



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

Dear Mr Stevenson

Exposure Draft (ED) 249 Disclosure Initiative (Proposed amendments to AASB 101)

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on the ED: Disclosure Initiative (Proposed amendments to AASB101).

HoTARAC is supportive of the proposed requirements, in particular, the clarification on the application of materiality and allowing entities to use their own discretion in the organisation of the notes in their financial statements.

Comments by HoTARAC on questions from the ED are attached.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Department of Finance on 02 6215 3551.

Yours sincerely



David Nicol

Chair

Heads of Treasuries Accounting and Reporting Advisory Committee

1 July 2014

ATTACHMENT

Questions for respondents

Question 1—Disclosure Initiative amendments

The amendments to IAS 1 arising from the Disclosure Initiative aim to make narrow-focus amendments that will clarify some of its presentation and disclosure requirements to ensure entities are able to use judgement when applying that Standard.

The amendments respond to concerns that the wording of some of the requirements in IAS 1 may have prevented the use of such judgement. The proposed amendments relate to:

- (a) materiality and aggregation (see paragraphs 29–31 and BC1–8 of this Exposure Draft);
- (b) statement of financial position and statement of profit or loss and other comprehensive income (see paragraphs 54, 55A, 82, 85A and 85B and BC9–BC15 of this Exposure Draft);
- (c) notes structure (see paragraphs 113–117 and BC16–BC19 of this Exposure Draft); and
- (d) disclosure of accounting policies (see paragraphs 120 and BC20–BC22 of this Exposure Draft).

Do you agree with each of the amendments? Do you have any concerns about, or alternative suggestions for, any of the proposed amendments?

HoTARAC agrees with (c) and (d). HoTARAC agrees with the intent of the proposed amendments to (a) and (b), but recommends the following:

(a) materiality & aggregation

HoTARAC believes the IASB's intentions could be better achieved by linking the guidance back to the purpose and objective of financial reporting. A similar approach to that used in paragraph 59 of IASB ED/2013/6 (AASB ED 242) Leases could be used. HoTARAC suggests alternative wording to replace proposed paragraphs 30A as follows:

- 30A When applying this and other IFRSs, an entity shall decide:
- (a) the level of detail; and
 - (b) the degree of aggregation or disaggregation that would provide useful information to a wide range of users as required by paragraph 9 and achieve fair presentation as set out in paragraph 15 of this Standard. An entity shall aggregate or disaggregate presentations or disclosures so that useful information is not obscured by including a large amount of insignificant detail or by aggregating items that have different characteristics.

Additionally, BC 8 of this ED refers to IASB's short term project to assess existing guidance on materiality. HoTARAC suggests that any additional guidance or education produced as a result of this project have an effective date which aligns with the effective date of this updated standard.

(b) statement of financial position and statement of profit or loss and other comprehensive income

HoTARAC notes that the proposed requirement in Paragraph 55A(c) to ensure '*subtotals shall:... c) be consistent from period to period*' could be considered an application of the principle of paragraph 45 of IAS 1 (AASB 101) which requires an entity to present and classify information consistently. If the IASB retains paragraph 55A(c), HoTARAC recommends the IASB cross reference to paragraph 41 and 45 of IAS 1 (AASB 101) within paragraph 55A.

Other Comments

HoTARAC notes that the proposed amendments seek to address specific concerns raised in various forums (paragraph BC1). HoTARAC believes that the concerns raised may also be addressed by clarifying how entities can achieve the purpose and objectives of the financial statements, in addition to the specific amendments proposed.

HoTARAC notes that the 'objective of financial statements is to provide information ... that is useful to a wide range of users in making economic decisions' (IAS 1.9/AASB 101.9). Further, 'Financial statements shall present fairly the financial position, financial performance and cash flows of an entity ... The application of IFRS, with additional disclosure when necessary, is presumed to result in ... fair presentation' (AASB 101.15/IAS 1.15). As such, HoTARAC recommends providing guidance about how the financial statements *as a whole* can provide useful information and achieve fair presentation. This could involve requiring preparers to consider:

- (a) the level of detail that is useful to a wide range of users;
- (b) how much emphasis to place on each item presented in the statements or information disclosed in the notes;
- (c) how much aggregation or disaggregation to undertake; and
- (d) whether users of financial statements need additional information to evaluate.

Similar guidance was provided in paragraph 92 of IFRS 13 (AASB 13) Fair Value Measurement.

Question 2—Presentation of items of other comprehensive income arising from equity-accounted investments

Do you agree with the IASB's proposal to amend IAS 1 for the presentation of items of other comprehensive income arising from equity-accounted investments amendments (see paragraphs 82A, BC1–BC6 and the Guidance on implementing IAS 1)?

If not, why and what alternative do you propose?

HoTARAC agrees.

Question 3—Transition provisions and effective date

Do you agree with the proposed transition provisions for the amendments to IAS 1 as described in this Exposure Draft (see paragraphs 139N and BC23–BC25)?

If not, why and what alternative do you propose?

HoTARAC agrees

AASB Specific Matters for Comment

1. whether there are 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;

HoTARAC is not aware of any regulatory issues affecting public sector entities. HoTARAC is unable to comment on other not for profit (NFP) entities.

Paragraph 55A and 85A allows subtotals to be used where they are made up of items recognised and measured in accordance with IFRS. This may be inconsistent with some of the subtotals presented in:

- NFP entity financial reports that comprise items measured using the Aus paragraphs applying to NFP entities - HoTARAC suggests that the AASB clarify that for NFP entities, subtotals can be made up of items measured in accordance with Australian Accounting Standards, including Aus paragraphs; and
- harmonised GFS/GAAP statements prepared under AASB 1049.

2. whether, overall, the proposals would result in financial statements that would be useful to users;

HoTARAC believes the proposals would result in financial statements useful to users.

3. whether the proposals are in the best interests of the Australian economy; and

No comment

4. unless already provided in response to specific matters for comment 1 – 3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

HoTARAC consider the costs minimal. The exclusion of immaterial items from the financial statements potentially results in more relevant financial statements and some saving in preparation time. These impacts are hard to quantify.