



February 2016

National Executive

Member's Dinner: Professor Ian Harper, Partner Deloitte Access Economics, spoke to members and guests on competition policy and reform in Australia. He informed those present that the focus on competition reform was the impact on consumers and no other participants in a market. Prof Harper outlined the breadth and scope of the 56 Recommendations in the Final Report of the Competition Policy Review (the Harper Review) and the level of political support for the majority of the recommendations. Members noted that the Government has undertaken further consultation on the misuse of the market power provision (S46) of the 'Competition and Consumer Act 2010'.

Promoting women in finance: Executive agreed that the G100 should take a leadership role in addressing the gender imbalance in finance, particularly in senior roles. As part of this activity Executive will survey the membership to determine what member companies are doing to address this imbalance.

Integrated Reporting: Executive will continue to monitor developments in integrated reporting and, in conjunction with KPMG, will hold information sessions with Paul Druckman – CEO IIRC – during March.

2016 Subscriptions: Members would have received the 2016 subscription notices. Payment is due and payable by 29 February 2016.

G100/EY CFO First 100 Days Program: Members are reminded that they should contact Peter Meehan 0417 509 022 to discuss candidates for participation in the program which is exclusive to G100 members.

Taxation reform

Voluntary Tax Transparency Code: The G100 submission to the Board of Taxation on tax transparency for increased public disclosure of tax information by high profile companies including large multi-nationals is on the website.

G100 Discount Rate

The G100 Discount Rate is produced monthly and made available on the website.

Corporate reporting

The following submissions are on the website:

- ED/2015/9 "*Transfers of Investment Property*" which proposes to amend IAS 40 "*Investment Property*" to clarify the guidance on transfers to, or from, investment properties.

Diary Dates 2016

Executive Meetings

14 April – Canberra

16 June – Sydney

28 July – Brisbane

6 October – Melbourne

15 December – Sydney

A Members' dinner will be held on the night before each meeting.

Member Activities

8 April: In conjunction with Wolters Kluwer, luncheon in Sydney with ATO Deputy Commissioner Jeremy Hirrschhorn.

13 April: Dinner in Canberra with Dr Peter Hendy MP Assistant Minister for Productivity

{Details of events will be sent to members separately}

- ED/2015/10 “*Annual Improvements to IFRSs 2014-2016 Cycle*” which is part of a streamlined process for dealing with issues relating to inconsistencies in application and where there is a need to clarify the wording in a standard, proposes amendments to IFRS 1, IFRS 12 ‘*Disclosure of Interest in other entities*’ and IAS 28 ‘*Investments in Associates and Joint Ventures*’.
- ED2015/11 “*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*” which proposed amendments to IFRS 4 to address the temporary consequences of different effective dates for IFRS 9 and IFRS 4.

Cash flows amended: The IASB has amended IAS 7 “*Statement of Cash Flows*” to include additional disclosures about changes in financial liabilities and assets to better understand an entity’s management of its financing activities. The amendments apply for annual periods beginning on or after 1 January 2017.

IAS 12 Income Taxes: The IASB has issued amendments to IAS 12 “*Recognition of deferred tax assets for unrealised losses*” to clarify how to account for deferred tax assets relating to debt instruments measured at fair value.

Entities are required to apply the amendments from 1 January 2017. Earlier application is permitted.

IFRS 15 Revenue: The IASB plans to issue final amendments to ‘*Clarifications to IFRS 15*’ in March 2016. The Board decided to require an entity to apply the clarifying amendments retrospectively and that effective date is annual periods beginning on or after 1 January 2018. Earlier application will be permitted.

Associates and joint ventures: The IASB has deferred the date when entities must change some aspects of how they account for transactions between investors and associates or joint ventures to 1 January 2018 while it undertakes a broader review of equity accounting. Earlier application of the amendments is permitted.

Leases: The IASB has issued IFRS 16 “*Leases*” which is effective from 1 January 2019 with earlier adoption permitted if IFRS 15 “*Revenue*” has also been applied. The main features of IFRS 16 include:

- a lessee recognises a right-of-use asset and a lease liability. The asset is treated similarly to non-financial assets and depreciated accordingly. The liability accrues interest. The typical outcome is a front-ended expense profile (currently operating leases have a straight line profile).
- the lease liability is measured at the present value of the lease payments over the lease term discounted at the implicit rate of interest in the lease if it can be readily determined, otherwise the incremental borrowing rate is used.
- Lessors classify leases as operating or finance as at present. A finance lease transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are accounted for as operating leases.

A lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for:

- leases with a term of 12 months or less and containing no purchase options (this election is made by class of underlying asset); and
- leases where the underlying asset is of low value when new (such as personal computers and small items of office furniture). This election is made on a lease-by-lease basis.

The IASB has also published a separate “*Effects Analysis*” which outlines the costs and benefits of IFRS 16 (www.ifrs.org).

Materiality: The IASB has issued an Exposure Draft of a proposed practice statement “*Application of materiality to financial statements*” which seeks to explain and illustrate the concept of materiality to assist preparers of financial statements in applying the concept. Comments are required by 26 February 2016. (www.ifrs.org).

The draft guidance has been developed in response to concerns that management are often uncertain about how to apply the concept of materiality and therefore use the disclosure requirements in the Standards as a checklist. This can result in excessive disclosure of immaterial information that can obscure useful information and also make financial statements cluttered and less understandable. It can also lead to useful information being left out.

Whether information is material or not depends on a range of factors and entity-specific circumstances, and is a matter of judgement. Determining what information is material also requires an understanding of the users of the financial statements and the decisions that they make based on those financial statements.

Audit quality: The AuASB, together with CPA Australia and Chartered Accountants Aust and NZ, has advised that they will be holding roundtables seeking feedback on audit quality issues. {29 February in Melbourne and 1 March in Sydney}.

The objective of the roundtables is to seek the views of directors, preparers and others on whether enhancements to financial reporting and audit quality are necessary. The roundtables follow the issue of a consultation paper by the IAASB on 'Enhancing Audit quality in the public interest: A focus on professional scepticism, quality control and group audits'.

Remuneration Report: Work is proceeding on proposals to streamline the remuneration report, in conjunction with PwC. A number of members will road-test the proposed changes in late February/March. Proposals for change will be discussed with Treasury in April.

APESB

Management Representations: The APESB has issued ED/05/15 'Proposed Guidance Note: APES 41 Management Representations' (www.apesb.org.au) which seeks to clarify the ethical obligations of professional accountants (including those members of professional bodies in business). This proposed guidance note deals with both internal and external management representations. The G100 was represented on the task force which prepared the guidance. Submissions are requested by 29 February 2016.

ASIC

ASIC has issued Report 466 "ASIC's work to reduce red tape" which sets out its progress on deregulatory initiatives and potential new compliance cost savings (www.asic.gov.au).