



<b>Project:</b>	Research Centre	<b>Meeting:</b>	M200
<b>Topic:</b>	Research update	<b>Agenda Item:</b>	9.1
		<b>Date:</b>	13 November 2023
<b>Contact(s):</b>	Eric Lee <a href="mailto:elee@asb.gov.au">elee@asb.gov.au</a>	<b>Project Priority:</b>	N/A
		<b>Decision-Making:</b>	N/A
		<b>Project Status:</b>	Report to Board

## Objectives of this paper

- 1 The objective of this agenda item is to provide the Board with **updates** on the key AASB Research Centre activities.

## Attachments

- Agenda Paper 9.2 [AASB Research Report 21 Auditors' Perspectives: The Impacts of IFRS Practice Statement 2 Making Materiality Judgements](#) (October 2023)  
[supporting documents folder]
- Agenda Paper 9.3 [AASB Research Report 22/ MASB Research Report 2: Making Materiality Judgements – Malaysian Preparers and Auditors' Perspectives](#) (October 2023) [supporting documents folder]

## Structure

- 1 This paper is structured as follows:
  - (a) [Background \(paragraphs 2-3\)](#)
  - (b) [AASB Research Reports \(paragraphs 4-9\)](#)
  - (c) [AASB Dialogue Series Sessions \(paragraphs 10-13\)](#)
  - (d) [AASB Research Forum \(paragraphs 14-16\)](#)
  - (e) [Other research and monitoring projects \(paragraphs 17-20\)](#)

## Background

- 2 The function of the AASB Research Centre is to enable the AASB to use an evidence-informed approach<sup>1</sup> to achieve its strategic objectives.<sup>2</sup>
- 3 In addition to the research detailed in other relevant agenda papers regarding standard-setting work, this paper provides a summary of significant activities that have recently been concluded or are scheduled to take place in the near future.

1 [https://www.aasb.gov.au/admin/file/content102/c3/AASB\\_EISSF.pdf](https://www.aasb.gov.au/admin/file/content102/c3/AASB_EISSF.pdf)

2 [https://aasb.gov.au/media/whbjung0/aasb-auasb\\_strategy2022-23.pdf](https://aasb.gov.au/media/whbjung0/aasb-auasb_strategy2022-23.pdf)

## AASB Research Reports

- 4 In April 2022, the International Accounting Standards Board (IASB) issued a call for research on making materiality judgements. In response to the IASB's request, the AASB accepted two research proposals.<sup>3</sup>
- 5 The research projects were completed and published in October 2023.

### [AASB Research Report 21 Auditors' Perspectives: The Impacts of IFRS Practice Statement 2 Making Materiality Judgements](#)

- 6 This research was conducted by Tom Frick, Associate Professor Brad Potter and Professor Michael Davern from the University of Melbourne. The findings show that IFRS Practice Statement 2 *Making Materiality Judgements* has improved the decision-usefulness of auditor materiality judgements. Specifically, auditors who demonstrate knowledge of, and familiarity with, the four-step process of IFRS Practice Statement 2 are more likely to consider quantitative factors, qualitative factors, and interactions of these factors, when making materiality judgements, more closely reflecting a typical user's materiality judgement process. However, responses collected for this study indicate that a substantial proportion of auditors are unaware of, or cannot adequately explain, the content of IFRS Practice Statement 2. As such, education is needed to raise awareness of the IFRS Practice Statement 2.

### [AASB Research Report 22/ MASB Research Report 2: Making Materiality Judgements – Malaysian Preparers and Auditors' Perspectives](#)

- 7 This publication is a joint AASB and Malaysian Accounting Standards Board (MASB) research report, an example of regional cooperation to address a matter of international interest. The research was conducted by Associate Professor Noor Adwa Sulaiman (University Malaya), Assistant Professor Nahariah Jaffar (Xiamen University Malaya) and Siti Noorhawa Omar (Universiti Malaya). The findings provide recommendations including:
  - Education and training are important for preparers and auditors to make sound materiality judgements.
  - As user needs and the information environment may evolve, standard-setters should continue monitoring practices to determine whether guidance about making materiality judgements needs to be reviewed and enhanced.
  - Given the complexity of corporate reporting ecosystems, maintaining cross-functional collaboration within an entity is crucial for making consistent materiality judgements across different departments and improving the overall coherence and connectivity of information in the financial reports.
- 8 As part of the IASB's initiatives to encourage research that is relevant to standard-setting work, the research reports will be made available on the IASB's website.
- 9 The findings will also be shared at various international standard-setting meetings such as the upcoming November 2023 Asian-Oceanian Standard-Setters Group (AOSSG) meetings and the December 2023 AASB dialogue series session.

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3 <https://www.ifrs.org/news-and-events/news/2022/04/iasb-call-for-research-on-making-materiality-judgements/>

## **AASB Dialogue Series Sessions**

### ***Navigating the Accounting Standards***

- 10 A joint session of the [AASB-AUASB Dialogue Series](#),<sup>4</sup> in collaboration with CPA Australia and CA ANZ, was held on 4th October 2023 (Wednesday), from 4 pm to 5:30 pm AEST.
- 11 The session featured Associate Professor Janice Loftus and Dr Sabine Schuhrer (University of Adelaide), who presented preliminary findings from the AASB's project on the Understandability of Accounting Standards. Representatives from CPA Australia (Ram Subramanian) and CA ANZ (Michelle Warren) provided a summary of a CPA and CAANZ joint publication about understanding accounting standards. Furthermore, Clark Anstis (AASB Technical Principal) demonstrated the functionality and usability of the new AASB Digital Standards Portal.
- 12 105 domestic and international stakeholders attended the webinar.

### ***Upcoming AASB Dialogue Series Session***

- 13 The upcoming session of the AASB Dialogue Series, titled 'Making materiality judgements in financial reporting', is scheduled for 8th December 2023 (Wednesday), from 4 pm to 5.15 pm AEDT.

## **AASB Research Forum**

### ***2023 AASB Research Forum***

- 14 In collaboration with Swinburne University and the University of Queensland, the 2023 AASB Research Forum will be held in Brisbane on 24th November 2023 (Friday). Further, a "satellite event" will also be hosted in Melbourne. At the time of writing this paper, 236 stakeholders have registered to attend the forum via in-person (in Brisbane or Melbourne) or virtual platform.

### ***2024 AASB Research Forum***

- 15 The IASB has scheduled its [2024 research forum](#) to take place in Sydney on 4-5<sup>th</sup> November 2024. To invite international stakeholders to the 2024 AASB Research Forum, a tentative date of 6<sup>th</sup> November 2024 in Sydney is being considered. Planning for the 2024 research forum is currently in progress. Further details will be provided in future meetings.
- 16 To date, three academic teams have expressed their interest and submitted proposals for presentations at the 2024 AASB Research Forum. These proposals will undergo evaluation to determine their suitability for including the research forum.

## **Other research and monitoring projects**

### ***Digital assets***

- 17 In October 2023, the government issued a proposal paper titled '[Regulating Digital Asset Platforms](#)' to gather feedback on an introduction of a regulatory framework for entities providing access to digital assets and holding them for Australian and Australian business. The proposed regulatory framework would apply to digital asset service providers that present similar risks to entities that operate in the traditional financial system. It seeks to leverage the Australian Financial Services License (AFSL) framework to regulate digital asset service providers to ensure consistent oversight and safeguards for customers.

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4 <https://www.aasb.gov.au/research-resources/research-centre/aasb-dialogue-series/>

- 18 It is unclear at this stage how the proposed regulatory framework might impact the financial reporting requirements of these entities. Staff will continue to monitor the progress and development of this proposed regulatory framework.

***Digital corporate reporting***

- 19 In June 2022, the Board considered its responses to the feedback received on ITC 46 and decided to monitor and influence the development of digital financial (corporate) reporting as appropriate.
- 20 In October 2023, a team of academic researchers (Professor Indrit Troshani from the University of Adelaide and Professor Nick Rowbottom from the University of Birmingham) started a research project to improve the current understanding of the benefits and opportunities of using digital reporting technology such as XBRL/iXBRL for corporate reporting but also the costs and challenges that Australian preparers face and how they overcome them. To support this research, staff are assisting the researchers in looking for participants who are involved in the preparation of digital corporate reports, including representatives of Australian companies listed in foreign jurisdictions where digital corporate reporting is mandated. The research has received ethics approval from the University of Adelaide.

**Question to the Board:**

Do Board members have any comments or questions about the research update?