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AASB improves ability for companies to address disclosure overload in financial statements

Company directors, Chief Financial Officers and others will be encouraged that the AASB and the International Accounting Standards Board (IASB) are working on a range of initiatives to address concerns about disclosure overload in financial statements. As part of that effort, the AASB today issued amendments to AASB 101 *Presentation of Financial Statements* to clarify that entities should not be disclosing immaterial information and that the presentation of information in notes can and should be tailored to provide investors and other users with the clearest story of an entity's financial performance and financial position.

Kris Peach, Chair of the AASB, said "Entities are not required to disclose immaterial information in their financial statements. Just because a standard contains a list of disclosures does not mean that an entity must always make each of those disclosures in its financial statements. Judgement is required to determine whether the relevant line item is material and also whether the specified disclosure is material."

Ms Peach further remarked that "It is pleasing to see that some companies, not-for-profit entities and public sector entities have already taken the initiative to cut some of the clutter of immaterial information from their financial statements and they have proved that this can be achieved without affecting compliance with the accounting standards. For instance, PricewaterhouseCoopersⁱ and KPMGⁱⁱ have both released commentaries that give examples of companies that have made significant inroads to declutter their financial statements. With the issue of these amendments and given supportive statements from the corporate regulator, the Australian Securities & Investments Commission,ⁱⁱⁱ this is an opportune time for directors and CFOs to take action to address disclosure overload in their financial statements. They can do this by eliminating immaterial information from their financial statements and by reordering their notes to the financial statements to draw focus towards the most important and relevant information in the financial statements."

The amendments issued today are part of a series of projects being undertaken by the IASB, collectively referred to as the Disclosure Initiative. The AASB is contributing to all of the IASB's work on the Disclosure Initiative. The AASB is also taking steps to improve financial reporting disclosures in Australia. This has included publishing the AASB staff paper '*To Disclose or Not to Disclose: Materiality is the Question*' in February 2014. The AASB will also undertake a Post Implementation

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Review of its Reduced Disclosure Requirements regime that can be applied by entities that do not have public accountability. This review is scheduled to commence later this year.

The amendments made to AASB 101 are contained in the amending standard [AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101](#). These amendments will be effective for annual reporting periods beginning on or after 1 January 2016. Earlier application of the amendments is permitted.

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Notes on AASB 2015-2

The main amendments that AASB 2015-2 makes to AASB 101 are to clarify that:

- the concept of 'materiality' applies to all Standards, including each disclosure requirement in a standard. This means that, for example, an entity would not have to disclose information about share-based payments if it has none. Similarly, an entity would not need to provide a reconciliation of its property, plant and equipment assets if those assets are immaterial to the entity.
- the disclosure of immaterial information reduces understandability of financial statements because immaterial information can obscure and detract from the useful information that is reported.
- professional judgement should be used to determine where and in what order information is presented in the financial statements. For example, an entity does not need to co-locate all of its accounting policies into one disclosure and that disclosure need not be the first note to the financial statements.

AASB 2015-2 incorporates the amendments made by the IASB in December 2014 in its corresponding amending standard *Disclosure Initiative (Amendments to IAS 1)*. More information on the Disclosure Initiative can be found [here](#).

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ⁱ <http://www.pwc.com.au/assurance/publications/audit-committee-matters/library/streamlined-reporting-nov14.htm>

ⁱⁱ <http://www.kpmg.com/au/en/issuesandinsights/articlespublications/pages/cutting-clutter-financial-report-asx-200.aspx>

ⁱⁱⁱ <https://www.asic.gov.au/about-asic/media-centre/find-a-media-release/2014-releases/14-294mr-focus-for-31-december-2014-financial-reports/>

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