



## *Improving reduced disclosure requirements for financial reports*

Financial reports are set to become more relevant and concise for many not-for-profit and non-listed entities, under changes proposed by the standard setter today.

### **Less detail, more relevance**

The Australian Accounting Standards Board (AASB) has reviewed the standards specifying information to be disclosed in the financial reports of entities eligible to use the reduced disclosure regime. The proposals in ED 277 Reduced Disclosure Requirements for Tier 2 Entities aim to address concerns about the length and relevance of reports produced under the current reduced disclosure requirements (RDR).

AASB Chair Kris Peach said, “We are keenly aware of the need to cut unnecessary or overly detailed disclosures and to increase the relevance of required disclosures. These proposals strike a good balance between preparer effort and user needs.”

### **Improving transparency and comparability**

In practice, few entities with the option to adopt the RDR have done so, with many instead issuing ‘special purpose’ reports. Kris Peach said, “With increasing concern from regulators, investors and the broader community about the transparency and comparability of special purpose financial reports, it is our hope that these proposals will encourage more entities to adopt general purpose financial reports using the RDR regime.”

### **Financial instruments and interests in other entities**

In particular, the AASB is proposing to reduce the disclosures required around financial instruments and interests in other entities, based on feedback from constituents that these disclosures were too detailed and of little interest to report users.

### **Trans-Tasman harmonisation**

These proposals have been jointly developed by the AASB and the New Zealand Accounting Standards Board as part of a broader proposal for ongoing decisions about RDR reporting. Under the proposals, RDR in Australia and New Zealand will effectively be harmonised, making reporting much simpler for those entities that report in both countries.

The AASB is seeking feedback on these proposals and on the joint decision-making policy for future RDR decisions, and welcomes both formal submissions and informal feedback. The closing date for feedback is 26 May 2017. Please refer to the AASB website for more information. Details of upcoming outreach activities will be posted in due course.

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