

Explanatory Statement

Accounting Standard AASB 2015-3

Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

January 2015



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Reasons for Issuing AASB 2015-3

AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* effects the withdrawal of AASB 1031 *Materiality* by amending AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to supersede AASB 1031, and deletes references to AASB 1031 in the Australian Accounting Standards listed in the Appendix to AASB 2015-3.

Main Features of AASB 2015-3 and Application Dates

Main Requirements

As noted in the Preface to AASB 1031 *Materiality* (July 2004), at the time AASB 1031 was issued, the *Framework for the Preparation and Presentation of Financial Statements* contained limited guidance on materiality in comparison to AASB 1031. Accordingly, as part of the AASB's initial implementation of the Financial Reporting Council's policy of adopting the Standards of the IASB for application to reporting periods beginning on or after 1 January 2005, the AASB decided to retain AASB 1031, in a revised format, to ensure that the meaning of materiality remained well explained.

The AASB has a policy of not providing unnecessary local guidance on matters covered by IFRSs. As a consequence, the AASB decided to withdraw AASB 1031 – as was proposed in AASB Exposure Draft ED 243 *Withdrawal of AASB 1031 Materiality* (June 2013). Accordingly, in December 2013 the AASB re-issued AASB 1031 as an interim Standard that cross-references to other pronouncements that contain guidance on materiality. AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* and AASB 2014-1 *Amendments to Australian Accounting Standards* deleted certain references to AASB 1031 in a range of other Standards, as listed in those Standards.

AASB 2015-3 completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

Application Date

AASB 2015-3 is applicable to annual reporting periods beginning on or after 1 July 2015. Earlier application is permitted for annual reporting periods beginning on or after 1 January 2014 but before 1 July 2015.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 243 *Withdrawal of AASB 1031 Materiality* in June 2013.

Eight submissions were received by the AASB in respect of the proposals in ED 243 and there was general support for the proposal to withdraw AASB 1031. The AASB considered comments made in the submissions regarding the withdrawal of AASB 1031.

A RIS has not been prepared specifically in connection with the issuance of AASB 2015-3 as the amendments made do not have a substantial direct or indirect impact on business or competition, are of a minor or machinery nature or clarify existing requirements.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

Accounting Standard AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*

Overview of the Accounting Standard

AASB 2015-3 effects the withdrawal of AASB 1031 *Materiality* by amending AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to supersede AASB 1031, makes consequential amendments to AASB 108 and deletes references to AASB 1031 in particular Australian Accounting Standards listed in the Appendix to AASB 2015-3.

The AASB has a policy of not providing unnecessary local guidance on matters covered by International Financial Reporting Standards (IFRSs). As a consequence, the AASB has decided to withdraw AASB 1031. The withdrawal of AASB 1031 requires consequential amendments to all Australian Accounting Standards (including Interpretations) to remove references to AASB 1031.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.