



# Reduced Disclosure Requirements

## Project summary

This is a domestic project that is being undertaken by the AASB with the New Zealand Accounting Standards Board. The objective of this project is to determine whether it is necessary to change the current principles for determining the reduced disclosure requirements that are available for application by Tier 2 entities and, if so, what those changed principles would be. In addition, this project will determine the process for updating the reduced disclosure requirements and whether the current method of communicating the reduced disclosure requirements by shading (asterisking [\*] in New Zealand) should be retained or replaced by another method (e.g., a separate appendix to each standard containing the reduced disclosure requirements that are available for application by Tier 2 entities).

ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* was issued in January 2017 and was open for comment until 26 May 2017.

## Project contact

Tim Austin  
taustin@aab.gov.au  
03 9617 7638

Clark Anstis  
canstis@aab.gov.au  
03 9617 7616

**Project priority:** Medium

## Issued documents

- ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*
- ED 277 – Staff analysis

## AASB outreach

- Roundtables held in Melbourne, Sydney and Canberra.
- <http://www.aasb.gov.au/News/AASB-events/Past-Events.aspx?preview=true>

## Project status

- ED 277 comment period closed 26 May 2017
- Feedback to be considered at AASB August meeting

## Board deliberations

- AASB Action Alert Update and Board Papers

## NZASB

- [Link to NZASB project page](#)

## AASB communications

- Australian Financial Reporting Framework project summary
- Media Release (2 February 2017)

## Project news

### Date

### News

16 August 2017

August 2017 Action Alert

3 May 2017

May 2017 Action Alert

15 December 2016

December 2016 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **16 August 2017**

## AASB Action Alert Update and Board Papers

Meeting Date	Update
August 2017	<p>The Board tentatively decided after considering the feedback on Exposure Draft ED 277 <i>Reduced Disclosure Requirements for Tier 2 Entities</i> to:</p> <ul style="list-style-type: none"> <li>(a) progress the project in conjunction with the New Zealand Accounting Standards Board;</li> <li>(b) conduct further outreach regarding the key disclosure areas as the base for identifying required disclosures. A wider range of users and preparers of Tier 2 financial statements in the for-profit and not-for-profit sectors will be consulted;</li> <li>(c) conduct further outreach regarding the method of presenting the reduced disclosure requirements in AASB Standards, focussing on preparers; and</li> <li>(d) consider Specific Matters for Comment 4, 5 and 6 – the approaches to accounting policy requirements, guidance paragraphs and cross-referencing – after a decision is made on the presentation method, as these are directly linked.</li> </ul> <p><a href="#">7.1</a> Collation of Comments on ED 277</p> <p><a href="#">7.2</a> Collation of responses listed by Specific Matter for Comment</p>
May 2017	<p>Staff updated the Board on the recent roundtable discussions held in Melbourne, Sydney and Canberra. The Board requested Staff to obtain additional feedback from preparers of Tier 2 financial statements through targeted outreach.</p>
December 2016	<p>The Board made the following decisions regarding its draft Exposure Draft ED 2XX <i>Reduced Disclosure Requirements for Tier 2 Entities</i> and draft Analysis Document for determining Tier 2 disclosure requirements:</p> <ul style="list-style-type: none"> <li>(a) issue the ED late January 2017;</li> <li>(b) a comment period of 120 days, with comments due around the end of May 2017;</li> <li>(c) include the proposed <i>Policy for Determining RDR for Tier 2 Entities in Australia and Tier 2 For-profit Entities in New Zealand</i>, which would replace the Board's current approach for determining Tier 2 disclosures;</li> <li>(d) propose an appendix for each Standard that includes disclosure requirements. The appendix would contain the Tier 2 disclosures for that Standard. This approach would replace the Board's current approach of shading disclosures within the Standard that Tier 2 entities are not required to provide;</li> <li>(e) a proposed effective date of annual periods beginning on or after 1 January 2019;</li> <li>(f) permit early application of the amended Tier 2 disclosures for annual periods beginning on or after 1 January 2018, with: <ul style="list-style-type: none"> <li>(i) AASB 101 <i>Presentation of Financial Statements</i>, AASB 107 <i>Statement of Cash Flows</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> as revised through this ED applied at the same time an entity first applies a Standard that is revised by this ED; and</li> <li>(ii) early adoption of the amended Tier 2 disclosures in AASB 140 <i>Investment Properties</i> permitted only when the entity also applies AASB 16 <i>Leases</i> (as AASB 16 amended AASB 140); and</li> </ul> </li> <li>(g) the Analysis Document to be publicly available with the ED.</li> </ul> <p>The ED proposals are to amend the Tier 2 disclosures. The ED would not change which entities are permitted to report in accordance with Tier 2 accounting requirements and would not change the recognition and measurement requirements applying to Tier 2 entities.</p>

## AASB Action Alert Update and Board Papers

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	<p><a href="#">4.0</a> Addendum to 4.0 Cover Memo</p> <p><a href="#">4.0</a> Cover Memo: Reduced Disclosure Requirements</p> <p><a href="#">4.1</a> Draft ED 2XX Reduced Disclosure Requirements for Tier 2 Entities</p> <p><a href="#">4.2</a> Draft analysis of standards and interpretations to determine disclosure requirements for Tier 2 entities (for information only)</p>
<b>June 2016</b>	<p>The Board agreed the draft joint Australian and New Zealand Policy Statement for Determining RDR for Tier 2 Entities be finalised for comments provided by joint RDR Subcommittee members.</p> <p>The Board also noted the progress in the preparation of the analysis of AASB Standards based on the RDR Decision Making Framework and asked AASB staff to prepare an Exposure Draft of Reduced Disclosure Requirements for consideration at a future meeting.</p> <p><a href="#">11</a> Cover memo – Reduced Disclosure Requirements</p> <p><a href="#">11.1</a> Policy document Reduced Disclosure Requirements (RDR)</p>
<b>April 2016</b>	<p>The Board:</p> <p>(a) agreed the RDR project should continue as a joint project with the New Zealand Accounting Standards Board (NZASB);</p> <p>(b) reconfirmed its previous tentative decision to rely on AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> for accounting policy disclosures; and</p> <p>(c) agreed, where the NZASB approach to RDR is different from Board’s tentative decisions, an appendix will illustrate the differences using two standards.</p> <p>The Board tentatively decided to:</p> <p>(a) reconfirm its previous tentative decision to develop, with the NZASB, one policy document that sets out Tier 2 principles and identifies any differences in those principles;</p> <p>(b) add material to the decision-making framework to explain how the presumption that the benefits of a disclosure would exceed the costs can be rebutted; and</p> <p>(c) not rely on AASB 101 and AASB 108 for disclosures of significant estimates and judgements specific to a transaction or event.</p> <p>It is planned to bring the ED for voting at the August 2016 meeting.</p> <p><a href="#">3</a> Memorandum : Reduced Disclosure Requirements</p> <p><a href="#">3.1</a> Staff Paper : Progressing the AASB/NZASB joint RDR project</p> <p><a href="#">3.2</a> Draft ED Preface and Basis for Conclusions</p>
<b>February 2016</b>	<p>The Board tentatively decided to:</p> <p>(a) retain paragraphs that provide guidance on disclosures for Tier 2 entities;</p> <p>(b) specifically seek feedback on a new approach of identifying Tier 2 disclosures in an appendix for each Standard;</p> <p>(c) when a Standard does not have separate sections for disclosure and presentation requirements, include both presentation and disclosure requirements in the Tier 2 appendix. Feedback will be sought on this proposal; and</p> <p>(d) reduce disclosures in a Standard relating to accounting policies on recognition or measurement because the disclosure requirements in AASB 101 &amp; AASB 108 are</p>

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	sufficient. The Board noted: (a) the reduction of significant estimates and judgements disclosures specific to a transaction or event because the disclosure requirements of AASB 101 & AASB 108 are sufficient needs to be reconsidered; (b) the post-implementation review of the current reduced disclosure requirements for Tier 2 entities will be included in the ED; and (c) notwithstanding the RDR project is a joint project with the NZASB, a joint ED would not be issued. The Board noted the only difference is the NZASB does not intend to use the appendix approach to presenting disclosures for Tier 2 entities. The Board expects to vote on an ED at the April 2016 meeting. Staff will develop illustrative examples to explain these tentative decisions. <a href="#">3</a> Memorandum re RDR Deliberations <a href="#">3.1</a> Staff Paper: RDR Appendices <a href="#">3.2</a> Staff Paper: RDR Supporting Analysis
<b>October 2015</b>	The Board tentatively decided: (a) to propose the effective date of the revised RDR framework to be annual reporting periods beginning on or after 1 January 2018; (b) that disclosure concessions may apply for AASB 101 <i>Presentation of Financial Statements</i> , AASB 107 <i>Statement of Cash Flows</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to Tier 2 entities. The Board also noted that this tentative decision may result in less disclosure than for special purpose financial statements for these standards; (c) Tier 1 and Tier 2 entities should have the same presentation requirements in relation to the face of the primary financial statements; (d) to amend the description of presentation in the Tier 2 Disclosure Principles to better distinguish presentation from disclosure; (e) the paragraph proposed to be at the beginning of the RDR Appendix of each Standard addressing accounting policies, significant judgements and sources of estimation and uncertainty that are addressed in AASB 101 and AASB 108 should specifically note that, notwithstanding the disclosure concessions in the Standard, entities will still need to consider the application of AASB 101 and AASB 108 in regard to paragraphs in Standards addressing these issues; (f) that, in principle, early application of the revised RDR framework be permitted, and AASB 101, AASB 107 and AASB 108 be applied at the same time an entity first applies a revised RDR Standard; and (g) to not include any transitional provisions in the ED, but to ask a specific question in relation to this issue in the ED. <a href="#">15.0</a> Memorandum: RDR Tier 2 Principles <a href="#">15.1</a> Staff paper: Sweep Issues – Presentation of Financial Statements <a href="#">15.2</a> Staff paper: Sweep Issues – Effective date, Early Application and Transitional Requirements
<b>September 2015</b>	The Board refined the Reduced Disclosure Requirements (RDR) decision-making framework:

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|  | <ul style="list-style-type: none"> <li>(a) to articulate a frame of reference for the overarching principles of user needs and cost-benefit;</li> <li>(b) for the Supporting Disclosure Areas (SDAs) removing the rebuttable presumption that costs exceed benefits and clarifying that SDAs need to provide a user with a basic level of understanding of significant transactions and events;</li> <li>(c) to include an additional category of disclosure areas – Other Disclosure Areas (ODAs). ODAs would be subjected to a rebuttable presumption that the benefits of disclosure do not exceed the costs; and</li> <li>(d) to articulate the principle that the disclosures in relation to significant judgements and estimates and accounting policies required for Tier 2 entities are located in AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, and that staff should use this principle to evaluate the need to retain for Tier 2 entities similar disclosures in other Standards.</li> </ul> |
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The Board tentatively decided that the refined RDR decision-making framework be applied by:

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|  | <ul style="list-style-type: none"> <li>(a) starting with the disclosures required for Tier 1 entities and reduce them to identify the disclosures that Tier 2 entities are required to make; and</li> <li>(b) presenting Tier 2 in an appendix to each Standard that identifies, for that Standard, the disclosures required for Tier 2 entities.</li> </ul> |
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The Board directed staff to bring back to the October Board meeting:

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|  | <ul style="list-style-type: none"> <li>(a) consideration of how the framework should be applied to AASBs 101, AASB 107 <i>Statement of Cash Flows</i> and AASB 108, including whether the statements of financial performance, financial position and cash flow be the same for Tiers 1 and 2; and</li> <li>(b) sweep issues, including the proposed application date.</li> </ul> |
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[4.1](#) Memorandum from Vanessa Sealy-Fisher (NZASB), Mark Shying and Lisa Panetta (AASB) dated 18 August 2015 re Reduced Disclosure Requirements

[4.2](#) Staff Issues Paper: RDR Process

[4.3](#) Staff Issues Paper: Application of RDR Framework

[4.4](#) Staff Issues Paper: RDR – Identifying Disclosure Requirements

### July 2015

The Board tentatively decided to establish a Reduced Disclosure Requirements (RDR) decision-making framework (RDR Framework) for use in determining the minimum disclosures required of all Tier 2 entities.

The Board tentatively decided the essential features of its RDR Framework are:

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|  | <ul style="list-style-type: none"> <li>(a) the overarching principles of user needs and cost-benefit;</li> <li>(b) disclosure of financial performance, financial position and cash flows;</li> <li>(c) to meet user needs there are two key disclosure areas (KDAs):           <ul style="list-style-type: none"> <li>(i) current liquidity at an entity level and solvency (or funding position if a public sector entity) and associated key risks; and</li> <li>(ii) transactions and other events significant or material to understanding the entity's operations as represented by financial performance, financial position and cash flows including:</li> </ul> </li> </ul> |
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CORE DISCLOSURE AREAS

- (a) commitments and contingencies;
- (b) impairment;
- (c) related parties; and
- (d) subsequent events;

SUPPORTING DISCLOSURE AREAS

- (a) nature of transaction or event;
  - (b) accounting policy on when to recognise and how to measure;
  - (c) significant estimates and judgements specific to a transaction or event; and
  - (d) associated key risks specific to a transaction or event; and
- (d) some guidance to be developed to complement the RDR Framework to assist Tier 2 entities in applying the disclosure requirements, including consideration of materiality when determining the transactions and other events to disclose. The Board did not decide the format of the guidance at this meeting (e.g., whether application guidance or part of the Standard).

The Board noted that the RDR Framework would establish a minimum but that just as for Tier 1 entities there may need to be additional disclosures to provide a true and fair view. In addition, Tier 2 disclosures should always be a subset of Tier 1 disclosures. The Board directed staff to apply the RDR decision-making Framework to a number of Standards for discussion at the September Board meeting.

**6.1** Memorandum from Mark Shying and Vanessa Sealy-Fisher dated 23 June 2015 re Reduced Disclosure Requirements (Tier 2) Principles

**6.2** Staff Issues Paper: Principle for RDR Disclosure

**6.3** Staff Issues Paper: Analysis of RDR Disclosures

**6.4** Staff Paper Trans-Tasman Financial Reporting Outcomes

**May 2015**

The Board tentatively decided that there is a need to change the existing RDR principles, given feedback on the take-up of RDR and the challenges in implementing the principles. The Board discussed proposed replacement principles for determining RDR, their use and how they might be improved. The Board noted that in the context of identifying disclosures that satisfy user needs, the following disclosures are likely to be relevant for all types of users:

- (a) financial performance, financial position and cash flows [this could be achieved by presenting the relevant statements];
- (b) liquidity (ability to meet current obligations) and solvency (ability to meet obligations over the long term) [could be achieved by providing information about short-term cash flows and obligations, debt repayment terms, commitments and contingencies, whether or not recognised as liabilities, including tax obligations]. In a NFP entity, the emphasis for liquidity disclosures is more likely to be on funding than debt levels;
- (c) the entity's accounting policy choices and any changes in those policies;
- (d) transactions and other events that are significant to the entity in its operations, including subsequent events that significantly affect assessments of future cash flows; and
- (e) risks to which the entity is exposed (for example, related party transactions, assets

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used as security for debt, impairments and estimates and judgements).

The Board also noted that accountability should be incorporated as a key disclosure. The Board tentatively decided that some general principles should be developed to precede the key disclosure areas.

The Board tentatively decided that the key principles and key disclosure areas should be combined with relevant specified disclosures. Application of the principles and specified disclosures should be subject to materiality considerations.

The Board decided that the methodology used should be flexible enough to accommodate the deletion for Tier 2 entities of disclosures required of Tier 1 entities and any future decisions by the Board to rewrite disclosure requirements for Tier 2 entities. The Board considered it was premature for it to determine how this would be achieved.

The Board decided that, in future, an ED proposing RDR requirements for a new standard will be based on the final International Financial Reporting Standard, rather than the ED preceding the Standard.

The Board decided to progress the RDR project as a joint project with the New Zealand Accounting Standards Board, noting the policy requirement of the Joint Statement of Intent: Single Economic Market Outcomes signed by the Prime Ministers of Australia and New Zealand.

- [12.1](#) Memorandum from Vanessa Sealy-Fisher (NZASB) and Mark Shying dated 12 May 2015 re Reduced Disclosure Requirements
- [12.2](#) AASB/NZASB staff issues paper: Reduced Disclosure Requirements – Proposed Principles
- [12.3](#) AASB/NZASB staff issues paper: Reduced Disclosure Requirements – Method of Communicating RDR