

Discussion of: “Is AASB 6 still fit for purpose?”

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Motivation/Puzzle / Research Questions

- What is the current reporting practices and perceptions of applying AASB 6?
- This accounting standard was intended to be interim and has not been revisited until being added to the IASB's 2018 agenda.
- This study examines whether AASB 6 Exploration for and Evaluation of Mineral Resources meets the IASB's testing of being 'fit for purpose'.
- The extractive industries is a significant global discloser.

Enigmas of the standard itself

- AASB 6 is considered a unique standard as it is industry specific and numerous aspects of the standard are outside the conceptual framework, and contains special rules on when to test capitalised exploration and evaluation (E&E) assets for impairment.
- Difference between AASB 6 and IFRS 6. For ability to capitalise E&E expenditure is actually AASB 6 is stricter than IFRS 6.
- The accounting profession is aware of what can be described as numerous potential 'Blind Freddy' errors that an entity can make if its accounting policy is to capitalise its E&E expenditure (<https://www.bdo.com.au/en-au/accounting-news/accounting-news-march-2017/blind-freddy>)

Contribution

- This paper contributes to the literature through an examination of whether AASB 6 is currently ‘fit for purpose’.
- The study uses a 3 stage mixed methods approach.
- Data generated from this paper is detailed and provides a comprehensive picture of current reporting practices and concerns of industry stakeholders.
- This accounting standard has to date not been revisited for a significant period of time.
- This is an industry specific standard and AASB 6 has comparative differences with IASB 6.

Idea / Data / Tools

A rich data set including qualitative and quantitative components:

- Survey of the current disclosure practices from the **2018** Annual Reports of **98 companies** listed on the Australian Stock Exchange (ASX). Market capitalisation of \$515,354 million.
- Analysis of company reports **2010 to 2017** as to whether any significant regulatory or other industry-relevant changes had impacted reporting practices since the IASB last examined this issue at the time of their **2010 Discussion Paper**.
- **Interviews** with industry and stakeholders (eight preparers of financial statements, including two junior, and six large; two regulators; and two accountants from Big 4 firms).

Major comments

- The use of the 3 stages to the investigation could be explained further.
- Did any of the stages inform the other later stages?
- Interesting to have more background of the preparation of the financial statements and company's headquarters – i.e. which accounting firms are involved? Are there industry/firm co-locations?

Further major comments

- Are what we are seeing 'Blind Freddy' errors or managing of the numbers?
- Does the lack of guidance from the standard allow for aggressive accounting?
- For the comparison of 2010-2017 is there a way to present the data to show the differences more clearly? For example the graphs are not that clear.
- Possible statistical test of differences 2010-2017?

Minor Comments

- The introduction section of the paper discusses environmental, social and governance (ESG) issues, significant impact of extractive industries and growing calls for reporting, however, only a small section of the stage 3 interviews is about this issue.
- The introduction section could benefit from a ‘contributions of this paper paragraph’.

More minor comments

- Why were companies that are incorporate in countries other than Australia retained in the sample for the 2018 annual reports? Is there a possible difference in their reporting?
- Analysis of justifications from Appendix 3?



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All the best with
the paper!