

27 November 2019

Australian Accounting Standards Board  
Podium Level,  
Level 14, 530 Collins Street,  
Melbourne VIC 3000

Dear Board Members,

## **Response to AASB ED 295 - General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities**

We provide the Australian Accounting Standards Board (“AASB”, “the Board”) with our views on Exposure Draft ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Nexia Australia Pty Ltd represents the seven Australian firms comprising the Nexia Australia network with over 60 partners servicing clients from small to medium enterprises, large private companies, not-for-profit entities, subsidiaries of international companies and listed public companies. Our position within the SME market qualifies us to share our views on the Board’s proposals.

We welcome the Board’s attempt to simplify and streamline Tier 2 reporting requirements.

Our specific comments on the detailed proposals are attached.

Sincerely

**Nexia Australia Pty Ltd**



**Martin Olde**

Technical Director

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### Specific responses

- We agree with the replacement of AASB 7 *Financial Instruments: Disclosures*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 124 *Related Party Disclosures* in their entirety.
- We disagree with the inclusion of the audit fees disclosures from AASB 1054 *Australian Additional Disclosures*.
- We disagree with the inclusion of the following disclosures which are in addition to those currently required by the RDR Framework:

Section in the Simplified Disclosure Standard	Paragraph	Nature of disclosure
Section 12 Other Financial Instrument Issues – Hedging disclosures	12.29(a)	For cash flow hedges – the periods when the cash flows are expected to occur and when they are expected to affect profit or loss.
Section 19 Business Combinations and Goodwill	19.25(g)	Qualitative description of the factors that make up recognised goodwill.
Section 20 Leases	20.13(b) 20.30(b)	Lessees: Maturity analysis of future lease payments. Lessors with operating leases: variable lease payments recognised as income.
Section 28 Employee Benefits	28.41(g),(i),(j)	For defined benefit plans: - amounts recognised in profit or loss as expense - actual return on plan assets.

- We disagree with the inclusion of the following disclosures which are not required by, and more onerous than, Tier 1 Accounting Standards. The purpose of the Simplified Disclosures should be to simplify and reduce compliance costs compared to full IFRS, not introduce new additional disclosure requirements that listed public companies are not required to make:

Section in the Simplified Disclosure Standard	Paragraph	Nature of disclosure
Section 12 Other Financial Instrument Issues – Hedging disclosures	12.28 (a) and (b)	For fair value hedges: separate disclosure of the amount of the change in fair value of the hedging instrument and of the hedged item.
Section 20 Leases	20.23 (d)	Lessors with finance leases: disclosure of the loss allowance for uncollectable minimum lease payment receivables.
Section 28 Employee Benefits	28.41(g) and (j), 28.42 and 28.43	For defined benefit plans: - the cost relating to defined benefit plans for the period that have been included in the cost of an asset. - for group plans, subsidiaries must make all of the disclosures for the

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plan as a whole, without exemption and without being able to cross-refer to another group entity's financial statements.

Information about the nature of termination benefits and other long-term benefits, the amount of the obligations and extent of funding.

- We agree that the proposed Simplified Disclosure Standard should also be made available to NFP private sector entities and all public sector entities that can apply Tier 2 reporting requirements.

### Other matters

- We note the approach taken in ED 295 to include all the disclosure requirements for Tier 2 entities in one stand-alone standard. Paragraphs Aus 1.3 and 3.3 of AASB 10XX state that an entity apply [this Standard] in relation to disclosure requirements only.

Other Australian Accounting Standards contain guidance on how to apply the disclosure requirements of those standards. The AASB acknowledges (BC47) that ED 295 removes some of the guidance included in those standards and the staff paper accompanying ED 295 notes that many guidance paragraphs in other Accounting Standards are not carried into AASB 10XX. We also note that ED 296 is likely to introduce additional guidance and amend disclosures relating to an entity's material accounting policies.

To avoid potential confusion regarding the status of disclosure guidance contained in other Accounting Standards and to assist preparers apply AASB 10XX, we suggest that the standard clarify that an entity applies the guidance contained in other Accounting Standards relating to disclosure in AASB 10XX. We also recommend that paragraph 8.5 of AASB 10XX be amended to be consistent with the proposed changes in ED 296.

- The presentation and measurement of non-current assets held for sale and discontinued operations are determined in accordance with AASB 5. Paragraph 5.5(e) of AASB 10XX requires disclosure of a single amount of profit or loss from discontinued operations in accordance with AASB 5. However, AASB 10XX contains no specific disclosure of discontinued operations either on the face of the balance sheet or in the notes. Furthermore, the disclosure requirement in paragraph 4.14 of AASB 10XX relates only to "binding sale agreements", which is a different threshold for discontinued operations contained in AASB 5.

Consequently, we expect inconsistencies and confusion to arise between the disclosures required by paragraph 4.14 and 5.5(e) and AASB 5.

We recommend the AASB clarify and ensure consistency in the application and disclosures relating to discontinued operations and disposal groups.