



ACT
Government

Chief Minister, Treasury and
Economic Development

Ms Kris Peach
The Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Dear Ms Peach ^{Kris}

ED 296 – Disclosure of Accounting Policies

The Heads of Treasury Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on the Exposure Draft (ED 296) *Disclosure of Accounting Policies*.

HoTARAC agrees with the proposed changes.

The attachment to this letter sets out HoTARAC's comments on the specific and general matters. If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Government Department of Finance on (02) 6215 3551 or via email at Peter.Gibson@finance.gov.au.

Yours sincerely

David Nicol
CHAIR

Heads of Treasuries Accounting and Reporting Advisory Committee
22 October 2019

Specific Matters for Comment

1. The Board proposes to amend paragraph 117 of IAS 1 to require entities to disclose their ‘material’ accounting policies instead of their ‘significant’ accounting policies. Do you agree with this proposed amendment? If not, what changes do you suggest and why?

HoTARAC agrees to the proposed change. In HoTARAC’s view the application of materiality to the disclosure of accounting policies will result in information that is more relevant to users.

2. The proposed new paragraph 117A of IAS 1 states that not all accounting policies relating to material transactions, other events or conditions are themselves material to an entity’s financial statements. Do you agree with this proposed statement? If not, what changes do you suggest and why?

HoTARAC agrees. HoTARAC agrees with paragraph 117B that an accounting policy is material if it is needed to understand material transactions. The focus should be informing users on how accounting standards have been applied, rather than replicating the provisions of the standard applied.

3. The proposed new paragraph 117B of IAS 1 lists examples of circumstances in which an entity is likely to consider an accounting policy to be material to its financial statements. Do the proposed examples accurately and helpfully describe such circumstances? If not, what changes do you suggest and why?

HoTARAC agrees.

4. The Board proposes to add to IFRS Practice Statement 2 two examples that illustrate how the concept of materiality can be applied in making decisions about accounting policy disclosures. Are these examples useful and do they demonstrate effectively how the concept of materiality can be applied in making decisions about accounting policy disclosures? If not, what changes do you suggest and why?

HoTARAC agrees.

5. Would any wording or terminology introduced in the proposed amendments be difficult to understand or to translate?

None HoTARAC is aware of.

6. Do you have any other comments about the proposals in this Exposure Draft?

HoTARAC suggests the Board consider whether the phrase “Not all accounting policies relating to material transactions, other events or conditions are themselves material” would be better placed at the beginning of para 117B instead of para 117A.

Aside from this, HoTARAC has no other comments.

General Matters for Comment

1. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly relating to:

- (a) not-for-profit entities; and
- (b) public sector entities, including GAAP/GFS implications;

HoTARAC is not aware of any regulatory issues.

2. Whether, overall, the proposals would result in financial statements that would be useful to users?

More relevant accounting policy disclosures would be useful to users.

3. Whether the proposals are in the best interests of the Australian economy?

No comment.

4. Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

As noted above, HoTARAC regards more focussed disclosures as being beneficial to users. The costs of the change will not be significant, as the proposal will reduce existing disclosures, rather than replace them.

