



IASB
Reduced
Disclosures
for
Subsidiaries

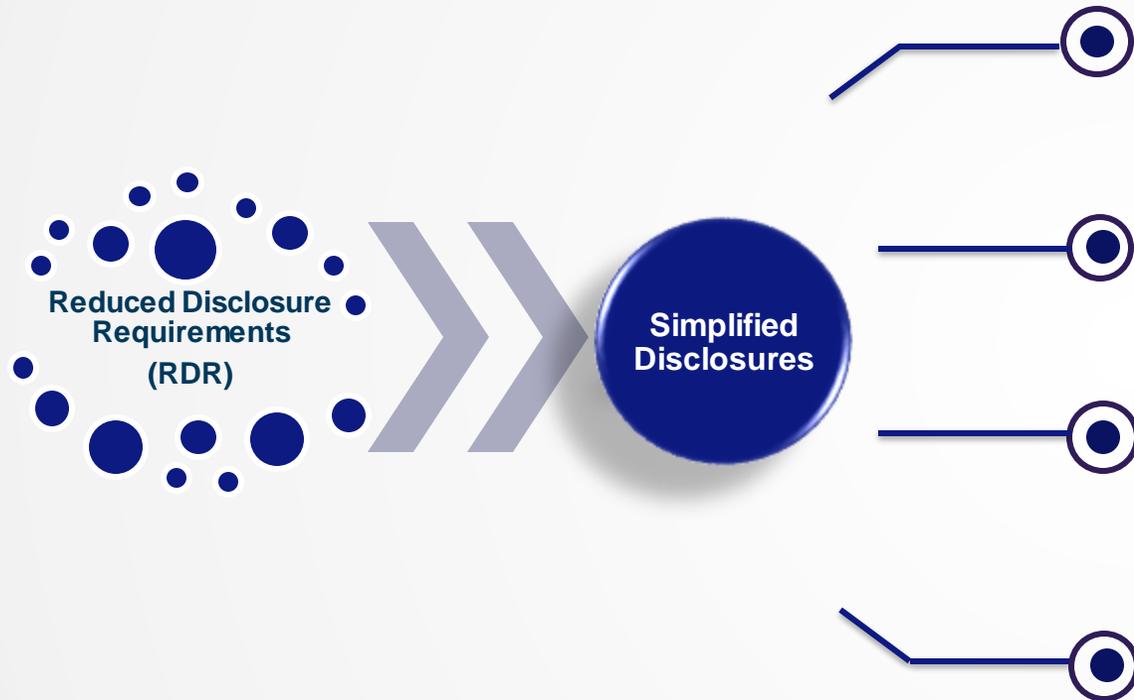
AASB Proposed Simplified Disclosure Standard

Kris Peach, AASB Chair
12 December 2019
London



- Objective of today's session
- What we are proposing in Australia
- Why we are making the proposals
- How will the project benefit the IASB
- How did we develop the ED
- How did we assess recognition & measurement (R&M) differences
- Future changes to full IFRS Standards or IFRS for SMEs
- What we have heard so far
- What are the next steps





Standalone disclosure standard, to replace the current reduced disclosure regime (RDR)

Applies to all entities without public accountability, not just subsidiaries

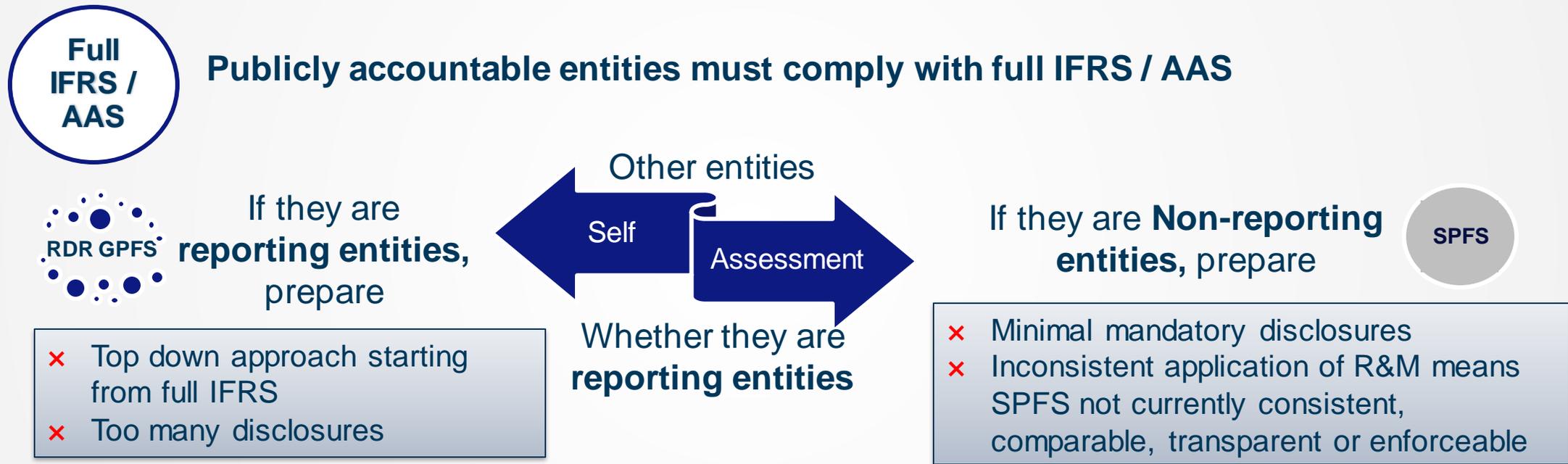
Applies to for-profit and not-for profit private sector entities and public sector entities

Entities must comply with all R&M of full IFRS/Australian Accounting Standards (AAS) with simplified disclosures



Rationale – Why are we making the proposals

- Currently Australian entities have essentially three tiers of reporting



- Australian ‘reporting entity’ concept not consistent with the IASB’s revised Conceptual Framework ‘reporting entity’ definition

- Why did the AASB decide not to adopt IFRS for SMEs



Third tier of GPFs reporting in the for-profit private sector not justified due to limited number of entities affected



Majority of affected companies already comply with full R&M – transition costs would outweigh benefits



Subsidiaries of publicly accountable entities do not want to have different R&M requirements



Use of IFRS for SMEs standard would decrease harmonisation with NZ



- **Need a solution for entities without public accountability that are required to prepare and lodge financial statements that comply with AAS, which balances user needs and costs to prepare**



IFRS for SMEs obvious solution as this was written for entities that do not have public accountability, hence similar user groups



IFRS for SMEs disclosures have been demonstrated to have right balance between cost to preparers and benefits to users



If IASB is developing a reduced disclosure standard for subsidiaries, Australia will adopt this, but can't wait as need a solution sooner

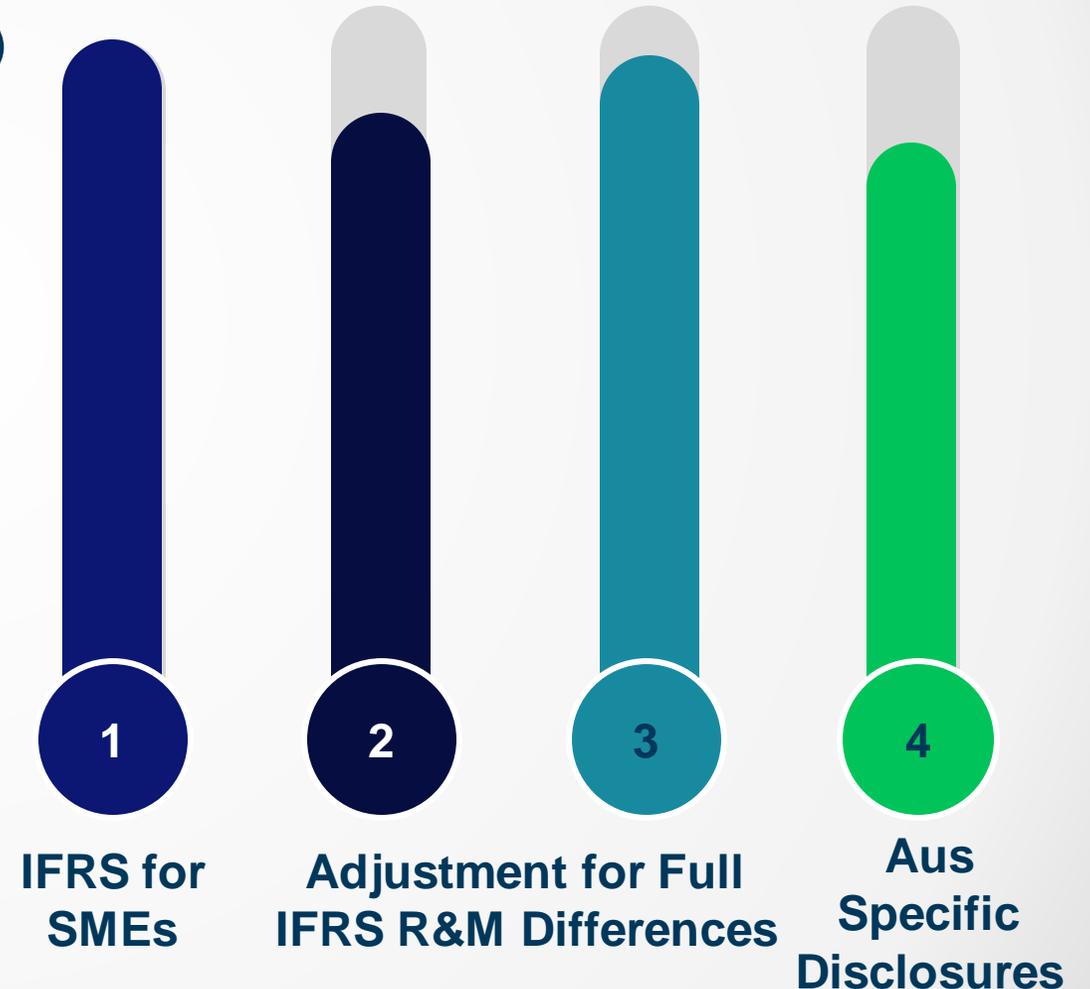


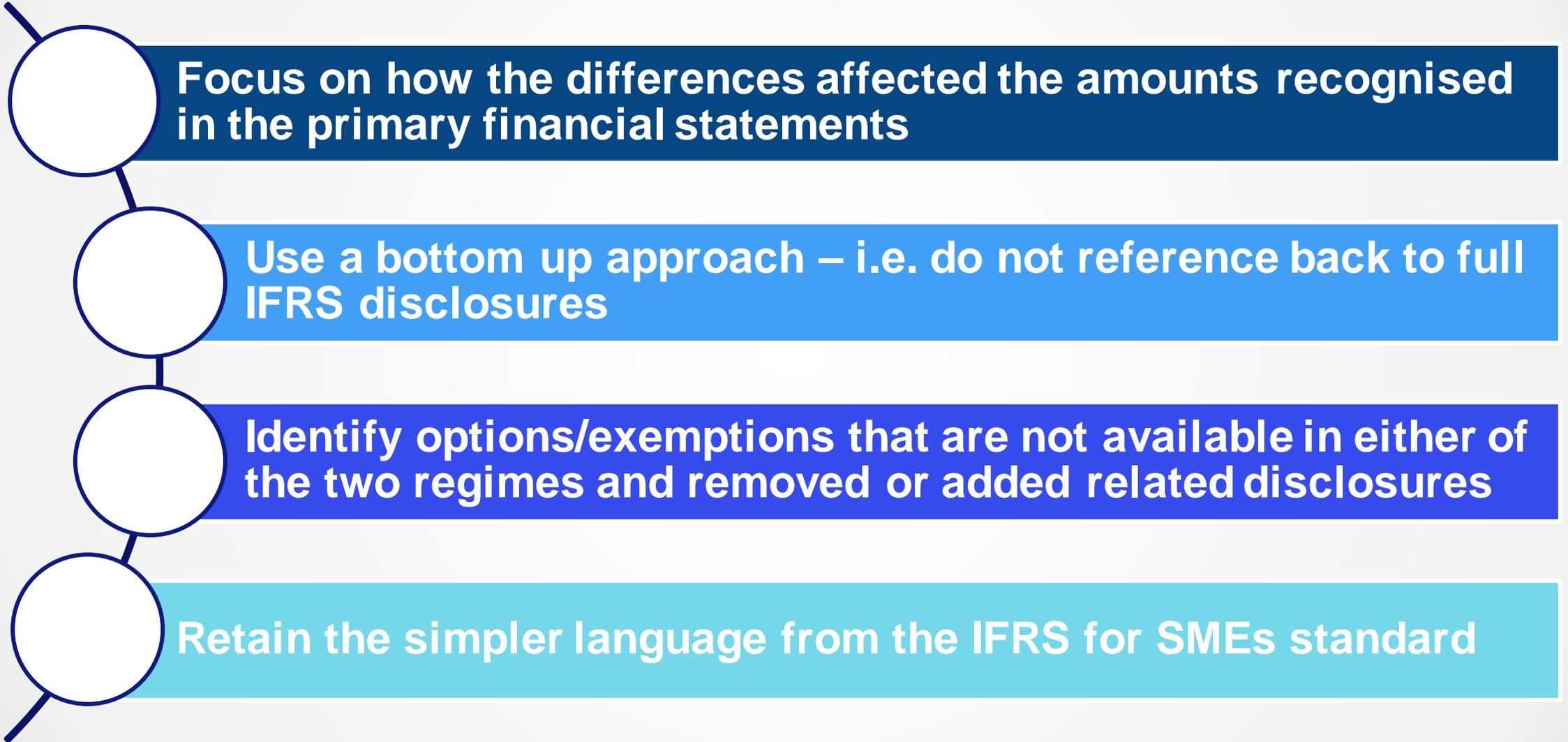
How can the AASB's project benefit the IASB



Methodology – How did we develop the ED

- 1** Used IFRS for SMEs disclosures as a starting point & retained them as far as possible (including paragraph numbering)
- 2** Removed disclosures that do not relate to R&M in full IFRS
- 3** Adapted disclosures where R&M principles significantly different
- 4** Added disclosures for topics not addressed, or where Australian specific disclosures are required; extended application to public sector and NFP entities





Revenue

- IFRS 15 and IFRS for SMEs are both ultimately concerned with the timing of revenue recognition & whether to recognise revenue at a point in time or over time
- Therefore, the level of revenue disclosures in IFRS for SMEs remains appropriate
- But adapted to reflect terminology used in IFRS 15

Leases

- Right-of-use assets & lease liabilities are same as finance leases, therefore used finance lease disclosures from IFRS for SMEs
- Low-value and short-term leases accounted for in same way as operating leases, so adapted operating lease disclosures

Financial Instruments

- Amended disclosures only to reflect different measurement categories under IFRS 9
- Retained IFRS for SMEs disclosures otherwise unchanged – consistent with IASB's decision that these disclosures were considered adequate even if financial instruments measured under IAS 39.



For future changes to full IFRS

- If no changes to R&M – no change to disclosures is required
- If changes made to R&M – consider whether there's a need to add or remove disclosures based on the above methodology
- If changes made to disclosures only – no change to disclosures is required

For future changes to IFRS for SMEs

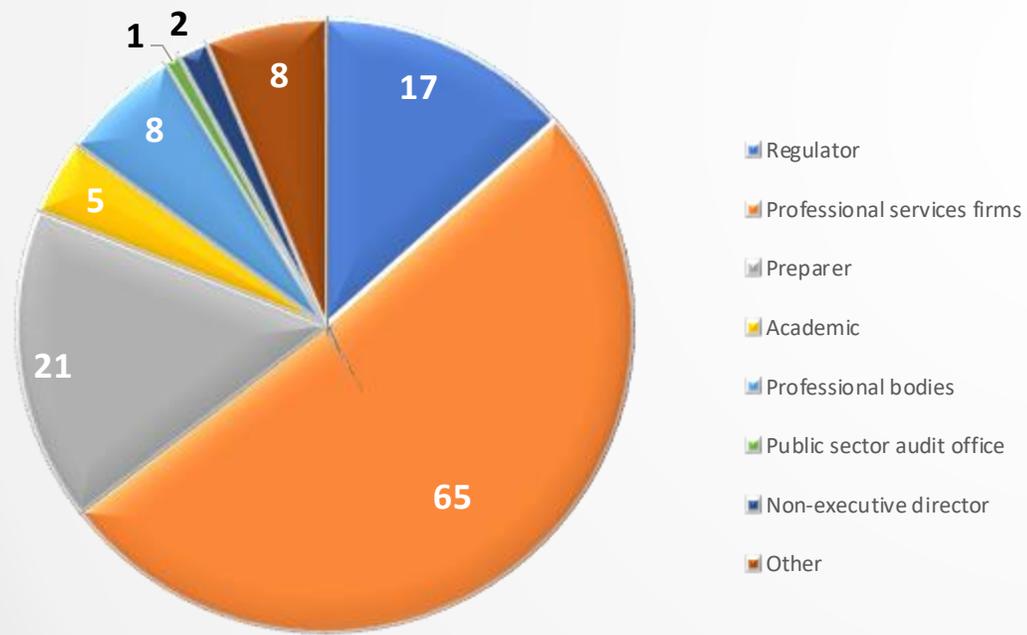
- If changes are made to disclosures, then replicate unless not relevant



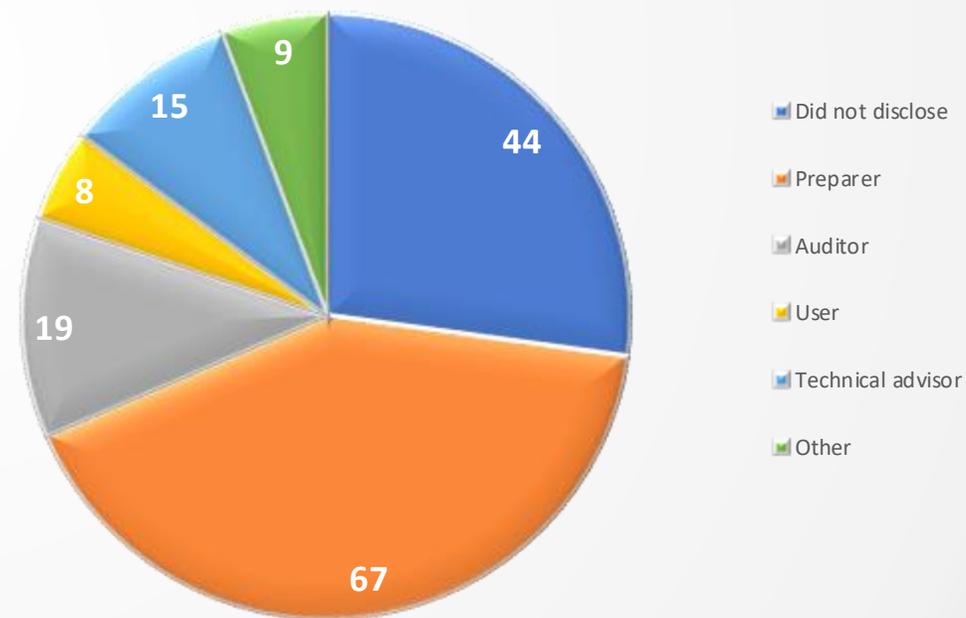
We have presented the proposals at:

- 9 roundtables – 127 participants
- 1 webinar – 162 participants
- User Advisory Committee – 13 participants

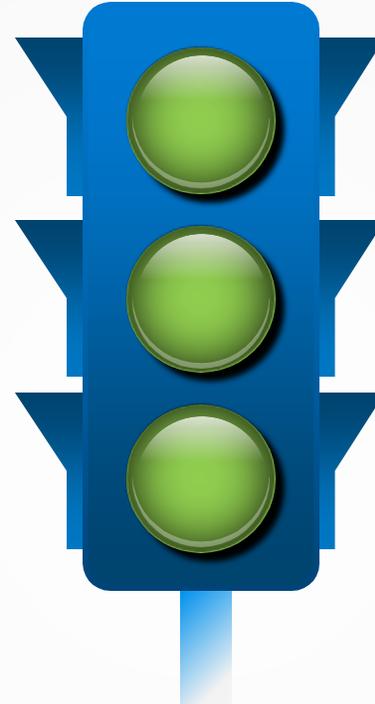
9 Roundtables – total 127 participants



1 Webinar – 162 participants



88% of the roundtable participants and **90%** of the webinar participants agreed that the proposed Simplified Disclosure Standard should replace RDR



90% of the roundtable participants and **93%** of the webinar participants agreed with the approach to include all disclosure requirements for Tier 2 entities in one stand-alone Standard.

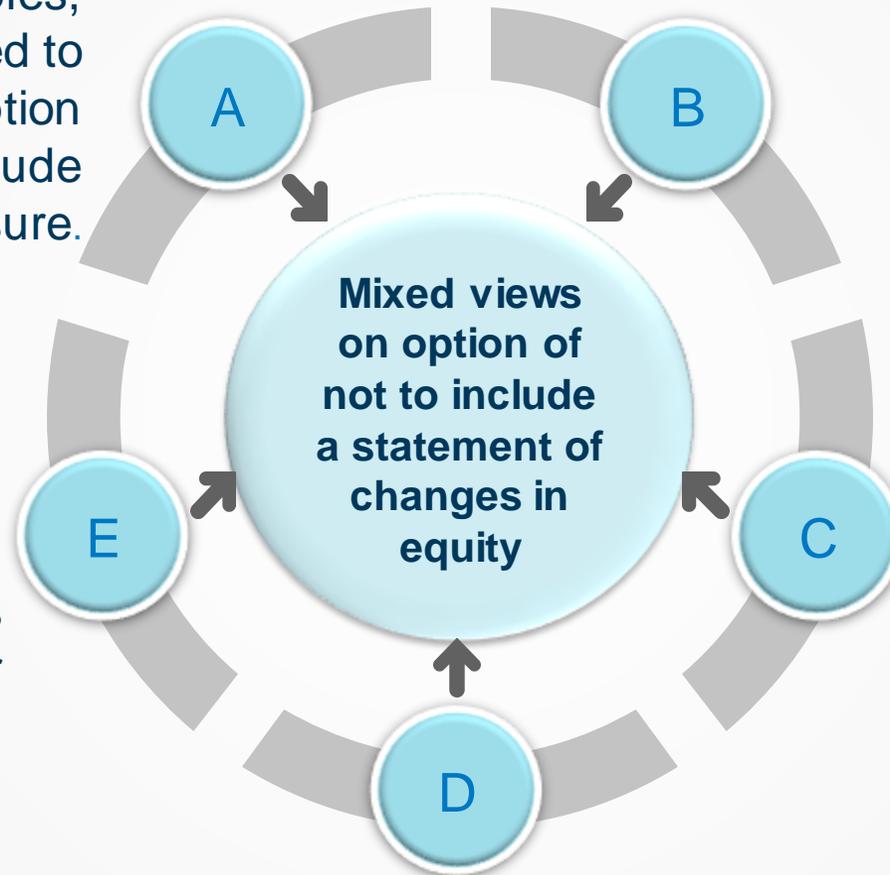
- **Overwhelming support for separate disclosure standard and for approach applied**
- **Stakeholders also like simpler language and simpler requirements**



What are some of the specific issues raised

At the roundtables,
53% of the participants agreed to provide the option
35% said not to include
12% were unsure.

At the webinar,
59% of the participants agreed to provide the option
36% said not to include
5% were unsure



Concerns about the reduced comparability of financial statements between entities and the possible year-on-year inconsistency in presentation.

Concerns that having differences in presentation could be confusing for users

Concerns that adapting reporting templates may be too time consuming



What are some of the specific issues raised

15

59% of webinar participants agreed with proposed removal of tax reconciliation, **36%** disagreed with the proposal, and **5%** were unsure

Mixed views on proposed removal of mandatory tax reconciliation

While useful for audit purposes, entities would appreciate if tax reconciliation was not being made publicly available

Tax reconciliation provides useful information about the entity and can help to identify errors

Could provide an exemption for entities within a tax consolidated group from making any tax disclosures



What are some of the specific issues raised?

Disclosures about maturity of lease liabilities vs other financial liabilities:

- **Other financial liabilities:** general requirement to disclose terms and conditions "such as ... maturity, repayment schedule ..."
- **Lease liabilities:** disclose maturity analysis of future lease payments for fixed time periods

Roundtable participants generally agreed that the requirements for liquidity disclosures should be the same for lease liabilities and for other borrowings and recommended following up with the IASB as to why a maturity analysis is currently only required for lease liabilities, but not specifically for other borrowings.

Webinar Polling Results

- **50%** of the participants thought that a maturity analysis should be required for both lease liabilities and for other borrowings
- **30%** believed that the general requirement to disclose terms and conditions would be sufficient for both
- **16%** voted to keep the disclosures as they are
- **4%** were unsure.



The issue: Additional disclosures beyond and above full IFRS

Additional disclosures identified include:

Fair value hedge – separate disclosure of the amount of the change in fair value of the hedging instrument and of the hedged item

Defined benefit plans – cost relating to defined benefit plans for the period that have been included in the cost of an asset

Group employee benefit plans – full disclosures required, cross referencing to another group entity's financial statements not permitted

Termination benefits and other long-term benefits – information about the nature of the benefits, amounts of obligation and extent of funding

Lessees – full PPE disclosures for right-of-use assets

Lessors – loss allowance for lease receivables

Feedback: Majority of stakeholders said additional disclosure above and beyond IFRS should not be required

Roundtables:

- Concerns about the additional costs that would have to be incurred to collect information to produce the disclosures, in particular where this information is not even needed for consolidation purposes.
- However, some thought that any departures from the principle to follow IFRS for SMEs disclosures that are made now could make it more difficult for the AASB to justify adopting changes that are made to the IFRS for SMEs disclosures in future.

Webinar:

- **76%** of webinar participants said that additional disclosure above and beyond IFRS should not be required, **20%** preferred to follow IFRS for SMEs under all circumstances and **4%** were unsure.
- One participant noted that it would be inconsistent to include additional disclosures that are not in full IFRS, and that the AASB should take the opportunity to rationalise them.
- One participant asked whether this could be the result of IFRS for SMEs not being updated on a timely basis.



What are some of the specific issues raised?



Discontinued Operations

1

Retained IFRS for SMEs presentation requirements in the ED (i.e. no separate presentation in statement of financial position & no restatement of profit or loss for comparative period)

2

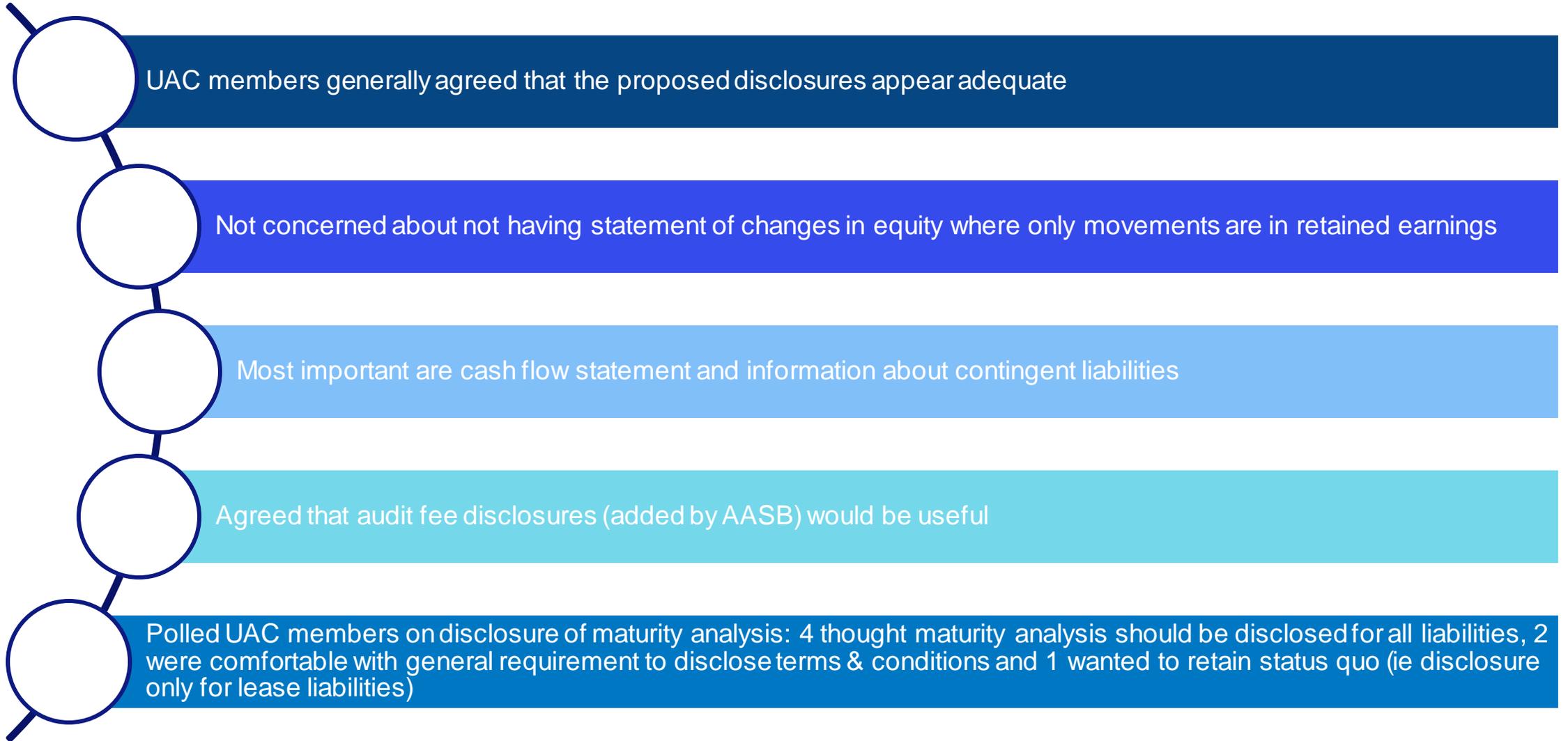
Some roundtable participants thought it was inconsistent to require remeasurement under IFRS 5 without the presentation requirements from that standard

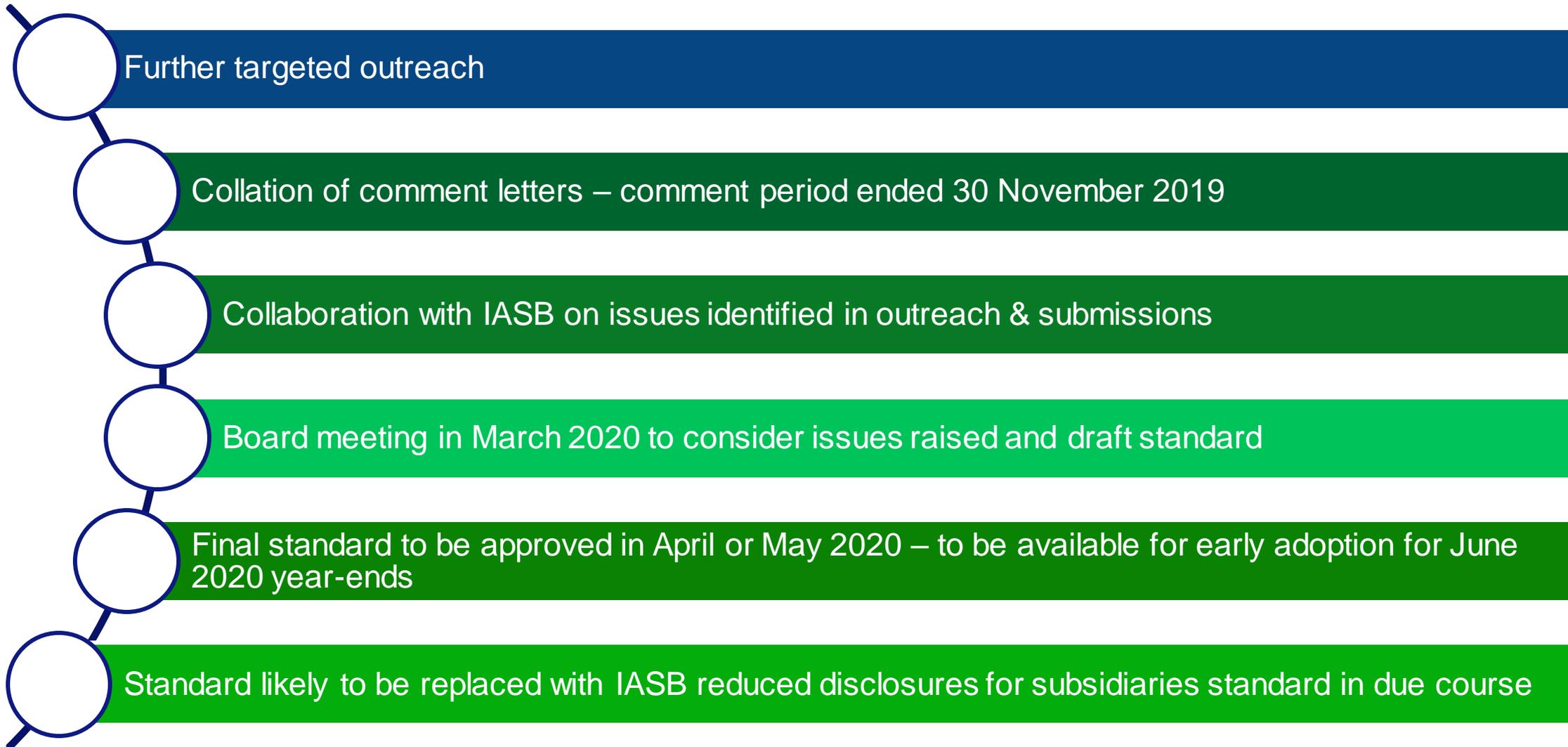


Individually material items of income and expense

1

Some roundtable participants were concerned that the overriding requirement to disclose information that is relevant to an understanding of the financial statements would not be sufficient







Thank You.



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