:

- (a) prepare Special Purpose Financial Statements to prepare Tier 2 General Purpose Financial Statements; and
- (b) prepare Tier 1 General Purpose Financial Statements to prepare Tier 2 General Purpose Financial Statements.

(a) We doubt that under the current Australian financial reporting framework, which continues to use the 'reporting entity' concept as the basis for determining whether an entity must prepare general purpose financial statements (GPFS) or can prepare special purpose financial statements (SPFS), the changes to the Tier 2 disclosures will encourage entities that are non-reporting entities (able to prepare SPFS) to adopt the RDR and prepare Tier 2 GPFS. We think that further revision of the Australian financial reporting framework is required to address the ambiguity in determining if an entity is a 'reporting entity', and to shift the focus of application of Australian Accounting Standards from the reporting entity concept to a focus on GPFS.

(b) We expect that whether the amended Tier 2 disclosures will encourage eligible entities that currently prepare Tier 1 GPFS to move to preparing Tier 2 GPFS will be dependent upon an individual

entity's specific circumstances. Provided the revised Tier 2 disclosures are significantly less than would be required under the current Tier 2 requirements, and that there are no other factors which make continued preparation of Tier 1 GPFS necessary (e.g., a foreign parent preparing full IFRS financial statements requires full Tier 1 disclosures to assist with preparation of the parent's consolidated financial statements), then we would expect the revised Tier 2 requirements will provide an incentive to change. For eligible entities with complex financial instruments and financial risk management processes the decision is likely to be more complex. While the revised Tier 2 disclosures for AASB 7 include removing a significant number of disclosures currently required for Tier 2 entities, it also adds a substantial amount of disclosures, particularly those related to the KDAs of liquidity and solvency and risks associated with financial instrument transactions. For those entities that would be required to make significantly more disclosures in relation to these matters under the revised Tier 2 requirements we think it is unlikely that they would perceive that there is significant advantage to moving from Tier 1 to Tier 2 GPFS, unless they gain significant disclosure relief in relation to other standards.

13. Whether:

- (a) there are any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals by not-for-profit entities, including any issues relating to public sector entities, such as GAAP/GFS implications?
- (b) overall, the proposals would result in reporting that would be useful to users?
- (c) the proposals are in the best interests of the Australian economy?

(a) We are not aware of any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals by not-for-profit entities, including any issues relating to public sector entities.

(b) Subject to our responses to the specific matters raised for comment as provided above, we believe that overall the proposals would result in reporting that is useful to users.

(c) As noted under 12(a) above, we believe that further revision to the Australian financial reporting environment is required to address the issues that arise as a result of the current focus upon the reporting entity concept as the basis for differential reporting. In this respect Australia is unique in adopting the reporting entity concept for this purpose, and might be out of step with other jurisdictions where the focus for the application of accounting standards is generally on the GPFS. However, we consider that in the context of the current Australian reporting framework it is appropriate to make the RDR more attractive on cost-benefit grounds to those entities that currently qualify to prepare Tier 2 GPFS.

Appendix B: Response to Specific Matter for Comment 7

7. Do you agree with the outcome of the application of the proposed joint Policy Statement to the disclosure requirements in Australian Accounting Standards to determine the disclosures that Tier 2 entities should be required to provide? (see Proposed Tier 2 Disclosures) If you disagree with the outcome, please identify, with reasons:
- (a) which disclosures that are identified as requirements that you believe Tier 2 entities should not be required to provide; and
 - (b) which disclosures that are identified as concessions that you believe Tier 2 entities should be required to provide.
- (a) Disclosures that are identified as requirements that we believe Tier 2 entities should not be required to provide

Reference	Comment
AASB 1.27A	Reference to updating reconciliations required by paragraph 24 should be removed as these reconciliations are not required under RDR.
AASB 101.61	While we agree that the disclosure (the amount expected to be recovered or settled after more than 12 months for each asset and liability line item) relates to a KDA (current liquidity and solvency) we question whether the benefits of providing the information would exceed the costs as stated in the analysis. We therefore suggest that this paragraph continue to be excluded under RDR.
AASB 101.80A	While we agree that the disclosure (reclassification of puttable instruments) relates to a KDA (current liquidity and solvency) we question whether the benefits of providing the information would exceed the costs as stated in the analysis. We therefore suggest that this paragraph continue to be excluded under RDR.
AASB 112.81(c)	We question whether reference to Tax Transparency rules is an appropriate basis for justifying retention of the reconciliation, as these disclosures serve a different purpose. Also, it is not clear if the benefits of providing this disclosure would exceed the costs in this case. If excluded under RDR this would also require that paragraphs 84 and 85 also be removed.
AASB 119.139(a)(ii)	While we agree that the level of any minimum funding requirements is a KDA relating to commitments and contingencies, we do not believe that the description of the regulatory framework in which the plan operates and the asset ceilings would fall within this and do not agree that the benefits of providing these disclosures would exceed the cost.
AASB 119.146	We consider the disclosures relating to the asset liability matching strategies used by the plan or the entity could be very onerous for Tier 2 entities and hence do not agree that the benefits of providing the disclosure would exceed the costs.
AASB 138.126	We question whether the benefits of disclosing the aggregate amount of research and development expenditure recognised as expense exceed the costs. We therefore suggest that this paragraph continue to be excluded under RDR.

- (b) Disclosures that are identified as concessions that we believe Tier 2 entities should be required to provide

Disclosures we believe are needed for Tier 2 entities:

Reference	Comment
AASB 3.B64(f)	We question why the presumption is rebutted that the benefit of disclosing the breakdown of the fair value of the consideration would exceed the cost given similar disclosure for the assets and liabilities acquired under paragraph B64(i) is required for Tier 2 entities.
AASB 3.B67(a)	We question why the disclosures relating to measurement period adjustments are not considered to be a KDA (the nature of the transaction or event makes it significant or material to the entity) in a similar manner to disclosures related to prior period errors under AASB 108.49, and therefore required by Tier 2 entities.
AASB 7.18(a)	We question whether the costs of disclosing defaults during the period would exceed the benefits of doing so. Management will know if the entity defaulted during the year, with details of such defaults providing information to users of potential financial difficulty. Such information would appear to fall within the KDA of liquidity and solvency.
AASB 7.23F	We question whether this information on forecast transactions no longer expected to occur would be costly to provide as it would be readily available. It provides valuable insights into hedging strategies, which themselves relate to managing business risks, which is a KDA.
AASB 13.93(d) and 93(h)(ii)	These disclosures relate to providing information about inputs to Level 3 fair value measurements and sensitivity to changes in unobservable inputs to such measurements. As such we question whether it is correct to regard these disclosures as not being a KDA; that is, they may be considered to relate to a 'significant estimate or judgement specific to a transaction or event'. Also, the comment in the Analysis Copy of ED 277 for paragraph 93(d) seems to suggest that it is reduced for Tier 2 entities in its entirety; however only the latter part of the paragraph is shaded.
AASB 15.116-118	We understand the contract balances disclosures were designed as a cost-benefit trade off to require disclosure of some information that would otherwise be included in a reconciliation, but without requiring a full numerical reconciliation to be prepared. While noting that the RDR framework proposes not to require reconciliations for Tier 2 entities (paragraph 27), it also notes that the individual items of the reconciliation should be assessed against the RDR framework. Each of the line items specified in the paragraph 116-118 disclosure are intended to provide more information about the entity's performance and movements in its working capital position (see AASB 15.BC341-BC342). Some of this information could be regarded as being useful in assessing both performance and liquidity. For this reason we think that at least some of this disclosure should be reconsidered for inclusion in RDR.
AASB 15.129	Disclosure of the practical expedients applied is proposed to be reduced for Tier 2 entities. We consider that this should be viewed as part of the accounting policy disclosure rather than a discrete disclosure requirement, and therefore falls within a KDA.
AASB 16.B52	For a sale and leaseback there can be a fine line between a financing and a derecognition. As such, the business reasons for achieving sale provides useful information to users. Such information would be readily available as it relates to the company's decisions. As such we question whether the cost of providing the disclosure would exceed the benefits.

Reference	Comment
AASB 110.22(f)	Major ordinary share transactions of a Tier 2 entity would be a significant subsequent event, and therefore relate to a KDA irrespective of the fact that AASB 133 does not apply to such entities. We suggest that only the bracketed sentence referring to AASB 133 be removed for Tier 2 entities.
AASB 112.81(e) & AASB 112.82	As the amounts disclosed may effectively be related to impairment, we consider that the disclosure would relate to a KDA. Further, this disclosure has added importance where amounts relate to foreign tax provisions where different conditions (e.g., finite carry forward period) to those in Australia may apply.
AASB 112.81(f)	This disclosure relates to a key tax risk, especially with BEPS / other cross border tax issues, and as such would relate to a KDA.
AASB 119.141(a),(b)	We consider the income statement impact (current service cost and interest income or expense) relating to defined benefit plans are a KDA owing to the nature of the transaction or event that makes it significant to the entity. This is similar to the disclosure of the defined contribution expense for the period under paragraph 53. Hence we believe this disclosure should be retained for Tier 2 entities, albeit not required to be provided as part of the reconciliation referred to in paragraph 140.
AASB 136.130(f)(i)	The requirement to disclose the level in the fair value hierarchy in which the fair value measurement of the asset/CGU is categorised has been reduced on the basis that the costs exceed the benefits, but subsequently disclosures relating to fair values are required by paragraph 130(f)(iii) if they are in Level 2 or 3 of the hierarchy. As such the entity would need to determine the level in the hierarchy and the cost of disclosing it would be negligible.
AASB 136.134(e)	We question why the disclosures relating to determination of recoverable amount based on fair value are not required while disclosures that might be considered similar in nature relating to the determination of value in use are required under paragraph 134(d).
AASB 141.54(a)	We do not think that the removal of this disclosure makes sense. In our view it would not be useful to provide an explanation of why fair value of a biological asset cannot be measured (paragraph 54(b)) but not disclose what type of biological asset it relates to (paragraph 54(a)). Therefore this disclosure should be retained.
AASB 1055.6	We do not agree with the proposal to remove the requirement for disclosure of the budgeted statement of profit or loss and other comprehensive income. This provides insights to users on the operating performance/budgeted opex, which we consider would be of critical importance to users of public sector entities' budgeted information. As such we consider the benefits of disclosing this information would exceed the costs.
AASB Interpretation 129.6(d),(e)	We consider that disclosures relating to service concession arrangements should include the details of changes to the arrangement and how it has been classified, which provides important information to users for which we would expect benefits to exceed the costs of providing the information.

Disclosures we are of mixed views and therefore the Board might wish to reconsider for Tier 2 entities:

Reference	Comment
AASB 1.26	While we understand that this is considered to be guidance relating to the reconciliations required by paragraph 24, which are now removed for Tier 2 entities, we believe including disclosure relating to correction of prior period errors ought to be considered, consistent with AASB 108.

Reference	Comment
AASB 1.32-33	Paragraph 32 refers back to paragraph 23, which is required for Tier 2 entities, but applies only to annual financial statements. Given that few disclosures required by AASB 134 are removed under RDR we would expect that it is made clear that the base requirements of paragraph 23 apply also to interim financial statements. Similarly for paragraph 33.
AASB 6.25	We suggest that the highlighted text in this paragraph, 'and make the disclosures required by either AASB 116/NZ IAS 16 or AASB 138/NZ IAS 38 consistent with how the assets are classified' should not be removed for Tier 2 entities. We recognise its removal complies with the stated principle of removing general cross-references. (See our comment on this point under Specific Matter 6 in Appendix A.) However, there is considerable debate for exploration and evaluation assets as to which standard should govern their subsequent measurement and presentation/disclosure; i.e., AASB 116 or AASB 138. As such, we consider this text provides useful guidance on this matter.
AASB 7.22C	This disclosure relates to an important change relating to hedging introduced by AASB 9. The costs of disclosing this information shouldn't be high as the entity has completed the work needed to achieve hedge accounting, and it provides users with a better understanding of the entity's hedging strategies.
AASB 7.42A-42H	We believe that there should be some level of disclosure under RDR for transfers of financial assets. There often is a fine line between recognising borrowings and derecognising receivables which can make a significant difference on matters such as gearing. Providing these disclosures allows users to obtain an understanding of an entity's derecognition/transfer activities.
AASB 12.21(a)(ii)	This is an example of general guidance that we believe would be of assistance to Tier 2 entities in preparing their financial statements. (Refer to our comments on Specific Matter 5 in Appendix A.)
AASB 12.23(b)	As noted in Appendix A under Specific Matter 6, we consider that cross-referencing to other standards does not require any additional disclosure and that removal of such cross-references could result in confusion.
AASB 15.119(c)	We think that principal vs agent assessments represent a significant judgement that can have a material impact on the revenues and costs of an entity. As such we believe that a description of 'the nature of goods or service that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (ie if the entity is acting as an agent)' fall under a KDA (significant estimates and judgments specific to a transaction or event).
AASB 15.B87	This paragraph introduces the application guidance in B88-B89. Deleting B87 will not remove disclosure burden, but it may make reading the disclosure requirements more confusing (unless B88-B89 is co-located with the paragraph 114 disaggregation of revenue requirement in the proposed RDR Appendix to AASB 15).
AASB 15.C8(a)	We do not agree with the proposal to remove the disclosure of the current period trend information when the modified retrospective transition option is chosen (i.e., the financial statement line item amounts for the current period on the basis that existing revenue standards had still applied). Although this disclosure may not strictly represent a KDA for assessing liquidity/solvency or as a significant transaction/event, this disclosure provides users with trend information to be able to assess performance between the prior year and current year in circumstances where the modified retrospective transition method is applied. This might suggest that the key disclosure areas (which do

Reference	Comment
	not seem to focus directly on financial performance) do not completely capture the user information needs identified on page 6 of the preface to ED 277.
AASB 16.B51(a),(b) & (d)	We question whether this information would be costly to provide as an entity would have views on why they are providing residual value guarantees. Further, as this represents guidance on the application of paragraph 51 we believe it is beneficial for such guidance to be kept for Tier 2 entities. See our response to Specific Matter 5 in Appendix A.
AASB 101.78	Removal of the guidance in this paragraph seems counterintuitive considering the nature of many Tier 2 entities. Additional guidance, such as that provided here by cross referencing to other standards, is likely to be of use to such entities. Refer to our comments on Specific Matters 5 and 6 in Appendix A; this is an example of the more general points raised therein.
AASB 101.131	This is a further example of general guidance that we believe would be of assistance to Tier 2 entities in preparing their financial statements.
AASB 110.13	This is a further example of where we consider removal of a general cross reference to be potentially confusing. It could be taken in isolation to imply that disclosure of the dividend in the notes is not required.
AASB 110.18	Removal of the general guidance provided in this paragraph seems unnecessary. If relevant to Tier 1 entities it would appear to be equally relevant to Tier 2 preparers.
AASB 116.77(b)	We consider that there is significant benefit to users in understanding whether an independent valuer has been involved in determining a valuation, and that the cost of providing such disclosure would be minimal.
AASB 119.135	This is a specific instance of where we consider that removal of the paragraph requiring disclosures to meet a stated objective would potentially be confusing to preparers given that certain disclosures under paragraphs 139 and 140-144 as referred to here are still required to be disclosed by Tier 2 entities.
AASB 121.52(b)	We consider the removal of this disclosure could potentially lead to confusion by implying that it does not need to be disclosed, when it is required by AASB 101.106. This is also an example of where the distinction between presentation and disclosure might be considered to be somewhat blurred.
AASB 124.16, 22	This is a further example of where we consider removal of general guidance is not serving the best interests of Tier 2 preparers.
AASB 134.15A	We consider that this paragraph provides useful guidance on the nature of the disclosures required and should be retained for Tier 2 entities.
AASB 140.75(e)	Consistent with our comment above on AASB 116.77(b), we believe that there is benefit to users in understanding whether an independent valuer has been involved in determining a valuation, and that the cost of providing such disclosure would be minimal.
AASB 141.53	We consider that this paragraph provides useful guidance to Tier 2 entities on the disclosure of risks associated with agricultural activity (a KDA), and therefore should be retained.