



Project:	New Tier 2 Standard based on IFRS for SMEs	Meeting	AASB June 2019 (M171)
Topic:	Cover memo	Date:	30 May 2019
		Agenda Item:	3.0
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		Decision-Making:	High
		Project Status:	Exposure Draft

Objective of this agenda item

- The objective of this agenda item is to ask the Board to:
 - Confirm the principles on which the assessments have been made;
 - agree** with the assessment and recommendations made by staff in comparing the recognition, measurement (R&M) and disclosure requirements in IFRS for SMEs standard and full Australian Accounting Standards (AAS) (see agenda papers 3.2);
 - agree on the assessment of disclosures for NFP entities (see agenda papers 3.3);
 - if appropriate, **approve** the Exposure Draft 28X *New Accounting Standard: General purpose Financial Statements – Simplified Disclosures for Tier 2 Entities* including its Basis for Conclusions (see agenda paper 3.1); and
 - agree** on the next steps and timeline.

Why should the Board consider this agenda item at today's meeting?

- In its February 2019 meeting, the Board decided to progress with developing a separate IFRS for SMEs-based disclosure standard. This would be a new Tier 2 Standard which will replace the current Reduced Disclosure Requirements (RDR) framework for for-profit entities that are not publicly accountable and not-for-profit private sector entities and public sector entities¹, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments, while retaining the full recognition and measurement requirements of AAS.
- Staff have now completed the comparison of R&M and disclosure requirements in the IFRS for SMEs standard with full AAS, and a draft Exposure Draft 28x (the ED) is presented for Board's approval.

Summary of staff recommendations

- In preparing the draft Exposure Draft, staff had to make a number of decisions on various matters. These are highlighted and explained in comment boxes in agenda paper 3.1. Those decisions that staff considered to be key matters requiring the Board's approval are also discussed in the Basis for Conclusions in the draft

¹ As decided by the AASB in its April 2019 meeting

ED and are identified as **Major judgements – for the Board to consider**. In summary, staff are seeking approval on the following issues:

Questions to the Board:

Q1: Does the Board agree with the staff recommendations on the key issues identified in BC38 to BC53 of agenda paper 3.1, in particular in relation to:

Q1a – replacing entire standards with the new Tier 2 Standard (BC42 to BC50);

Q1b – the judgements made in adding, removing or adapting IFRS for SMEs disclosures (BC51 to BC58);

Q1c – the decisions made not to cover certain Standards and Interpretations in the new Tier 2 Standard (BC59 to BC61)?

If not, which of the specific decisions does the Board not agree with? Does the Board have any other observations on the detailed analysis that is included in agenda paper 3.2?

Q2: Does the Board agree with staff recommendations in relation to the principles applied in identifying additional disclosures for NFP and public sector entities as explained in BC40 (Q2a in agenda paper 3.1), and the disclosures identified by applying those principles (Q2b - see BC62 to BC65 in agenda paper 3.1)? (Detailed analysis is included in agenda paper 3.3)

Q3: Does the board agree with the key decisions made in drafting the ED in relation to the title (Question 3a in agenda paper 3.1), specific matters for comments (Question 3b in agenda paper 3.1) and drafting conventions of the exposure draft (Question 3c/BC66-BC68 in agenda paper 3.1) in agenda paper 3.1?

Q4: Does the Board agree with the transitional requirements explained in BC69-BC74 and consequential amendments sets out in Appendix C in agenda paper 3.1?

Q5: On the basis of the decisions on Q1 to Q4, does the Board agree to approve the ED along with the Basis for Conclusions subject minor changes agreed by the Board? If more significant changes are necessary, does the Board agree that the ED can be approved out of session by a sub-committee?

Q6: Does the Board agree with the timeline set out in paragraph 9 of this cover memo?

Attachments

Agenda Paper 3.1	[Pre Ballot Draft] Exposure Draft 2XX <i>New Accounting Standard: General Purpose Financial Statements – Simplified Disclosures for Tier 2 Entities</i>
Agenda Paper 3.2	Staff Analysis: Detailed comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis of impact on disclosures (For for-profit entities)
Agenda Paper 3.3	Staff Analysis: extent of NFP modification required
Agenda Paper 3.4	Staff Analysis: AASB Standards coverage in the new Tier 2 Standard (included in the supplementary folder)
Agenda Paper 3.5	Staff Analysis: AASB Interpretations coverage in the new Tier 2 Standard (included in the supplementary folder)
Agenda Paper 3.6	Staff Analysis: Detailed comparison with SDR and RDR (included in the supplementary folder)

Overall approval

Issuance of the Exposure draft

- 5 Staff believe that the proposals included in this new Tier 2 standard are in the best interests of the constituents and achieve the objective of providing disclosures that are less than what is required under current RDR framework and more than the SDR framework proposed in ITC 39. This is also evident by the

staff's analysis comparing RDR and SDR disclosures with the proposed disclosures in this new Tier 2 standard (refer to agenda paper 3.6)

- 6 Staff intend to publish the final analysis (i.e agenda paper 3.2) with mark-ups along with the ED. This will show the edits made to the IFRS for SMEs disclosures and also explain staff's rationale behind retaining, removing or adding disclosures. The same applies to the analysis which is supporting the proposed NFP/public sector disclosures (agenda paper 3.3). The alternative is to leave the mark-ups in the Ed and remove for the final standard.
- 7 On that basis, staff recommend that the Board issues this ED according to the timeline proposed below subject to the Board's decisions on Q1 to Q5.

Comment period

- 8 Staff note that the Board discussed the length of the comment period for this ED at the meeting in April 2019, and agreed on 120 days. While this period is longer than the normal period of 90 days recommended in the *AASB Policies and Processes* document, it reflects the significance of the proposals and the fact that Australian stakeholders will need sufficient time to analyse the proposed disclosures. In deciding on the longer comment period, the AASB also acknowledged that the ED is likely to be issued either shortly before or shortly after 30 June, which means that many stakeholders may not be able to properly assess the proposals until they have finalised their financial year-end processes.

Question to the Board:

Q6: On the basis of the decisions on Q1 to Q5, does the Board agree to issue the ED unamended along with the Basis for Conclusions, or subject to amendments? If amendments are necessary, does the Board agree that the ED can be approved out of session?

Timeline and next steps

- 9 The timeline and next steps are included in the table below:

Date/Meeting	Task
June meeting	The board to approve the ED. If the ED is not approved, staff will revise the draft based on Board recommendations and obtain approval out of session from sub-committee of Board members, subject to any other Board decisions
17-27 June	Staff to address Board's comments on the pre ballot draft ED if ED not approved at June meeting
28 June	Send ballot draft ED to Board sub-committee for voting out of session
12 July	Voting closes on ballot draft of ED
17 July	Issue ED (as a standalone ED)

Question to the Board:

Q7: Does the Board agree with the timeline?