
AMENDMENTS TO STATUTORY BOARD FINANCIAL REPORTING STANDARDS

Disclosure of Accounting Policies

(Amendments to SB-FRS 1 and SB-FRS Practice
Statement 2)

The amendments apply for annual reporting periods beginning on or after 1 January 2023.
Earlier application is permitted.

AMENDMENTS TO SB-FRS 1 AND SB-FRS PRACTICE STATEMENT 2:
DISCLOSURE OF ACCOUNTING POLICIES

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Amendments to SB-FRS 1 *Presentation of Financial Statements*

Paragraphs 7, 10, 114, 117 and 122 are amended. Paragraphs 117A–117E and 139V are added. Paragraphs 118, 119 and 121 are deleted. New text is underlined and deleted text is struck through.

Definitions

7 The following terms are used in this Standard with the meanings specified:

Accounting policies are defined in paragraph 5 of SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, and the term is used in this Standard with the same meaning.

...

Financial statements

...

Complete set of financial statements

10 A complete set of financial statements comprises:

...

(e) notes, comprising material significant accounting policy information policies and other explanatory information;

...

Structure and content

...

Notes

Structure

...

114 Examples of systematic ordering or grouping of the notes include:

...

(c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:

...

(ii) material significant accounting policy information policies applied—(see paragraph 117);

...

Disclosure of accounting policy information ~~policies~~

- 117 An entity shall disclose ~~material its significant accounting policy information (see paragraph 7). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.~~ policies comprising:
- (a) the measurement basis (or bases) used in preparing the financial statements; and
 - (b) the other accounting policies used that are relevant to an understanding of the financial statements.
- 117A Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.
- 117B Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:
- (a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
 - (b) the entity chose the accounting policy from one or more options permitted by SB-FRSs—such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value;
 - (c) the accounting policy was developed in accordance with SB-FRS 8 in the absence of a SB-FRS that specifically applies;
 - (d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125; or
 - (e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one SB-FRS to a class of material transactions.
- 117C Accounting policy information that focuses on how an entity has applied the requirements of the SB-FRSs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the SB-FRSs.
- 117D If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.
- 117E An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other SB-FRSs.
- 118 [Deleted]It is important for an entity to inform users of the measurement basis or bases used in the financial statements (for example, historical cost, current cost, net realisable value, fair value or recoverable amount) because the basis on which an entity prepares the financial statements significantly affects users' analysis. When an entity uses more than one

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measurement basis in the financial statements, for example when particular classes of assets are revalued, it is sufficient to provide an indication of the categories of assets and liabilities to which each measurement basis is applied.

- 119 ~~[Deleted]~~In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in reported financial performance and financial position. Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in SB-FRSs. An example is disclosure of whether an entity applies the fair value or cost model to its investment property (see SB-FRS 40 *Investment Property*). Some SB-FRSs specifically require disclosure of particular accounting policies, including choices made by management between different policies they allow. For example, SB-FRS 16 requires disclosure of the measurement bases used for classes of property, plant and equipment.
- 120 ~~[Deleted]~~
- 121 ~~[Deleted]~~An accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by SB-FRSs but the entity selects and applies in accordance with SB-FRS 8.
- 122 **An entity shall disclose, along with material its significant accounting policy information policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.**

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Transition and effective date

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- 139V *Disclosure of Accounting Policies*, issued in June 2021, amended paragraphs 7, 10, 114, 117 and 122, added paragraphs 117A–117E and deleted paragraphs 118, 119 and 121. It also amended SB-FRS Practice Statement 2 *Making Materiality Judgements*. An entity shall apply the amendments to SB-FRS 1 for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact.

Amendments to SB-FRS Practice Statement 2 *Making Materiality Judgements*

Paragraphs 88A–88G and their heading, and Examples S and T, are added. Paragraphs 117, 117A, 117B, 117C, 117D and 117E of FRS 1 are added to the Appendix. For ease of reading new text is not underlined.

Specific topics

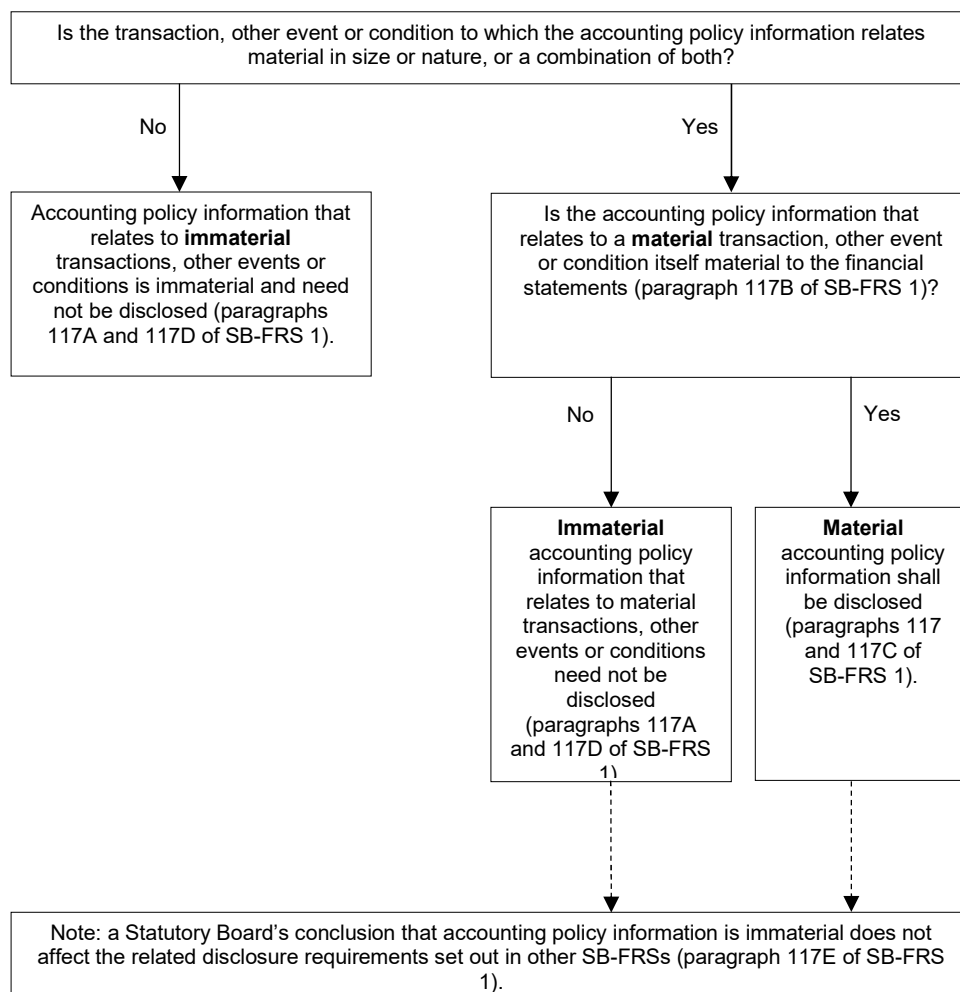
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Information about accounting policies

- 88A Paragraph 117 of SB-FRS 1 requires an entity to disclose material accounting policy information.
- 88B Accounting policy information relating to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. A Statutory Board is required to disclose accounting policy information relating to material transactions, other events or conditions if that information is material to the financial statements.
- 88C In assessing whether accounting policy information is material to its financial statements, a Statutory Board considers whether users of the Statutory Board's financial statements would need that information to understand other material information in the financial statements. A Statutory Board makes this assessment in the same way it assesses other information: by considering qualitative and quantitative factors, as described in paragraphs 44–55. Diagram 2 illustrates how a Statutory Board assesses whether accounting policy information is material and, therefore, shall be disclosed.

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Diagram 2—determining whether accounting policy information is material



- 88D Paragraph 117B of SB-FRS 1 includes examples of circumstances in which an entity is likely to consider accounting policy information to be material to its financial statements. The list is not exhaustive, but provides guidance on when an entity would normally consider accounting policy information to be material.
- 88E Paragraph 117C of SB-FRS 1 describes the type of material accounting policy information that users of financial statements find most useful. Users of Statutory Boards' financial statements generally find information about the characteristics of a Statutory Board's transactions, other events or conditions—Statutory Board-specific information—more useful than disclosures that only include standardised information, or information that duplicates or summarises the requirements of the SB-FRSs. Statutory Board-specific accounting policy information is particularly useful when that information relates to an area for which a Statutory Board has exercised judgement—for example, when a Statutory Board applies a SB-FRS differently from other Statutory Boards .
- 88F Although Statutory Board-specific accounting policy information is generally more useful, material accounting policy information could sometimes include information that is standardised, or that duplicates or summarises the requirements of the SB-FRSs. Such information may be material if, for example:
- (a) users of the Statutory Board's financial statements need that information to understand other material information provided in the financial statements. Such a scenario might arise when a Statutory Board applying SB-FRS 109 *Financial Instruments* has no choice regarding the classification of its financial instruments. In such scenarios, users of that Statutory Board's financial statements may only be able to understand how the Statutory Board has accounted for its material financial instruments if users also

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understand how the Statutory Board has applied the requirements of SB-FRS 109 to its financial instruments.

- (b) the accounting required by the SB-FRSs is complex, and users of Statutory Boards' financial statements need to understand the required accounting. Such a scenario might arise when a Statutory Board accounts for a material class of transactions, other events or conditions by applying more than one SB-FRS.

88G Paragraph 117D of SB-FRS 1 states that if an entity discloses immaterial accounting policy information, such information shall not obscure material information. Paragraphs 56–59 provide guidance about how to communicate information clearly and concisely in the financial statements.

Example S—making materiality judgements and focusing on Statutory Board-specific information while avoiding standardised (boilerplate) accounting policy information

Background

A Statutory Board provides services to the public and also collects license fees in return for granting public licenses via two different contracts. The Statutory Board applies SB-FRS 115 *Revenue from Contracts with Customers* and recognises revenue when, or as, the Statutory Board satisfies its performance obligations in line with the terms of the two contracts.

The Statutory Board's performance obligations and related considerations under the two contracts are as follows:

- (a) Contract for provision of services to the public — Members of the public pay a fixed monthly charge to use a specified monthly amount of service over three years.
- (b) Contract for collection of license fees— Companies make a one-time license fee payment to obtain a public license.

For the contract on provision of services to the public, the Statutory Board concludes that it should recognise revenue as it satisfies the performance obligation over the three year life of the contract.

For the contract on provision of public licenses to companies, the Statutory Board concludes that it should recognise revenue when it satisfies the performance obligation (when it provides the license to the company).

The Statutory Board notes that, in accounting for revenue it has made judgements about the timing of satisfaction of the performance obligations. The Statutory Board has concluded that revenue generated from these contracts is material to the reporting period.

Application

The Statutory Board has identified revenue from the following 2 contracts as material to the financial statements:

- (a) the provision of services to the public; and
- (b) the provision of public licenses to companies.

The Statutory Board next assesses whether accounting policy information for revenue from these contracts is, in fact, material.

The Statutory Board evaluates the effect of disclosing the accounting policy information by considering the presence of qualitative factors. The Statutory Board noted that its revenue recognition accounting policies:

- (a) were unchanged during the reporting period;
- (b) were not chosen from accounting policy options available in the SB-FRSs;

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- (c) were not developed in accordance with SB-FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of a SB-FRS that specifically applies; and
- (d) are not so complex that primary users will be unable to understand the related revenue transactions without standardised descriptions of the requirements of SB-FRS 115.

However, some of the Statutory Board's revenue recognition accounting policies relate to an area for which the Statutory Board has made significant judgements in applying its accounting policies—for example, in deciding the timing of revenue recognition.

The Statutory Board considers that, in addition to disclosing the information required by paragraphs 123–126 of SB-FRS 115 about the significant judgements made in applying SB-FRS 115, primary users of its financial statements are likely to need to understand related accounting policy information. Consequently, the Statutory Board concludes that such accounting policy information could reasonably be expected to influence the decisions of the primary users of its financial statements. For example, understanding that some revenue is recognised at a point in time and some is recognised over time is likely to help users understand how reported cash flows relate to revenue.

The Statutory Board also notes that the judgements it made are specific to the Statutory Board. Consequently, material accounting policy information would include information about how the Statutory Board has applied the requirements of SB-FRS 115 to its specific circumstances.

The Statutory Board, therefore, assesses that accounting policy information about revenue recognition is material and should be disclosed. Such disclosure would include information about how and when the Statutory Board recognises revenue.

Example T—making materiality judgements on accounting policy information that only duplicates requirements in the SB-FRSs

Background

Property, plant and equipment are material to a Statutory Board's financial statements.

The Statutory Board has no intangible assets or goodwill and has not recognised an impairment loss on its property, plant or equipment in either the current or comparative reporting periods.

In previous reporting periods, the Statutory Board disclosed accounting policy information relating to impairment of non-current assets which duplicates the requirements of SB-FRS 36 *Impairment of Assets* and provides no Statutory Board-specific information. The Statutory Board disclosed that:

The carrying amounts of the group's intangible assets and its property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangibles with an indefinite useful life, the recoverable amount is estimated at least annually.

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of assets is the greater of their fair value less costs to sell and their value in use. In measuring value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to that cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not subsequently reversed. For other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the new carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

Application

Having identified assets subject to impairment testing as being material to the financial statements, the Statutory Board assesses whether the accounting policy information for impairment is, in fact, material.

As part of its assessment, the Statutory Board considers that an impairment or a reversal of an impairment had not occurred in the current or comparative reporting periods. Consequently, accounting policy information about how the Statutory Board recognises and allocates impairment losses is unlikely to be material to its primary users. Similarly, because the Statutory Board has no intangible assets or goodwill, information about its accounting policy for impairments of intangible assets and goodwill is unlikely to provide its primary users with material information.

However, the Statutory Board's impairment accounting policy relates to an area for which the Statutory Board is required to make significant judgements or assumptions, as described in paragraphs 122 and 125 of SB-FRS 1. Given the Statutory Board's specific circumstances, it concludes that information about its significant judgements and assumptions related to its impairment assessments could reasonably be expected to influence the decisions of the primary users of the Statutory Board's financial statements. The Statutory Board notes that its disclosures about significant judgements and assumptions already include information about the significant judgements and assumptions used in its impairment assessments.

The Statutory Board decides that the primary users of its financial statements would be unlikely to need to understand the recognition and measurement requirements of SB-FRS 36 to understand related information in the financial statements.

Consequently, the Statutory Board concludes that disclosing a summary of the requirements in SB-FRS 36 in a separate accounting policy for impairment would not provide information that could reasonably be expected to influence decisions made by the primary users of its financial statements. Instead, the Statutory Board discloses material accounting policy information related to the significant judgements and assumptions the Statutory Board has applied in its impairment assessments elsewhere in the financial statements.

Although the Statutory Board assesses some accounting policy information for impairments of assets as immaterial, the Statutory Board still assesses whether other disclosure requirements of SB-FRS 36 provide material information that should be disclosed.

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Appendix

References to the *SB-FRS Conceptual Framework for Financial Reporting* and SB-FRSs

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Extracts from SB-FRS 1 *Presentation of Financial Statements*

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Paragraph 117

Referred to in paragraphs 88A and 88C of the Practice Statement

An entity shall disclose material accounting policy information (see paragraph 7). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Paragraph 117A

Referred to in paragraph 88C of the Practice Statement

Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Paragraph 117B

Referred to in paragraphs 88C and 88D of the Practice Statement

Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:

- (a) the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (b) the entity chose the accounting policy from one or more options permitted by SB-FRSs—such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value;
- (c) the accounting policy was developed in accordance with SB-FRS 8 in the absence of a SB-FRS that specifically applies;
- (d) the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 122 and 125; or
- (e) the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions—such a situation could arise if an entity applies more than one SB-FRS to a class of material transactions.

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Paragraph 117C

Referred to in paragraphs 88C and 88E of the Practice Statement

Accounting policy information that focuses on how an entity has applied the requirements of the SB-FRSs to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the SB-FRSs.

Paragraph 117D

Referred to in paragraphs 88C and 88G of the Practice Statement

If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Paragraph 117E

Referred to in paragraph 88C of the Practice Statement

An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in other SB-FRSs.

...

Amendments to other Standards and publications

Amendments to SB-FRS 107 *Financial Instruments: Disclosures*

Paragraphs 21 and B5 are amended. Paragraph 44II is added. New text is underlined and deleted text is struck through.

Significance of financial instruments for financial position and performance

...

Other disclosures

Accounting policies

- 21 In accordance with paragraph 117 of SB-FRS 1 *Presentation of Financial Statements* (as revised in 2008), an entity discloses material its significant accounting policy information~~policies comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements.~~ Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.

...

Effective date and transition

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- 44II *Disclosure of Accounting Policies*, which amends SB-FRS 1 and SB-FRS Practice Statement 2 *Making Materiality Judgements*, and was issued in June 2021, amended paragraphs 21 and B5. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

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Appendix B Application guidance

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Classes of financial instruments and level of disclosure (paragraph 6)

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Other disclosure—accounting policies (paragraph 21)

- B5 Paragraph 21 requires disclosure of material accounting policy information, which is expected to include information about the measurement basis (or bases) for financial instruments used in preparing the financial statements ~~and the other accounting policies used that are relevant to an understanding of the financial statements~~. For financial instruments, such disclosure may include:

...

Paragraph 122 of SB-FRS 1 (as revised in 2008) also requires entities to disclose, along with material ~~its significant accounting policy information policies~~ or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Amendments to SB-FRS 26 Accounting and Reporting by Retirement Benefit Plans

Paragraph 34 is amended and paragraph 38 is added. New text is underlined and deleted text is struck through.

All plans

Disclosure

34 The financial statements of a retirement benefit plan, whether defined benefit or defined contribution, shall also contain the following information:

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(b) material a summary of significant accounting policy information policies; and

...

Effective date

...

38 Disclosure of Accounting Policies, which amends SB-FRS 1 Presentation of Financial Statements and SB-FRS Practice Statement 2 Making Materiality Judgements, and was issued in June 2021, amended paragraph 34. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

Amendments to SB-FRS 34 Interim Financial Reporting

Paragraph 5 is amended and paragraph 60 is added. New text is underlined and deleted text is struck through.

Content of an interim financial report

5 SB-FRS 1 defines a complete set of financial statements as including the following components:

...

(e) notes, material comprising significant accounting policy information policies and other explanatory information;

...

Effective date

...

60 Disclosure of Accounting Policies, which amends SB-FRS 1 and SB-FRS Practice Statement 2 Making Materiality Judgements, and was issued in June 2021, amended paragraph 5. An entity shall apply that amendment for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. If an entity applies the amendment for an earlier period, it shall disclose that fact.

Amendment to Guidance on implementing SB-FRS 108 Operating Segments

Paragraph IG2 is amended. New text is underlined and deleted text is struck through.

Descriptive information about an entity's reportable segments

IG2 The following illustrates the disclosure of descriptive information about an entity's reportable segments (the paragraph references are to the relevant requirements in the SB-FRS).

...

Measurement of operating segment profit or loss, assets and liabilities (paragraph 27)

The accounting policy information about policies of the operating segments ~~is are~~ the same as that ~~those described as part of the material in the significant accounting policy information, policies~~ except that pension expense for each operating segment is recognised and measured on the basis of cash payments to the pension plan. Diversified Company evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains and losses.

...

Amendment to Guidance on implementing SB-FRS 1

Paragraph IG6 is amended. New text is underlined and deleted text is struck through.

Illustrative financial statement structure

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IG6 The examples are not intended to illustrate all aspects of SB-FRSs, nor do they constitute a complete set of financial statements, which would also include a statement of cash flows, disclosures about material significant~~accounting~~ policy information~~policies~~ and other explanatory information.