



CHARTERED ACCOUNTANTS  
AUSTRALIA - NEW ZEALAND

24 May 2017

Chief Executive  
External Reporting Board  
PO Box 11250, Manners St Central  
Wellington 6142

*By email: [submissions@xrb.govt.nz](mailto:submissions@xrb.govt.nz)*

Dear Warren

### **Submission on Exposure Draft ED 2017-1 Amendments to RDR for Tier 2 For-Profit Entities**

Chartered Accountants Australia and New Zealand (CA ANZ) welcomes the opportunity to comment on the Exposure Draft ("the ED"). We commend the New Zealand Accounting Standards Board (NZASB) for taking this opportunity to work with the Australian Accounting Standards Board (AASB) to jointly develop these proposals. In the finalising of the proposals we encourage the NZASB to continue to liaise with the AASB to ensure trans-Tasman harmonisation to the extent possible. Our responses to the specific questions raised in the ED are set out in Appendix A. Appendix B includes more information about CA ANZ.

We support the objective of the ED, and the proposals are a useful starting point. Against this backdrop of support, we are concerned that the proposals do not go far enough to differentiate Tier 1 and Tier 2 disclosure requirements to make Tier 2 a viable alternative to Special Purpose Financial Reports. To incentivise increased uptake of General Purpose Financial Reports, an obvious distinction between the two tiers must be apparent to preparers. We recommend substantial reductions are made to the proposed disclosures for Tier 2 entities.

We also note that in Australia this joint project is part of a larger project to simplify and improve financial reporting. Therefore the proposals may need to be revisited once the outcome of the project to reform financial reporting in Australia is known.

Should you have any queries concerning the matters in this submission, or wish to discuss them in further detail, please contact Zowie Pateman (Acting Reporting Leader) via email; [zowie.pateman@charteredaccountantsanz.com](mailto:zowie.pateman@charteredaccountantsanz.com).

Yours sincerely

**Liz Stamford**  
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## Appendix A: Responses to specific questions

- 1 Do you agree with the overarching principles on which the proposed RDR decision-making framework is based (that is, user needs and cost-benefit)? If you disagree, please explain why.**

We agree with the overarching principles.

- 2 Do you agree with the two Key Disclosure Areas identified as being essential for meeting user needs? If you disagree with either Key Disclosure Area (including any of the specific disclosures about transactions and other events significant or material to understanding the entity's operations as represented by the financial statements), please explain which one(s) you disagree with and why?**

We agree, in principle, with the two Key Disclosure Areas. However (ii) associated risks specific to a transaction or event; and (iv) significant estimates and judgements specific to a transaction or event are covered by (i) the nature of the transaction or event that makes it significant or material to the entity. On this basis we recommend that (ii) and (iv) are removed.

- 3 Do you agree with the proposed RDR decision making framework and operational guidance as a whole for determining RDR for Tier 2 for-profit entities? If you disagree, please explain why.**

We agree with the proposed RDR decision-making framework.

- 4 Do you agree with the outcome of the application of the proposed RDR-decision making framework and operational guidance to the disclosure requirements in NZ-IFRS to determine the disclosure requirements for Tier 2 for-profit entities? If you disagree with the outcome, please identify, with reasons:**

- a) which disclosures that are identified as requirements that you believe Tier 2 entities should not be required to provide; and
- b) which disclosures that are identified as concessions that you believe Tier 2 entities should be required to provide.

We have not been though every disclosure in every standard and assessed it against the proposed RDR-decision making framework and operational guidance. However, overall we believe the current application of the proposed RDR-decision making framework and operational guidance has not resulted in a significant enough reduction in disclosure requirements for Tier 2 entities when compared to Tier 1. Application of the proposed RDR-decision making framework and operational guidance is highly judgemental, as evidenced by differences in the proposals between the NZASB and the AASB. We encourage both boards to revisit the application of the proposed RDR-decision making framework and operational guidance with a greater focus on what is considered to be material and significant.

- 5 Do you agree with the approach taken by the NZASB regarding disclosures about accounting policies? If you disagree, please explain why.**

We agree with this approach.

- 6 Do you agree with the approach taken by the NZASB regarding guidance for disclosure requirements? If you disagree, please explain why.**

We do not support keeping guidance for disclosures where it is of a general nature.

- 7 Do you agree with the approach taken by the NZASB regarding cross-references to other standards that are general rather than specific? If you disagree, please explain why.**

We do not support keeping cross-references where it is of a general nature, as the disclosure will be required by the standard dealing with a specific type of transaction or event.

- 8 Do you agree with the proposal to retain the approach of use of an asterisk (\*) for disclosures that Tier 2 entities are not required to provide and explaining partial concessions by means of an RDR paragraph? If you disagree, please provide, with reasons, an alternative approach for consideration.**

We believe the current approach in New Zealand works well, but we encourage trans-Tasman harmonisation in this regard.

- 9 Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 January 2019 with early application permitted? Early application is permitted for periods beginning on or after 1 January 2018 (with early adoption of the amended Tier 2 disclosures in NZ IAS 40 permitted only when an entity also applies NZ IFRS 16)?**

We agree with the effective date.

- 10 Do you have any other comments on the ED?**

We have no other comments.

## **Appendix B: About Chartered Accountants Australia and New Zealand**

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations. We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.