

29 September 2021

The Chair
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

via email: standard@asb.gov.au

Dear Keith

AASB Exposure Draft ED 312 *Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards*

Deloitte is pleased to respond to the proposals in the Australian Accounting Standards Board ('AASB' or 'Board') Exposure Draft ED 312 *Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards* (ED 312 or the 'Exposure Draft').

Overall, we support the AASB's proposals as outlined in ED 312. We agree that the same terminology should be applied throughout Australian Accounting Standards and that entities applying Australian Accounting Standards – Simplified Disclosures (Simplified Disclosures) should disclose accounting policy information in a consistent manner with those entities applying Tier 1 reporting requirements.

We recommend the AASB finalise the amendments as soon as possible so that entities currently planning their transition to Simplified Disclosures can consider whether to apply the amendments early, which may permit simplified and more relevant accounting policy information to be disclosed in their initial Simplified Disclosure financial statements.

We also recommend that the AASB consider whether AASB 1039 *Concise Financial Statements* should be amended to require the disclosure of material accounting policy information.

We also suggest that the AASB consider the impacts of the proposals in International Accounting Standard Board (IASB®) ED/2021/7 *Subsidiaries without Public Accountability: Disclosures* (ED/2021/7). In relation to the proposals in ED 312, we note in respect of IAS 8 *Accounting Policies, Changes in Estimates and Errors* (IAS 8), the IASB proposes in ED/2021/7 that entities applying its proposed Standard would comply with all disclosure requirements of IAS 8 in addition to the disclosure of material accounting policy information under IAS 1 *Presentation of*

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Financial Statements. Our further observations on the impact of the IASB's project on AASB 1060 will be provided in our response to AASB Exposure Draft ED 314 *Subsidiaries without Public Accountability: Disclosures*.

Our detailed responses to the specific and general matters for comment in ED 312 are outlined in the Appendix.

Please contact me at +61 3 9671 7871 or moveton@deloitte.com.au if you wish to discuss any of our comments.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Moana Overton', with a horizontal line underneath it.

Moana Overton
Partner

APPENDIX – DETAILED RESPONSES TO THE SPECIFIC AND GENERAL MATTERS FOR COMMENT IN ED 312

Specific matters for comment

1. Do you agree with the proposed amendments to AASB 1060, AASB 1054 and AASB 1049? If you disagree, please explain why.

We agree with the proposed amendments to AASB 1060, AASB 1054 and AASB 1049.

2. Do you have any other comments on the proposals?

We recommend that the AASB consider whether AASB 1039 *Concise Financial Statements* (AASB 1039) should be amended to require the disclosure of material accounting policy information.

The amendments made by AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (and incorporated in the proposals in ED 312) requires the disclosure of material accounting policy information which is defined to include information that “when considered together with other information included in an entity’s financial statements... can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements” (AASB 101.117).

The Basis for Conclusions on IAS 1 *Presentation of Financial Statements* (as amended) notes that accounting policy information “could be material, for example, when an entity judges the accounting required for a material transaction, other event or condition to be so complex that a primary user would be unable to understand the related material transaction, other event or condition in the absence of that information” (IAS 1.BC76S).

The AASB (and IASB), have, in developing the requirements for the disclosure of material accounting policy information, focused on information that may be crucial to understanding an entity’s general purpose financial statements. Accordingly, such information may also be crucial to understanding an entity’s condensed financial statements as it may be considered to be “minimum content required by [AASB 1039 that] is intended also to provide sufficient information to permit members to identify if and when they consider it would be useful to obtain more comprehensive and detailed information by requesting a copy of the financial report” (AASB 1039.11).

We recommend the AASB consider adding this requirement to AASB 1039, as without an explicit requirement, preparers and users of the financial report may be unclear on when such information should be included.

General matters for comment

3. Whether the AASB For-Profit Entity Standard-Setting Framework and AASB Not-for-Profit Entity Standard-Setting Framework has been applied appropriately in developing the proposals in this Exposure Draft?

We believe the AASB’s standard-setting frameworks have been appropriately applied in developing the proposals in ED 312. In particular, the proposals are consistent with the AASB’s principles in developing Tier 2 disclosure requirements.

4. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?

We are not aware of any specific regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

We recommend that the AASB consider the impacts of the proposals in International Accounting Standard Board (IASB®) ED/2021/7 *Subsidiaries without Public Accountability: Disclosures* (ED/2021/7). It will be important that the requirements of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) are aligned with any final Standard resulting from ED/2021/7 so that entities applying AASB 1060 can make a statement of compliance with International Financial Reporting Standards (IFRS®) and any Standard resulting from ED/2021/7 in their Simplified Disclosures financial statements. This will enhance the acceptability of Simplified Disclosures financial statements in the global context and may contribute to a lower cost of capital for entities applying AASB 1060.

In relation to the proposals in ED 312, we note in respect of IAS 8 *Accounting Policies, Changes in Estimates and Errors*, the IASB proposes that entities applying its proposed Standard would comply with all disclosure requirements of IAS 8 in addition to the disclosure of material accounting policy information under IAS 1 *Presentation of Financial Statements*.

Our further observations on the impact of ED/2021/7 on AASB 1060 will be provided in our response to AASB Exposure Draft ED 314 *Subsidiaries without Public Accountability: Disclosures*.

We also recommend that the AASB liaise with the Accounting Professional & Ethical Standards Board to effect similar changes to those proposed in ED 312 in APES 205 *Conformity with Accounting Standards* and APES 315 *Compilation of Financial Information*, as they currently refer to “significant accounting policies”.

5. Whether the proposals create any auditing or assurance challenges?

We have not identified any specific audit or assurance challenges from the proposals.

6. Whether, overall, the proposals would result in financial statements that would be useful to users?

We believe the proposals will result in financial statements that are useful to users.

7. Whether the proposals are in the best interests of the Australian economy?

Subject to the matters noted elsewhere in this letter, we believe the proposals in ED 312 are in the best interests of the Australian economy.

8. Unless already provided in response to specific matters for comment 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.

In order to minimise costs for impacted entities, we recommend the AASB finalise the amendments as soon as possible so that entities currently planning their transition to Australian Accounting Standards – Simplified Disclosures can consider whether to apply the amendments before their mandatory application date. In particular, early adoption of the finalised proposals may result in less ‘boilerplate’ accounting policy detail in Simplified Disclosure financial statements and make accounting policy information more meaningful and targeted to users of financial statements. Permitting entities to consider these changes as part of the transition to Simplified Disclosures may result in a reduction in costs and eliminate redundant information and system planning effort. However, because many entities are already planning transition, it is important the changes are made available for early adoption as soon as possible.

We have no further observations on this matter in addition to those already outlined elsewhere in this letter.