

21 December 2012

Ms Francoise Flores
Chairman
European Financial Reporting Advisory Group
35 Square de Meeus
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Belgium

Email: commentletters@efrag.org

Dear Ms Flores

Discussion Paper: Towards a Disclosure framework

Thank you for the opportunity to comment on the above proposal. CPA Australia and the Institute of Chartered Accountants (the Institute) have considered the Discussion Paper and our comments follow.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We appreciate the reason that motivated the European Financial Reporting Advisory Group (EFRAG) to publish its Discussion Paper (DP). The issue of 'voluminous' and 'boilerplate' disclosures is evidenced by the many other global consultation papers on disclosure. We agree that the individual assessment of disclosures on a standard by standard basis without some reference to an overall disclosure framework is not sustainable and has contributed to the complexity of financial reporting. We further support a need for differential disclosures for non-listed entities, as the user needs for these accounts are different to that of listed company users.

We have not provided answers to the specific questions posed in the DP. Instead, we have confined our submission to some general comments on presentation, disclosure and materiality.

We encourage the simultaneous development of material on both presentation and disclosure. We note your paper has only explored the improvement of disclosures, without considering the information displayed on the face of the financial statements. We do not consider that these areas can be looked at in isolation, and therefore we consider that the paper has not fully explored all the issues that have been raised in various forums on this topic.

Further, we consider that the paper needs to have stronger linkages to the current Conceptual Framework before it is further enhanced. We consider that while EFRAG could provide some advice to the International Accounting Standards Board (IASB) on this matter, the IASB is best placed to further work in this area as a part of its Conceptual Framework project.

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Moreover, we believe it is important to keep in mind that the financial statements and notes do not exist in a vacuum and that typically they are one part of an annual report which in addition to non-compulsory information in the form of reports from the chairman and chief executive of the company may include material framed by statutory and regulatory requirements. For example in Australia, the Corporations Act 2001 and Australian Securities Exchange listing rules require:

- The directors' report which includes the remuneration report.
- The corporate governance report.
- The directors' declaration that the financial statements and notes comply with accounting standards, give a true and fair view and there are reasonable grounds to believe the company is solvent.
- The auditors' report on the financial and remuneration reports.
The directors' declaration, the financial statements and the notes in aggregate are referred to as the financial report.

We think it important that any proposals to improve the presentation and disclosure components of general purpose financial statements are progressed in the context of a more complete understanding of the interactions of the various parts of the annual report and the impact of each component on the quality of the information available to users. A dialogue among at least some of the parties with responsibility for the different parts of the annual report may prove useful.

We acknowledge the work undertaken by EFRAG on issues around the assessment of materiality for disclosure purposes. We share your concern with the prevalence of the 'if in doubt, disclose' behaviour amongst preparers and auditors. Whilst the IASB has some reference to materiality in the conceptual framework, we consider that more can be done in this area. As part of the Conceptual Framework project, we would like the IASB to expand guidance in this area. This should be done in full consultation with all stakeholders including the International Auditing and Assurance Standards Board and the International Organization of Securities Commissions.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at mark.shying@cpaaustralia.com.au or Kerry Hicks (the Institute) at kerry.hicks@charteredaccountants.com.au.

Yours sincerely



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