



ROUNDTABLE DISCUSSIONS SUMMARY:

Proposed amendments to Reduced Disclosure Requirements (RDR) in Exposure Draft ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*

Overview

To obtain feedback from stakeholders on the proposed amendments to Reduced Disclosure Requirements (RDR) in Exposure Draft ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*, in April 2017 the AASB hosted roundtable events in Sydney, Canberra and Melbourne.

The roundtables focused on obtaining feedback on the following:

- the overarching principles and the key disclosure areas (KDAs)
- the proposed approach to accounting policies and estimates and judgements
- the proposed approach to guidance and cross-references
- the application of the proposed framework to the standards
- the proposed method of presentation
- the proposed approach to standards with no clear distinction between presentation and disclosure paragraphs
- the proposed application date and transition requirements.

Overarching principles/key disclosure areas

Most participants agreed with the KDAs of *a) liquidity and solvency*, and *b) transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements*, are important disclosures for for-profit entities.

Some participants suggested that not-for-profit (NFP) private and public entities do not have a focus on liquidity and solvency, but rather on accountability and stewardship and that this might be useful to have as specific criteria for NFPs. This was discussed further at the roundtables, with the AASB making it clear that RDR represents the minimum disclosures required and an entity may choose to make additional disclosures.

Most participants requested more discussion of the evidence to support the KDAs, including more details of users consulted, and the application of the rebuttable presumption by the AASB in the application of the RDR Framework to the Standards.

Participants were unclear whether the principles and KDAs were for the AASB to use or for preparers and felt that more guidance on how preparers should address RDR disclosures would be particularly helpful. Participants were supportive of using a more top down approach to identifying disclosures, rather than having to look at every standard for disclosures. Participants were also concerned whether the application of the principles resulted in the minimum or maximum disclosures.

Participants generally agreed that the balance sheets, P&Ls and other primary financial statements should be consistent for tier 1 and tier 2 entities.

Accounting policies and estimates and judgements

Most participants agreed with the proposed Australian approach to accounting policies, which is to direct preparers to AASB 101 and AASB 108. However there was a consensus that guidance for preparers should be considered to assist them with finding the relevant paragraphs.



There were mixed views from participants about whether the proposed approach to accounting policies should be applied to disclosures of estimates and judgements. Some participants commented that the disclosure of estimates and judgements have traditionally been done poorly so the specific paragraphs in the standards are required. Others considered that the same principles should apply to accounting policies and estimates and judgements, as they should be determined using a top down approach. Some felt a new approach might assist in moving away from boiler plate processes.

Guidance and cross-references

Consistent view from participants that guidance which doesn't add to the disclosure should be removed, however guidance which is '*more than obvious*' is still useful and should be retained.

Application to standards

Some participants commented that the application of the Framework to AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments* and AASB 12 *Disclosures of Interest in Other Entities* had not resulted in enough of a reduction.

Some participants who had reviewed that Staff Analysis document in detail has noted some inconsistency in the application of the framework to the Standards. Most participants had not completed detailed analysis.

Some requested comparison to the IFRS for SMEs disclosures, as felt overall too many disclosures were retained in the proposed application.

Presentation method

Straw polls were conducted at each of the roundtables, there were mixed views from participants on whether they preferred the appendix approach or shading. Sydney participants had a stronger preference for shading. Canberra and Melbourne participants had a stronger preference for the appendix approach. Auditors appeared to prefer shading, but preparers seemed to prefer the appendix, particularly NFP preparers. No participants preferred the asterisk approach. Some noted a new approach maybe more likely to encourage less boilerplate disclosures.

A consistent view from participants who preferred the shading approach was that the appendix may result in the loss of some understandability as the disclosures are no longer shown in the context of the recognition and measurement.

Some participants were in favour of retaining the shading, but would like more guidance for Tier 2 preparers, the Staff commented that if their preference is for more guidance, the appendix approach provides the most flexibility to facilitate this, as any amendments to the appendix does not impact the Standard for Tier 1 preparers.

Standards with no separately identified disclosure headings

Participants agreed that if the appendix approach is taken, there needs to be a clear distinction between presentation and disclosure requirements within the appendix.

Transition and effective date

Most participants were in favour of the approach of no proposed transition requirements and the effective date. It was pointed out by participants that a number of other standards are effective at the same time as the proposed amendments. This was seen as beneficial as a number of changes are able to be made at once.



Roundtable attendees

Sydney, 20 April

Allison Berry, Anglicare SA (NFP Private)
Brandon Dalton, KPMG (Professional Services Firm)
Kerry Hicks, AICD (Professional Body)
Shirley Huang, Grant Thornton (Professional Services Firm)
Anne-Marie Johnson, EY (Professional Services Firm)
Sheryl Levine, BDO (Professional Services Firm)
Tracey Morris, The Audit Office of NSW (Public)
Sarah Samarghandi, EY (Professional Services Firm)
James Winter, Grant Thornton (Professional Services Firm)
Sue Wright, University of Newcastle (Academic)
Karen Handley, Macquarie University (Academic)

Canberra, 26 April

Richard Buker, Department of Edu and Training (Public)
Jasmine Chugh, Department of Edu and Training (Public)
Roger Cobcroft, Australian National Audit Office (Public)
Alastair Higham, Australian National Audit Office (Public)
Eric Huang, The Treasury (Public)
Julie Locke, KPMG (Professional Services Firm)
Don Siriwardana, RSM Australia (Professional Services Firm)
Peter Brown, Dept of Finance (Public)
Xiaoxia Liu, Dept of Finance (Public)
Vincent Padghan, Dept of Finance (Public)

Melbourne, 27 April

Matthew Birtles, ACNC (NFP Regulator)
Joan Cooney, Annecto (NFP private)
Leah Eustace, Auditor General SA (Public)
Rukshika Fernando, EY (Professional Services Firm)
Jun Jeong, EY (Professional Services Firm)
Rosemary King, CAANZ (Professional Body)
Maggie Man, ACNC (NFP Regulator)
Andrew Marks, William Buck (Professional Services Firm)
Paul Martin, Auditor General Vic (Public)
Ram Subramanian, CPA (Professional Body)
George Tanewski, Deakin University (Academic)
Jim Dixon, GAAP Consulting (Professional Services)
Susan Fraser, Auditor General Vic (Public)