



Project:	Additional disclosures	Meeting	AASB September 2019 (M172)
Topic:	Disclosure of effect of new IFRS Standard not yet issued in Australia	Agenda Item:	12.1
		Date of Agenda Paper:	4 September 2019
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		Decision-Making:	Low
		Project Status:	n/a

Objective of this paper

- 1 The objective of this paper is to ask the Board to consider appropriate standard-setting action regarding requiring entities to disclose the effect of new IFRS Standards that have not yet been issued by the AASB as Australian Accounting Standards.

Reasons for bringing this paper to the Board

- 2 The reason for bringing this paper to the Board is to inform the Board that the New Zealand Accounting Standards Board (NZASB) has issued an Exposure Draft which proposes amendments to FRS-44 *New Zealand Additional Disclosures*. The ED proposes to require an entity to disclose information specified in paragraph 30 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in relation to an IFRS Standard that has not yet been issued by the NZASB. Staff is of the view that such a scenario may arise in Australia.

Summary of staff recommendations

- 3 Staff recommend that a similar amendment should be made to AASB 1054 *Australian Additional Disclosures* to ensure that IFRS compliance can be maintained automatically when for-profit entities comply with Australian Accounting Standards. An Exposure Draft process is needed to make such an amendment.

Background

- 4 NZASB Exposure Draft 2019-2 *2019 Omnibus Amendments to NZ IFRS* issued in May 2019 proposes to add additional disclosure requirements in FRS-44 that if an IFRS Standard has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the NZASB, an entity must disclose the information specified in NZ IAS 8 in relation to that IFRS Standard.

- 5 The NZASB ED also proposes amendments to FRS-44 in relation to the NZ requirements for a statement of service performance. There is no corresponding statement in Australian financial reporting, and so those amendments are not addressed further.
- 6 Paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of the fact that an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, along with information relevant to assessing the possible impact that application of the new Standard will have on the entity's financial statements in the period of initial application. Paragraph 31 identifies various details an entity should consider disclosing, such as the nature of the impending change in policy. Tier 2 entities are not required to comply with either paragraph 30 or 31 under Australian Accounting Standards-Reduced Disclosure Requirements.

Staff Analysis

- 7 As per the AASB's Key Performance Indicators, when an IFRS Standard is issued by the IASB, the AASB aims to issue an equivalent Australian Accounting Standard within two months of the release of the IFRS Standard. The AASB's intention is that the entities that comply with AAS should be able to assert compliance with IFRS Standards. This would not be possible in a situation where an entity's reporting date falls between the date of the IASB issuing a Standard and the AASB issuing the corresponding Australian Accounting Standard, as the AASB 108 disclosure requirements would not apply in relation to the IFRS Standard.
- 8 Staff agree with the NZASB that under these circumstances, an entity would not be able to assert compliance with IFRS Standards unless it elected to make the disclosures set out in paragraphs 30 and 31 of AASB 108.
- 9 Staff recommend adding an additional disclosure requirement to AASB 1054 that requires that, if an IFRS Standard has been issued by the IASB but the equivalent AAS has not yet been issued by the AASB, an entity will be required to disclose the information in paragraphs 30 and 31 of AASB 108 in relation to that IFRS Standard. This would ensure that entities applying the AAS can assert compliance with IFRS Standards.
- 10 Furthermore, AASB 1054 was developed in conjunction with the NZASB developing FRS-44 as part of the trans- Tasman harmonisation project. The aim of the trans-Tasman harmonisation project was to align Australian Accounting Standards and NZ-IFRS in respect of disclosures additional to those required by IFRS Standards. *The AASB's For-Profit Entity Standard-Setting Framework* sets out that the differences between accounting Standards issued in Australia and New Zealand for for-profit entities should be minimised wherever possible to reduce the costs for entities operating trans-Tasman.¹ Therefore, it would be helpful if a similar amendment is made to AASB 1054.

Tier 2

- 11 The disclosures set out in paragraphs 30 and 31 are not required of Tier 2 entities under Australian Accounting Standards – Reduced Disclosure Requirements. Similarly, these disclosures are not required in the proposed Simplified Disclosure Standard.² Therefore, staff

1 See paragraphs 26 and 39. The Standard-Setting Framework is published on the AASB's website – linked [here](#).

2 See ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* published on the AASB's website – linked [here](#)

consider it would be appropriate to propose that Tier 2 entities would not be required to provide the same disclosures in relation to new IFRS Standards. This approach has also been proposed in the NZASB ED.

Staff Recommendation

- 12 Staff recommend that a similar amendment should be made to AASB 1054 *Australian Additional Disclosures* to ensure that IFRS compliance can be maintained. An Exposure Draft process is needed to make such an amendment.

Questions to the Board

- Q1 Do Board members agree that an additional disclosure requirement should be added to AASB 1054?
- Q2 Do Board members agree that an exposure draft should be issued?

Next Steps

- 13 Based on the relevant parts of the NZ ED, set out in the Appendix to this agenda paper, staff anticipate a straightforward ED. Accordingly, if Board members agree with the above recommendations, staff propose that a draft Exposure Draft be approved for issue by the Chair. A simple majority vote of the Board is required for the issuance of an ED, which may be delegated to the Chair as per the Board's Charter. The alternative approval mechanisms of voting by all Board members or approval by a sub-committee of members do not seem warranted.
- 14 Staff propose a two-month comment period, to extend the comment due date beyond 15 November, which is the due date for submissions on the major Exposure Drafts, ED 295 and ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.
- 15 The NZASB ED proposes an effective date for the amendments of annual reporting periods beginning on or after 1 January 2020, with early adoption to be permitted. This date would also be suitable in Australia and would maintain trans-Tasman harmonisation. Staff recommend that the ED include this proposed effective date.
- 16 Assuming final approval for the issuance of the ED is delegated to the Chair, the staff propose the following timeline for the next steps:

19-26 September	Finalise Exposure Draft
30 September	Issue ED, following approval of the Chair
30 November	Comment period closes
2-6 December	Consider comments received on ED and draft amending Standard
9-16 December	Present comments to Board and vote out of session on Standard
17 December	Issue Standard

Questions to the Board

- Q3 Do Board members agree to delegate to the Chair the approval to issue the ED, or instead to adopt a different approval mechanism?
- Q4 Do Board members support a two-month comment period and a proposed effective date of 1 January 2020?
- Q5 Do Board members support the proposed timeline?

APPENDIX

NZASB Exposure Draft ED 2019-2 2019 Omnibus Amendments to NZ IFRS (May 2019)

Amendments proposed to FRS-44

FRS-44 New Zealand Additional Disclosures

Paragraph 6.1 and the related heading and paragraph 19 are added and paragraphs 12.1–12.10 and their related heading are deleted. New text is underlined and deleted text is struck through.

Disclosures

...

IFRS issued but not yet effective

...

***6.1** When an IFRS has been issued by the International Accounting Standards Board but the equivalent NZ IFRS has yet to be issued by the XRB, an entity must disclose the information specified in paragraphs 30 and 31 of NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors in relation to that IFRS.*

...

Elements in the statement of service performance

~~12.1–12.10~~ ~~[Deleted] Where a statement of service performance is presented it shall describe and disclose the outputs of an entity. Similar individual outputs may be aggregated.~~

~~12.2~~ This Standard refers to the statement in paragraph 12.1 as a “statement of service performance”. The statement might, however, be differently named in legislation. The aim of such statements, by whatever name called, remains the providing of:

- ~~(a)~~ narrative and statistics on the entity’s performance in supplying goods and services; and
- ~~(b)~~ information on the effects on the community of the entity’s existence and operations.

...

~~12.10~~ Actual and projected service performance are to be reported consistently with one another. The information is to be sufficiently specific for performance to be assessed.

Effective date

...

19 2019 Omnibus Amendments to NZ IFRS, issued in [date], added paragraph 6.1 and the related heading and deleted paragraphs 12.1–12.10. An entity shall apply those amendments for annual periods beginning on or after [date]. Earlier application is permitted.

NZASB Basis for Conclusions on FRS-44 *New Zealand Additional Disclosures*

This Basis for Conclusions accompanies, but is not part of, FRS-44.

Introduction

BC1 This Basis for Conclusions summarises the New Zealand Accounting Standards Board's (NZASB's) considerations in amending FRS-44. The FRSB Basis for Conclusions on FRS-44 sets out the matters considered when FRS-44 was first issued in 2011.

2019 Omnibus amendments to NZ IFRS

IFRS issued but not yet effective

BC2 Although the NZASB considers and issues the New Zealand equivalent to a new IFRS as soon as possible after the IASB issues the standard, the NZASB acknowledged that there may be times when an entity's reporting date falls between the date of the IASB issuing the IFRS and the NZASB issuing the equivalent NZ IFRS. Under these circumstances, a Tier 1 for-profit entity applying NZ IFRS would not be able to assert compliance with IFRSs unless it made the disclosures required by paragraphs 30 and 31 of IAS 8 in addition to the disclosures required by NZ IAS 8.

BC3 To ensure that Tier 1 for-profit entities applying NZ IFRS are able to simultaneously assert compliance with IFRSs, *2019 Omnibus Amendments to NZ IFRS* added paragraph 6.1 to require that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity is required to disclose the information in paragraphs 30 and 31 of NZ IAS 8 in relation to that IFRS.