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1 November 2019

Ms Kris Peach  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins St West Victoria 8007  
AUSTRALIA

Dear Kris

**Fatal Flaw Version - Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia (AASB 1054).**

I am pleased to make this submission on the Fatal Flaw Version to amend AASB 1054.

I have over 30 years' experience in accounting advisory functions of large accounting and auditing firms across a wide range of clients, industries and issues in the for-profit, not-for-profit, private, and public sectors. My clients across the business and government environments have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, commonwealth, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises).

I do not support the process and accelerated timetable used to implement the proposals that overrides normal due process, as the issue has existed for almost 15 years, is currently adequately dealt with, and urgency is not required.

I also disagree with making the amendments as they are not required and will not achieve an improvement in financial reporting.

My comments cover:

1. Overriding usual due process – very short comment period
2. Overriding usual due process – review and consideration of responses not public
3. Issue is not urgent
4. Underlying premise of the proposals is flawed
5. Proposals are contrary to the Better Communication projects
6. Flaw in proposals – Lack of definition of IFRS standards in AASB1054
7. Possible implications on standard setting as identified in the AASB's response to IASB ED/2018/1 not addressed
8. Editorial

## 1 Overriding usual due process – very short comment period

I object to the overriding of the usual comment period and permitting only 13 days for comment. The AASB was already aware when it issued the fatal flaw version (18 October 2019) that people most likely to respond were dealing with a significant amount of other

proposals for comment. In particular, the AASB had already extended the comment period for ED295 and ED297. Allowing such a short comment period for the fatal flaw version is contrary to the previous deadline extension and usual due process.

## 2 Overriding usual due process – review and consideration of responses not public

The staff paper for the September 2019 AASB meeting accompanying this issue proposed that comment letters would be reviewed out-of-session by the Board.

I object to this overriding of proper due process of AASB considerations being in public session. I also object to this overriding of proper due processes because in the past any accompanying staff papers for the out-of-session have not been made public.

## 3 Issue is not urgent

The underlying issue has been around for almost 15 years and has been adequately dealt with. Publications by accounting firms listing standards not yet effective usually include references to IFRS standards and interpretations that have not yet been issued by the AASB.

Companies (usually just listed ones) simply add references to IFRS standards in their ‘standards not yet effective disclosures’. Given that companies are already adequately dealing with the issue, there is no need for the urgency of an accelerated timetable that overrides normal due process.

An example of a company dealing with the issue is Telstra. For the June 2018 year end, when the AASB had not issued an equivalent standard to make amendments to references to the updated conceptual framework (issued by the AASB in May 2019), Telstra made the following disclosure:

Telstra 2018 Annual Report, Note 7.1.3(d), page 136

(d) Conceptual Framework for Financial Reporting

In March 2018 the International Accounting Standards Board (the IASB) issued a revised Conceptual Framework for Financial Reporting (‘Framework’) which will be used immediately by the IASB. The reason behind issuing the revised Framework was that some important areas were not previously covered and the guidance in some areas was unclear. The main purpose of the Framework is to help the IASB develop accounting standards and to help companies develop accounting policies based on the Framework when there is no specific or similar standard that addresses a particular issue. It is not a standard and it does not override the concepts or requirements in any standard. Therefore, we do not expect the practical consequences of the new Framework to be significant in the short term. However, we are currently assessing the impact arising from the amendments to the standards effective for Telstra from 1 July 2020 arising from ‘Amendments to References to the Conceptual Framework in IFRS Standards’.

For another example by Telstra, for the June 2014 year end, when the AASB had not issued an equivalent standard for IFRS 15 Revenue from contracts with customers (issued by the AASB in December 2014), Telstra disclosed:

Telstra 2014 Annual Report, Note 2.25(b), page 89

(b) Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The new revenue standard is applicable to Telstra from 1 July 2017. We are currently assessing the impact of IFRS 15 on our financial results.

#### 4 Underlying premise of the proposals is flawed

The underlying premise of the proposals is that including a reference to a recently issued IFRS standard (and presumably IFRIC Interpretation), not yet issued by the AASB, would mean the loss of material information.

This premise is flawed. Many, if not almost all, disclosures relating to the effect of ‘standards issued not yet effective’ that are more than one year away are boilerplate and next to useless. The absence of boilerplate disclosures is hardly going to be material, and would not result in a breach of compliance with IFRS standards. For an example, refer above to the Telstra examples. If those disclosures had not been made by Telstra, the effect would not have been material.

#### 5 Proposals are contrary to the Better Communication projects

The proposals to essentially require the disclosure of ineffective boilerplate details is contrary to the IASB’s and AASB’s efforts for Better Communication in Financial Reporting and the application of materiality.

#### 6 Flaw in proposals – Lack of definition of IFRS standards in AASB1054

AASB1054 does not include a definition of IFRS Standard or IFRS Standards.

Would the reference to IFRS Standard (proposed paragraph 17) also include IFRIC Interpretations?

#### 7 Possible implications on standard setting as identified in the AASB’s response to IASB ED/2018/1 not addressed

In July 2018, the AASB wrote to the IASB in its response to IASB ED/2018/1 *Accounting Policy Changes* about the implications of IFRIC Agenda Decisions not being legislative instruments and expected implications. While the letter specifically referred to IFRIC Agenda Decisions, the issue is the same for IFRS Standards and IFRIC Interpretations.

Neither the staff paper accompanying the issue for the September 2019 AASB meeting, nor the Fatal Flaw Version addresses the issues raised in that letter. In particular, because the disclosure for ‘standards issued not yet effective’ relates to measurement issues, whether a similar approach referred to in the ED response to deal with references to items that are not legislative instruments would be required for the proposed disclosures, if included in an Australian accounting standard.

## 8 Editorial

The current 'Comparison with IFRS' statement would need to change from:

Compliance with AASB 1054 is not needed for IFRS compliance.  
because based on the AASB's views, compliance with the standard (AASB 1054) would be required for compliance with IFRS.

Yours sincerely

David Hardidge

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