



4 October 2024

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West VICTORIA 8007

Submitted via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Dr Kendall

***AASB ED 331 Climate-related and Other Uncertainties in the Financial Statements***

The Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on the above Exposure Draft (ED).

**General comment**

Overall, IPA supports the inclusion of examples that assist in applying the requirements of a standard. For this reason, we support the:

- Intent of the ED to include illustrative examples that would help improve the reporting of the effects of climate-related uncertainties in the financial statements.
- The principles-based approach of the illustrative examples, while dealing with uncertainties arising from climate-related risks, can also apply to uncertainties in general.
- The inclusion of the illustrative examples accompanying the accounting standards, instead of publishing them as educational materials or elsewhere.

However, IPA thinks that the illustrative examples contain simple fact patterns with high level conclusions of whether additional disclosures are warranted. The examples would be more useful if they contained more complex fact patterns and detailed the likely disclosures, ie the reasons why the climate-related uncertainties would not have an effect on the entity's financial position and financial performance. More specificity in the examples would assist not only in applying the standards by preparers but also auditors when assessing the additional disclosures. The examples in their current general form may lead to differing and inconsistent interpretations by the entity and auditors/regulators, on whether additional disclosures should be made and the extent of the disclosures. The examples may therefore serve as points of contention as opposed to being useful.

**Specific comment**

Our responses to the specific questions in the ED are in Attachment 1.

For any questions relating to this submission, please contact Vicki Stylianou, Group Executive Advocacy and Professional Standards, Institute of Public Accountants at [vicki.stylianou@publicaccountants.org.au](mailto:vicki.stylianou@publicaccountants.org.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'V. Stylianou', with a stylized flourish at the end.

Vicki Stylianou  
Group Executive, Advocacy & Professional Standards  
Institute of Public Accountants

## Attachment 1 – IPA’s responses to ED 331 specific questions

**Question 1 (a) Do you agree that providing examples would help improve the reporting of the effects of climate-related and other uncertainties in the financial statements? Why or why not? If you disagree, please explain what you would suggest instead and why.**

In general, IPA supports the inclusion of examples that assist in applying the requirements of a standard. We note that uncertainties arising from climate-related risks are not dissimilar to uncertainties in general that are addressed in existing accounting standards. However, given recent requirements for climate reporting (mandatory in some jurisdictions, such as Australia) as separate reports to financial statements, it is important the effects of climate-related risks and other uncertainties are sufficiently disclosed in the financial statements. This also assists in strengthening the connections of information between the entity’s general purpose financial report. For these reasons, IPA supports providing climate-specific examples and the principles based on which the examples are developed that apply to uncertainties in general.

**Question 1(b) Do you agree with including the examples as illustrative examples accompanying IFRS Accounting Standards? Why or why not? If you disagree, please explain what you would suggest instead and why.**

IPA supports including the examples as illustrative examples accompanying accounting standards. This is consistent with the approach in existing accounting standards where illustrative examples, while not an integral part of a standard, are included in the standard to assist in applying the accompanying guidance. This ensures that the examples are in one easily accessible location and would be more effective than presented in separate educational materials.

**Question 2 Do you agree with the IASB’s approach to developing the examples? In particular, do you agree with the selection of requirements and fact patterns illustrated in the examples and the technical content of the examples? Please explain why or why not. If you disagree, please explain what you would suggest instead and why.**

The examples in the Exposure Draft largely contain fact patterns that are simple and of a high level with conclusions of whether additional disclosures are warranted. This is seen in Examples 1 and 2, which illustrate at a high level how an entity makes material judgements for the additional disclosures about the effect of an entity’s (manufacturer) climate transition plan on its financial position and financial performance.

IPA thinks that, for the examples to be more useful and achieve the Exposure Draft’s intended objectives, consideration should be given to other more common industries in addition to those in the manufacturing industries. It would also be more effective if the examples contained more complex fact patterns and detail the likely disclosures, ie the reasons why the transition plan in Example 1 does not have an effect on the entity’s financial position and financial performance. This is particularly the case in Examples 4 to 6, which aim to illustrate the application of standards that deal with more complex matters such as impairment and credit risks. More specificity in the examples would assist not only the application of the standards by preparers but also auditors when assessing the additional disclosures. The examples in their current general form may lead to differing and inconsistent interpretations, by the entity the auditors/regulators, on whether additional disclosures should be made and the extent of the disclosures. The examples may therefore serve as points of contention as opposed to being useful.

**Question 3 Do you have any other comments on the Exposure Draft?**

Refer to the comments in Question 2.