

23 August 2013

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST VIC 8007

Via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Kevin

### **ED 243 Withdrawal of AASB 1031 *Materiality***

Thank you for the opportunity to comment on ED 243 Withdrawal of AASB 1031 *Materiality* (the ED). CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the ED and our comments are set out below.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

With Australia's on-going commitment to the adoption of International Financial Reporting Standards (IFRS), we welcome these proposals to withdraw AASB 1031 *Materiality*. We note that at the time IFRSs were first incorporated into the Australian Accounting Standards the Board decided to retain a revised version of AASB 1031. This was retained to help ensure that the meaning of materiality remained well explained as the IASB conceptual framework at the time included only limited guidance. We believe the reasons for the retention of AASB 1031 no longer exist as Australia has had nearly a decade of experience with IFRS. Further, we consider its removal will minimise the remaining differences between the 'for profit' Australian Accounting Standards and IFRS; confining those to the additional disclosures contained in AASB 1054 *Australian Additional Disclosures*.

We do appreciate the numerous calls internationally to address financial statement complexity issues, with one of the proposed actions being more guidance on materiality. We support this call for additional guidance. However, we believe this is best developed at the international level within the context of the IASB's Conceptual Framework project.

Our responses to your specific questions can be found in the Appendix.

Representatives of the Australian Accounting Profession



[cpaaustralia.com.au](http://cpaaustralia.com.au)



Institute of  
Chartered Accountants  
Australia

[charteredaccountants.com.au](http://charteredaccountants.com.au)

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Kerry Hicks (the Institute) at [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alex Malley', with a long horizontal flourish extending to the right.

**Alex Malley**  
Chief Executive  
CPA Australia Ltd

A handwritten signature in black ink, appearing to read 'Lee White', with a long horizontal flourish extending to the right.

**Lee White**  
Chief Executive Officer  
Institute of Chartered Accountants  
Australia

**1. Do you support the proposal to withdraw AASB 1031?**

Yes, we support the proposal to withdraw AASB 1031 *Materiality* as its removal will minimise the remaining differences from IFRS in relation to for-profit entities.

**2. Would the proposals in this Exposure Draft result in a change from current practice, including whether the proposal to permit early adoption would result in the omission of disclosures that might otherwise be made, and, if so, why?**

No, we would not expect the withdrawal of AASB 1031, including the proposal to permit early adoption, to result in any change from current practice.

**3. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**

- (a) not-for-profit entities; and**
- (b) public sector entities, including GAAP/GFS implications?**

No, we are not aware of any regulatory issues or other issues that would arise from the withdrawal of AASB 1031.

**4. Overall, do you believe the proposals would result in financial statements that would be useful to users?**

As we would not expect the withdrawal of AASB 1031 to change current practice we anticipate the usefulness of financial statements to users to be unaffected.

**5. Do you believe the proposals are in the best interests of the Australian economy?**

Yes, we believe the proposals are in the best interests of the Australian economy as they will remove any perceived non-compliance with IFRS for the for-profit sector from the perspective of the international community.

**6. Unless already provided in response to specific matters for comment 1 – 5 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative?**

We believe the benefits of the proposal significantly outweigh their costs. At the time IFRSs were first incorporated into the Australian Accounting Standards the Board decided to retain a revised version of AASB 1031. This was retained to help ensure that the meaning of materiality was appropriately defined and remained well explained as the IASB conceptual framework at the time included only limited guidance. We believe the reasons for its retention no longer exist as Australia has had nearly a decade of experience with IFRS. Further, while we do not believe that AASB 1031 has in anyway affected the application of the Australian Accounting Standards that are the adopted IFRS; its removal will eradicate any contrary perception.