



Technical Accounting Alert

Reduced Disclosure Regime

Introduction

The purpose of this alert is to provide advance notice of the significant simplifications that the Australian Accounting Standards Board (AASB) has made to its Reduced Disclosure Regime (RDR) accounting standard and to provide awareness of those simplifications to enable companies to consider whether they should be early adopted for 30 June 2010 financial statements.

When making the decision to early adopt keep in mind that the RDR accounting standard will always be available as an option to the full IFRS disclosures, but from 2013 the AASB's differential reporting accounting standard is proposed to apply and this will deem all companies required to prepare Corporations Act financial statements to adopt full IFRS or the IFRS RDR accounting standard, however that is subject to Parliamentary review.

A copy of the RDR in omnibus format (just paragraph references to the various standards) is available on the AASB's [website](#). A disclosure checklist will be available once the AASB publishes the amending accounting standards. An updated Technical Accounting Alert (TA Alert) will be issued once these reforms are published by the AASB which is expected to be late June 2010.

Overview

As detailed in [TA Alert 2010-07](#) the AASB will have a 'reduced disclosure regime' (RDR) accounting standard available for 30 June 2010 application which will result in around a 50% reduction in disclosures compared to the full IFRS/AASB disclosures required for non-publicly accountable reporting entities. These standards must be adopted in full; therefore companies cannot be selective in their application.

Non-publicly accountable entities are basically non-listed companies although the AASB will also define some other entities (unlisted banks, insurance companies etc) as publicly accountable when the final standards are issued. So for those non-publicly accountable reporting entities that are currently following the full IFRS/AASB accounting standards, there are likely to be cost savings in adopting the RDR accounting standards (Appendix 1 summarises the major changes).

The more significant reductions are in the following accounting standards:

- AASB 7 Financial Instruments; Disclosures
- AASB 101 Presentation of Financial Statements
- AASB 108 Accounting Policies
- AASB 123 Borrowing Costs
- AASB 124 Related Party Disclosures

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- AASB 128 Investments in Associates

The RDR still contains around 50% more disclosures than the International Accounting Standards Board's IFRS for SMEs disclosures and this is due to the AASB not adopting the IFRS for SMEs simplifications in recognition and measurement. When compared to the current non-reporting entity AASB disclosures there is a further 50% reduction from the IFRS for SMEs accounting standard. What that means is that for non-reporting entities that are just following the 3 AASB disclosure accounting standards (AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*), there may not be a reduction in disclosures by adopting the RDR accounting standard. It will very much depend on the circumstances of each company as some of the simplifications will be less relevant to smaller less complex businesses compared to having to adopt all of the accounting standards disclosures but in RDR format.

Along with the anticipated removal of parent company financial statements via the Corporate Reporting Reform Bill ([TA Alert 2007-07](#)), there may be potential cost savings for 30 June 2010 companies.

Further information

An updated TA Alert will be issued once the RDR accounting standards are published. For further information on any of the information contained in this TA Alert, please refer to your local Grant Thornton Australia contact, Keith Reilly National Head of Professional Standards at kreilly@grantthornton.com.au or a member of the National Audit Support Team at NAS@grantthornton.com.au

Appendix 1

(a) Applicable accounting standards to various entities

Publicly accountable entities (ie listed companies)

Full IFRS/AASB

Non-publicly accountable reporting entities

Full IFRS/AASB

or

IFRS/AASB RDR

Non-publicly accountable non-reporting entities' Part 2M.3 Corporations Act preparing companies

Full IFRS/AASB

or

IFRS/AASB RDR

or

IFRS/AASB recognition & measurement plus limited AASB disclosure standards (AASB 1, AASB 107 & AASB 108)

or

* Selective simplified recognition & measurement plus limited AASB disclosure standards (AASB 1, AASB 107 & AASB 108)

* ASIC states that in its view IFRS/AASB recognition & measurement rules should be followed by Corporations Act preparing companies

Other non-publicly accountable non-reporting entities

Full IFRS/AASB

or

IFRS/AASB RDR

or

IFRS/AASB recognition & measurement plus limited AASB disclosure standards (AASB 1, AASB 107 & AASB 108)

or

Selective simplified recognition, measurement and disclosure standards

(b) Major simplifications in disclosures on adoption of the RDR accounting standards

AASB 7 Financial Instruments: Disclosures

There have been significant reductions in the disclosures contained in this accounting standard, including:

- removal of requirement for detailed disclosure of financial assets and liabilities at fair value through profit & loss;
- simplified collateral disclosures;
- much simplified disclosure of defaults and breaches;
- significantly reduced fair value disclosures; and
- removal of requirement to disclose nature and extent of risks which included qualitative and quantitative disclosures relating to credit risk, liquidity risk, market risk (and the contentious sensitivity analysis).

AASB 101 Presentation of Financial Statements

There have been significant reductions in the disclosures contained in this accounting standard, including:

- the third statement of financial position requirements that are triggered where there is a retrospective accounting policy change or restatement do not apply;
- abolition of the voluminous capital management disclosures;
- surprisingly details of audit and non fees and other auditor details have been abolished; and
- the statement of IFRS compliance which can no longer be made has been replaced with an RDR compliance statement – ‘The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards – Reduced Disclosure Requirements’. There is also no need to comment in the auditor’s report on compliance with the AASB RDR accounting standard.

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors

The voluminous disclosures of new or amended accounting standards issued but not yet applied have been excluded.

AASB 123 Borrowing Costs

No requirement to disclose the capitalisation rate(s) on borrowing costs capitalised.

AASB 124 Related Party Disclosures

Removal of requirement of key management personnel disclosures.

AASB 128 Investments in Associates

The summarised financial information about associates has been eliminated.

Other standards and Interpretations

In summary, 28 Accounting Standards and 10 Interpretations have had reductions in disclosures by the RDR.