



Project:	SPFS removal and revised Tier 2 GPFS disclosure framework	Meeting:	AASB March 2020 (M174)
Topic:	Summary of responses to ED 297 and ED 295 and next steps to finalise	Agenda Item:	3.1
		Date	19 February 2020
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		Decision-Making:	High
		Project Status:	Consider comments on EDs and staff recommendations to finalise the standard

OBJECTIVE OF THIS PAPER

- 1 The objective of this paper is for Board members to:
 - (a) consider comments received from respondents to [ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#) and [ED 295 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#); and
 - (b) finalise the proposals by:
 - (i) deciding on any necessary changes to the proposals;
 - (ii) confirming due process requirements have been followed and appropriately satisfied; and
 - (iii) vote on issuing Amending Standard AASB 2020-X *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and AASB 10XX *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, if the Board determines it is appropriate to do so.

ATTACHMENTS

- Agenda item 3.2 Pre-Ballot Draft – AASB 2020-X *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*

- Agenda item 3.3 Pre-Ballot Draft – AASB 10XX *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
- Agenda item 3.4 For noting: Outreach summaries for ED 297 and ED 295 [Board only]
- Agenda item 3.5 Staff Paper: ED 295 – NFP specific issues and staff recommendations
- Agenda item 3.6 For noting: ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities [supporting documents folder]
- Agenda item 3.7 For noting: ED 295 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities [supporting documents folder]
- Agenda item 3.8 Submissions: ED 297 [supporting documents folder]
- Agenda item 3.9 Submissions: ED 295 [supporting documents folder]
- Agenda item 3.10 For noting: CLEAN version of Pre-Ballot Draft – AASB 2020-X [supporting documents folder]
- Agenda item 3.11 For noting: CLEAN version of Pre-Ballot Draft – AASB 10XX [supporting documents folder]

STRUCTURE

2 This Staff Paper is set out as follows:

- (a) Background;
- (b) Outline of approach;
- (c) Questions to the Board;
- (d) List of respondents (Table 1: ED 297 and Table 2: ED 295)
- (e) Summary of responses (Table 3: ED 297 and Table 4: ED 295)
- (f) Initial summary of key issues identified by staff (Table 5: ED 297, Table 6: ED 295);
- (g) Appendix A: Summary of written responses for each question – ED 297;
- (h) Appendix B: Summary of written responses for each question – ED 295;
- (i) Appendix C: Comments not needing an action – ED 295; and
- (j) Appendix D: Due process summary – ED 297 and ED 295.

BACKGROUND

3 In August 2019 the Board issued Exposure Draft [ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#), which proposed to:

- (a) to remove the ability for certain for-profit private sector entities to self-assess their financial reporting requirements and hence cease preparing Special Purpose Financial Statements (SPFS);

- (b) to provide transitional relief for affected entities from restating and presenting comparative information; and
- (c) scope exemptions for entities required only by their constituting document (ie a non-legislative requirements) to comply with Australian Accounting Standards (AAS), provided that document has not been amended after 1 July 2020.
- 4 The Board also issued ED 295 [General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#) concurrently, which proposed a revised, simpler Tier 2 disclosure framework to replace the current Reduced Disclosure Requirements (RDR) framework. ED 295 must be considered in conjunction with ED 297, as entities no longer able to prepare SPFS will be required to apply the revised Tier 2 framework. However, the proposed new simplified disclosures were issued as a separate exposure draft, as the Board agreed that this should also be made available to not-for-profit entities and hence has broader application.
- 5 The Exposure Drafts proposed an effective date of 1 July 2020, with earlier application permitted.
- 6 Staff have undertaken significant outreach on the proposals, including roundtables, webinars and a number of individual meetings with stakeholders. The summary of that outreach is provided in this paper and is included in Agenda Item 3.4 also.
- 7 Preceding these proposals, the Board has also undertaken significant outreach through [Invitation to Comment ITC 39 Applying the IASB’s Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statements Problems](#). The findings of that outreach, as well as the other history of the proposals, is available in the respective bases for conclusions of the Exposure Drafts.
- 8 To understand the extent of the effect of these proposals, the Board also initiated research¹ into the financial reporting practices of for-profit entities, including large proprietary companies, small foreign-controlled proprietary companies, for-profit unlisted public companies and other small proprietary companies, lodging financial statements with ASIC (‘specified for-profit entities’). Research Report No. 12 indicates that approximately 7,295 specified for-profit entities currently preparing SPFS that are required to lodge financial statements with ASIC (subsequent to Treasury increasing the thresholds used for determining what constitutes a large proprietary company) will be affected.

The following table shows the number of entities expected to be impacted for each category:

	Increase in R&M (to comply with the R&M requirements in AAS) and disclosures	Increase in disclosures only	Increase in consolidation and equity accounting requirements to comply with AAS	Total expected maximum number of entities currently preparing SPFS ²
Large proprietary	351 – 901	2,765	?	3,666

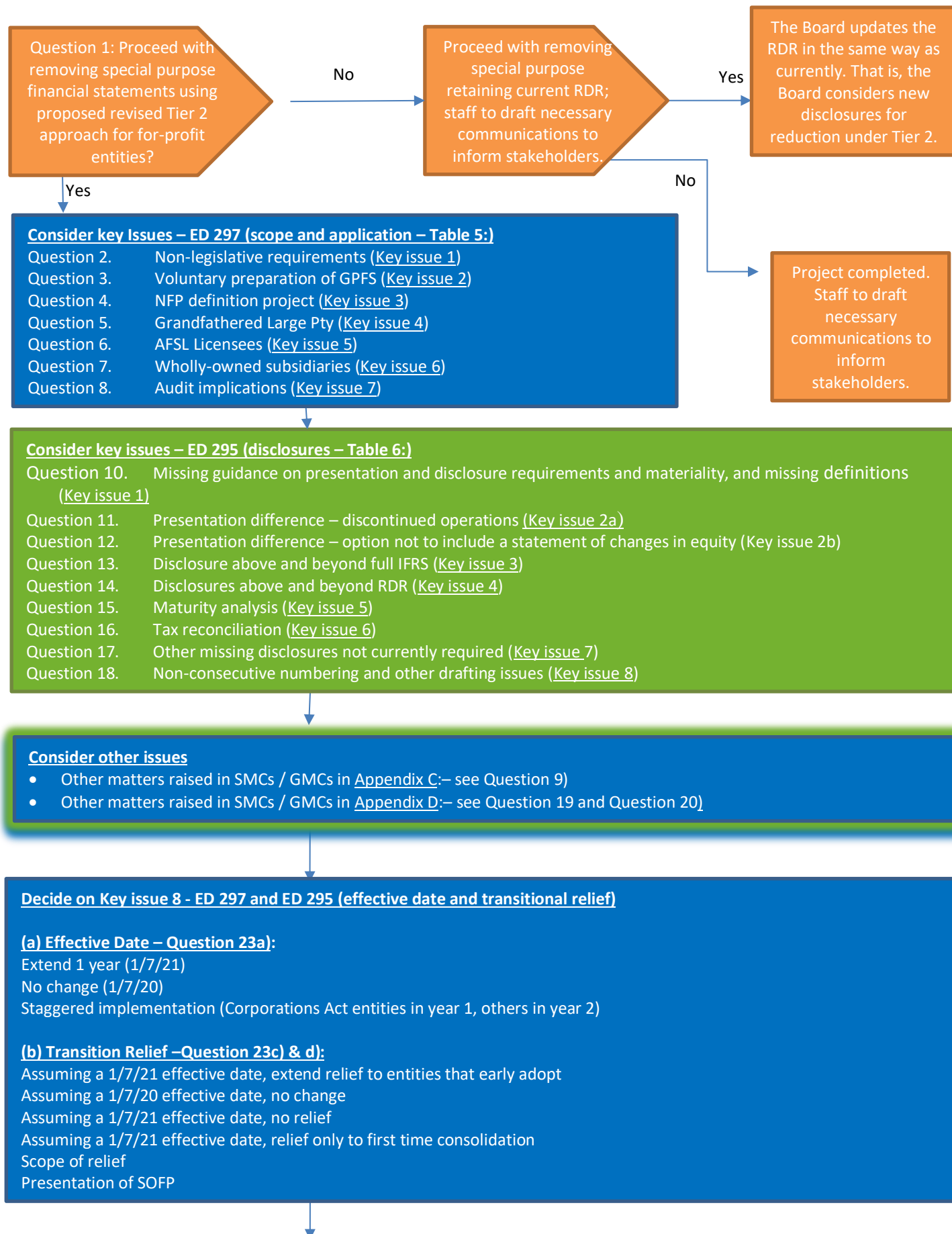
¹ [AASB Research Report 12 Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements \(August 2019\)](#)

² This represents the maximum approximate number of specified for-profit entities that are currently preparing SPFS and that could be required to change their accounting policies to comply with the R&M requirements in AAS and/or provide increased disclosures as a result of these proposals.

Unlisted public	84 – 313	939	?	1,252
Small foreign-controlled	183 – 492	1,885	?	2,377
Total	618 – 1,706	5,589	?	7,295

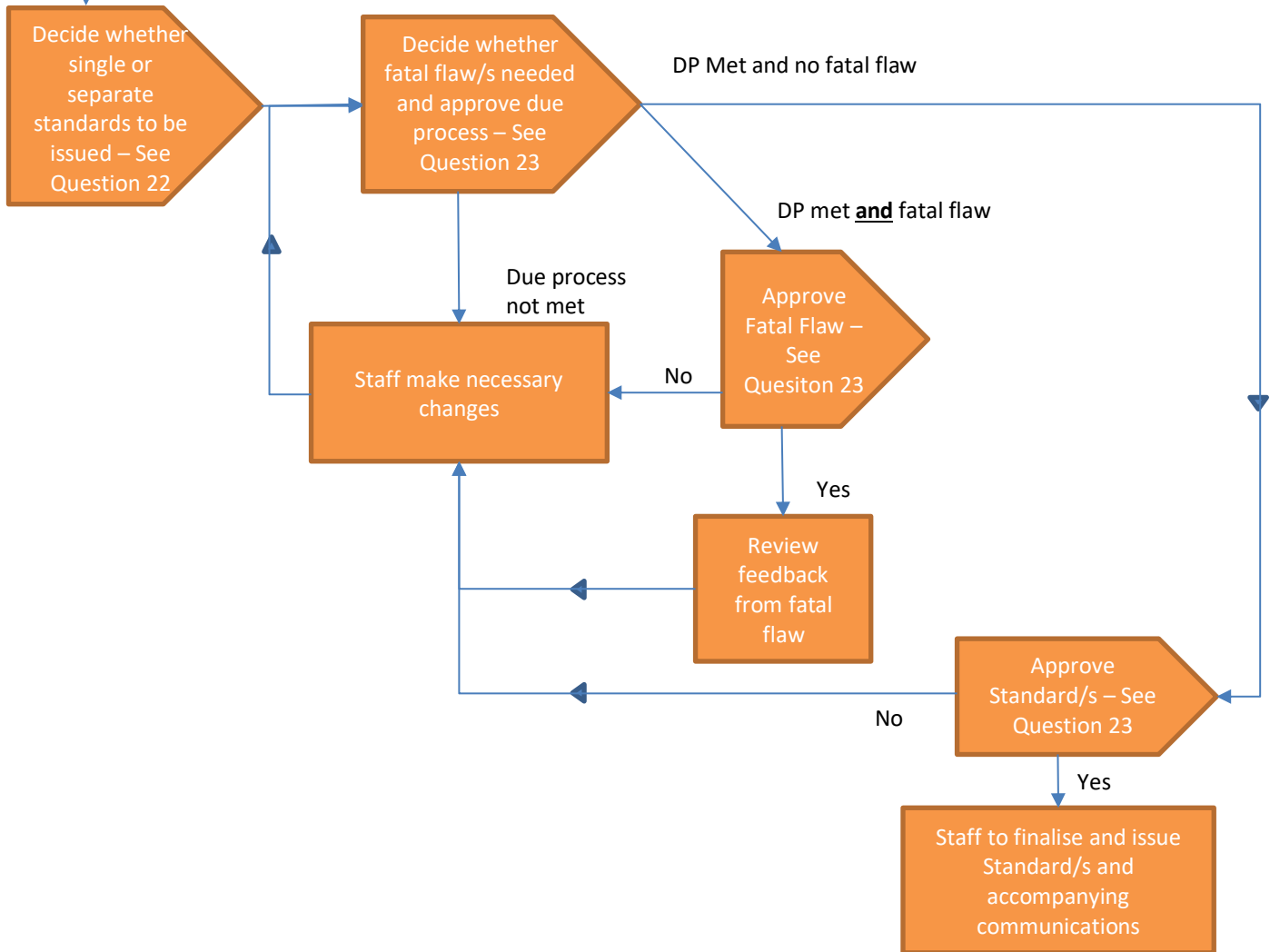
- 9 For entities preparing SPFS that are already complying with the R&M requirements in AAS, and consolidating subsidiaries and equity accounting investments in associates and joint ventures, the transition from SPFS to GPFS will be limited to the provision of additional disclosures as proposed in ED 295. These are not expected to be onerous as the information is expected to be available.
- 10 Some entities currently preparing SPFS may need to consolidate subsidiaries or equity account investments in associates or joint ventures for the first time. Staff have been unable to determine the number of entities that may be affected by this from the existing disclosures in SPFS. However anecdotally, and based on the experiences of those entities required to prepare GPFS for the first time as a result of the SGE legislation, the AASB was not aware of any significant concerns noted by these entities or the need for transitional relief in addition to that proposed in ED 297.
- 11 Staff have considered the feedback received from outreach activities on both ED's together in this paper given they are inherently linked. Throughout this paper items shaded **blue** relate to ED 297, and items shaded **green** relate to ED 295.

Outline of approach to discussing this agenda item



Decide whether the proposed revised Tier 2 approach should also be made available for NFP entities?

NFP specific issues that do not affect the application of AASB 10XX to for-profit entities are separately discussed in agenda paper 3.5



QUESTIONS TO THE BOARD

Question No.	Overview of staff recommendation	Questions to the Board
Question 1.	Noting that submissions were generally supportive of the proposals outlined in ED 297 and ED 295, staff recommend in principle, that the Board proceed with removing SPFS using proposed revised Tier 2 approach for for-profit entities . ³ The issues raised by respondents and feedback from outreach events have been considered in the key issues table and SMCs and GMCs tables in Appendix A : and Appendix B :	<p>In respect of for-profit private sector entities, does the Board agree with the staff recommendation to proceed in principle with:</p> <ul style="list-style-type: none"> a) removing the ability for certain for-profit private sector entities to prepare SPFS; and b) replacing the existing Tier 2 GPFS disclosure framework with the Simplified Disclosure Standard (AASB 10XX) for for-profit private sector entities? <p>If not, what does the Board suggest?</p> <p>[Note: Staff have considered NFP specific issues that do not affect the application of AASB 10XX to for-profit entities separately in agenda paper 3.5 and will ask the Board to decide whether the proposed revised Tier 2 approach should also be made available for NFP entities when considering these issues separately].</p>
Question 2.	Staff do not recommend any changes from the ED 297 proposals for entities with a non-legislative requirement to prepare financial statements that comply with AAS.	Does the Board agree with the staff recommendations on Key issue 1 in Table 5 :? If no, what does the Board suggest?
Question 3.	Staff recommend that entities not required by legislation, constituting or other documents or for-profit public sector entities, which voluntarily prepare GPFS should be mandated to apply the revised <i>Conceptual Framework for Financial Reporting</i> .	Does the Board agree with the staff recommendation on Key issue 2 Table 5 :? If no, what does the Board suggest?

³ Refer to SMC 1, SMC 5, SMC 6, GMC 9 to GMC 11 in [Appendix A](#): for a summary of the overall feedback received which supports the staff recommendation in response to ED 297 and refer to SMC 1; SMC 2: and GMC 14 to GMC 16 in [Appendix B](#): for a summary of the overall feedback received which supports the staff recommendation in response to ED 295.

Question No.	Overview of staff recommendation	Questions to the Board
Question 4.	Staff do not recommend delaying these proposals pending the completion of the NFP definition project.	Does the Board agree with the staff recommendation on Key issue 3 Table 5 ? If no, what does the Board suggest?
Question 5.	Staff do not recommend scope exemption or any other changes for grandfathered large proprietary companies.	Does the Board agree with the staff recommendation on Key issue 4 Table 5 ? If no, what does the Board suggest?
Question 6.	Staff do not recommend any changes for Australian Financial Services licence holders (in particular any scope amendments to specifically include or exclude the AFS licence holders in/from the scope of the proposed standard).	Does the Board agree with the staff recommendation on Key issue 5 Table 5 ? If no, what does the Board suggest?
Question 7.	Staff do not recommend any changes for wholly owned subsidiaries (in particular any scope exclusion for those entities).	Does the Board agree with the staff recommendation on Key issue 6 Table 5 : regarding wholly-owned subsidiaries? If no, what does the Board suggest?
Question 8.	Staff recommend revising the amendments and BC of ED 297 to clarify that any non-compliance with R&M should be addressed as a transitional adjustment (i.e. not as an accounting error)	Does the Board agree with the staff recommendation on Key issue 7 Table 5 : regarding audit implications? If no, what does the Board suggest?
Question 9.	<p>Staff recommend the following clarifications and revisions to the suggested amendments and BC:</p> <ul style="list-style-type: none"> a) re-drafting the paragraph BC89 to confirm that any amendment to a constituting or other document will cause revocation of the short-term exemption for the entity (refer SMC 1b) Issue 4 in Appendix A); b) redrafting of paragraph AusE8.4(c) to clarify that an entity can elect to present any of the options permitted by paragraphs 3.17(b) and 3.18 9f ED 295 in respect of its statement of profit or loss and other comprehensive income (SOPLOCI) (i.e. a single statement of comprehensive income, or a separate income statement 	Does the Board agree with other staff recommendations? If no, what does the Board suggest?

Question No.	Overview of staff recommendation	Questions to the Board
	<p>and separate statement of comprehensive income, or a single statement of income and retained earnings) (refer SMC 5 Issue 7 in Appendix A);</p> <p>c) clarifying that separate disclosure of accounting policies applied in the comparative period is not required as the entity is already required by AASB 10XX Section 35 to disclose the effect of the transition on the entity's reporting financial position and performance. The information disclosed would provide adequate information about any changes in accounting policy arising on transition (refer SMC 5 Issue 2 in Appendix A);</p> <p>d) revising the transitional relief to make clear that where an entity elects not to restate comparative information, the information presented in the notes to the financial statements also need not to be restated (refer SMC 5 Issue 2 in Appendix A);</p> <p>e) clarifying that the Board did not want to specifically provide push-down accounting relief and did not wish to form a view regarding whether or not it would be permitted under AASB 1 (refer SMC 6 Issue 1 in Appendix A);</p> <p>f) clarifying that only those legislative references to accounting standards or AAS would be captured and other less explicit / similar terms (such as generally accepted accounting principles) are not (refer SMC 1a Issue 1 in Appendix A);</p> <p>g) revising paragraph 18A of AASB 1053 to clarify the circumstances in which an entity can apply the</p>	

Question No.	Overview of staff recommendation	Questions to the Board
	<p>transitional relief in AASB 1 on transition from SPFS to GPFS where they have not previously applied AASB 10 as the group was not a reporting entity (refer SMC 7 Issue 2 in Appendix A:); and</p> <p>h) clarifying in the BC that the definition of reporting entity in AASB 1057 does not apply to entities applying the RCF (refer SMC 1a) Issue 2 in Appendix A:).</p> <p>Staff further recommend no other changes on matters raised in SMC 1 to SMC 8 and GMC 9 to GMC 13 in Appendix A:.</p>	
Question 10.	<p>Staff recommend adding the following to the draft AASB 10XX (Agenda Paper 3.3):</p> <p>a) a clarification to the Preface regarding the application of materiality and the status of guidance in those standards that have been replaced in their entirety;</p> <p>b) new paragraph Aus1.x to confirm status of guidance in other Standards and no changes to paragraph 3.2 (ie no reference to disclosure requirements of other standards)</p> <p>c) new paragraph Aus3.16.1 to clarify that information will only need to be disclosed if it is material</p> <p>d) definitions in paragraphs Aus3.0, Aus7.0, Aus11.38.2, 33.2 and consequential deletion of items of OCI in paragraph 5.4(b).</p>	<p>Does the Board agree with the staff recommendation on Key issue 1 Table 6: regarding missing guidance on presentation and disclosure requirements, materiality and missing definitions?</p> <p>If no, what does the Board suggest?</p>
Question 11.	<p>Staff recommend aligning the presentation requirements of AASB 10XX with those of AASB 5 such that assets classified as held-for-sale and assets/liabilities included in a disposal</p>	<p>Does the Board agree with the staff recommendation on Key issue 2a) Table 6:? If no, what does the Board suggest?</p>

Question No.	Overview of staff recommendation	Questions to the Board
	group classified as held-for-sale are presented separately in the statement of financial position, and relevant disclosures are provided for all such assets/liabilities, not only if there is a binding sale agreement.	
Question 12.	Staff recommend retaining the option not to include a statement of changes in equity under certain circumstances.	Does the Board agree with the staff recommendation on Key issue 2b) Table 6: ? If no, what does the Board suggest?
Question 13.	<p>Staff recommend removing disclosures that are not required under full IFRS where those disclosures have been removed from full IFRS since the IFRS for SMEs standard was finalised. These are:</p> <ul style="list-style-type: none"> a) full PPE disclosures for right-of-use assets, rather than the selective disclosures required under AASB 16, and b) disclosure of cost relating to defined benefit plans for the period that have been included in the cost of an asset and the ability to cross-refer to another group entity's financial statements for group plans. <p>Staff recommend no changes to the termination benefit disclosures.</p>	Does the Board agree with the staff recommendation on Key issue 3 Table 6: regarding disclosures above full IFRS? If no, what does the Board suggest?
Question 14.	Staff do not recommend deleting any of the disclosures that are above RDR.	Does the Board agree with the staff recommendation on Key issue 4 Table 6: regarding disclosures above RDR? If no, what does the Board suggest?
Question 15.	Staff recommend retaining the current disclosures for financial liabilities and lease liabilities unchanged, but to flag the inconsistency in the disclosures to the IASB for consideration in the <i>Subsidiaries that are SMEs</i> project.	Does the Board agree with the staff recommendation on Key issue 5 Table 6: ? If no, what does the Board suggest?
Question 16.	Staff do not recommend any changes to the tax disclosures. In particular staff do not recommend requiring a numerical	Does the Board agree with the staff recommendation on Key issue 6 Table 6: ? If no, what does the Board suggest?

Question No.	Overview of staff recommendation	Questions to the Board
	reconciliation between tax expense (income) and accounting profit multiplied by the applicable tax rate.	
Question 17.	<p>Staff do not recommend any changes to AASB 10XX in relation to the following issues:</p> <ul style="list-style-type: none"> (a) AASB 14 <i>Regulatory Deferral Accounts</i> (b) insurance related standards (AASB 17 and AASB 4) (c) combined financial statements (d) individually material items of income and expense (e) investment entities (AASB 12) (f) reconciliation of net operating cash flows (g) interest expense on lease liabilities (h) imputation credits. 	Does the Board agree with the staff recommendations on Key issue 7 Table 6: ? If no, what does the Board suggest?
Question 18.	Staff recommend renumbering the standard using consecutive numbers, but adding references to relevant paragraphs in the IFRS for SMEs standard in brackets at the end of each paragraph, if appropriate. Bold section headings would be retained, but section numbers removed.	Does the Board agree with the staff recommendation on Key issue 8 Table 6: to renumber the Standard using consecutive numbers? If no, what does the Board suggest?
Question 19.	Staff recommend no further actions on matters raised in Appendix B: SMC 2: Issues 3-5 , SMC 3(a) Issue 2 , SMC 3(b) Issue 5 , SMC 3(c) Issue 1 , SMC 5 Issue 4 (Appendix C), GMC 17 Issue 1 and other comments received as highlighted directly in the draft AASB 10XX (agenda paper 3.3; identified with 'refer to Question 19')	Does the Board agree with the staff recommendations? If no, what does the Board suggest?
Question 20.	Staff recommend a number of editorial corrections that are marked up in draft AASB 10XX (Agenda paper 3.3) and identified with 'refer to Question 20'.	Does the Board agree with the various editorial corrections marked up in AASB 10XX? If not, which of the changes does the Board disagree with?

Question No.	Overview of staff recommendation	Questions to the Board
Question 21.	<p>Staff recommend the following changes from the ED 297 and ED 295 proposals:</p> <ul style="list-style-type: none"> a) extending the effective date of both standards to 1 July 2021 and making the transitional relief available only to all entities which elect to early adopt (that is both those entities that have previously complied with R&M and those that have not) (refer Key issue 8a) & c); b) [subject to the Board’s decision at a) above agreeing to defer the effective date] entities should not be required to make disclosures regarding compliance with the R&M requirements in AAS in their SPFS in this interim period (as previously contemplated in ED 293)⁴; c) for entities that have previously prepared SPFS, but complied with all R&M requirements, extending the transitional relief to relieve these entities from presenting comparatives information for those disclosures that they had not previously made. For all other entities, proceed with the transitional relief proposed in ED 297 (refer Key issue 8b); and d) revising the amendments to AASB 1 so the entities applying the transitional relief will disclose the comparative period SOFP as per it’s latest SPFS (consistent with presentation of the income statement). The adjusted opening balances of the current year would 	<p>Does the Board agree with the staff recommendations on Key issue 8 in Table 5; regarding:</p> <ul style="list-style-type: none"> a) the effective date; b) disclosures regarding compliance with R&M requirements in AAS; c) transitional relief – scope; and d) transitional relief – presentation. <p>If no, what does the Board suggest?</p>

⁴ ED 293 proposed, as an interim measure, amendments to AAS to require all entities preparing SPFS to make an explicit statement as to whether or not the accounting policies applied in the SPFS comply with all the R&M requirements in AAS. The Board considered the feedback received and decided that the proposals (with some amendments) should apply only to NFP entities. AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements* was issued in October 2019.

Question No.	Overview of staff recommendation	Questions to the Board
	<p>be disclosed in the notes to financial statements and entities would describe and quantify the adjustments to opening balances of the current year in the notes (refer Key issue 8d).</p>	
Question 22.	<p>Staff recommend issuing two separate standards – the first being a Standard to remove the ability for certain for-profit private sector entities to prepare SPFS (AASB 2020-X), and the second being the revised Tier 2 GPFS disclosure Standard (AASB 10XX).</p> <p>Staff recommend this because:</p> <ul style="list-style-type: none"> • the simplified disclosure standard is expected to be a stand-alone disclosure standard that has ongoing application. To include requirements with ongoing application within a standard that also addresses transitional requirements to remove SPFS would be confusing for users; and • the simplified disclosure standard is expected to be available for adoption for NFP entities, however the proposals to remove SPFS are limited to for-profit entities only. 	<p>Does the Board agree with the staff recommendation to issue two separate Standards? If no, what does the Board suggest?</p>
Question 23.	<p>Staff consider that all of the requirements of the Due Process Framework have been satisfied by the Board in developing these pronouncements.</p> <p>Staff does not recommend the Board to re-expose the proposals.</p> <p>Staff does recommend that the Board issue AASB 2020-X and AASB 10XX under section 334 of the Corporations Act (refer Appendix D).</p>	<p>Does the Board agree with the staff recommendation that:</p> <ol style="list-style-type: none"> a) due process requirements have been followed and appropriately satisfied? If no, what additional work does the Board suggest? b) it is not necessary to issue a fatal flaw review version of the Standard/s? If the Board thinks it is necessary to issue a fatal flaw review version of the Standard/s, does the Board approve the/ir issue and what comment period does the Board suggest?

Question No.	Overview of staff recommendation	Questions to the Board
		<p>c) the Board votes to approve the ballot draft of the Amending Standard AASB 2020-X <i>Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i> and AASB 10XX <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>? If no, what does the Board suggest?</p>

12 The Board received 19 written submission on ED 297 as noted in Table 1: below.

TABLE 1: SUBMISSIONS RECEIVED ON ED 297

Category	Respondent	Submission no.
9 Professional Services (PS)	PwC Australia	PS1-PwC
	Pitcher Partners	PS3-PP
	Ernst and Young	PS6-EY
	Financial Reporting Specialists	PS7-FRS
	HLB Mann Judd	PS8-HLB
	RSM Australia	PS11-RSM
	KPMG Australia	PS12-KPMG
	Grant Thornton Australia	PS17-GT
	Deloitte Australia	PS18-DTT
2 Professional Bodies (PB)	CPA Australia and Chartered Accountants Australian and Zealand (joint submission)	PB5-CPA/CAANZ
	Australian Institute of Company Directors (AICD)	PB19-AICD
1 User (U)	Tax Justice Network Australia	U15-TJNA
3 Preparers (P)	Bowra & O’Dea	P2-BO
	QBE Insurance Group	P4-QBE
	Suncorp	P16-Suncorp
4 Others (O)	Keith Reilly (consultant)	O9-KR
	IFRS Systems (software provider)	O10-IFRSystem
	Mark Shying, Swinburne Business School (academic)	O13-Swinburne
	David Hardidge (personal)	O14-DH

13 The Board received 25 written submission on ED 295 as noted in Table 2: below.

TABLE 2: SUBMISSIONS RECEIVED ON ED 295

Category ⁵	Respondent	Submission no.
10 Professional Services (PS)	PwC Australia	PS1-PwC
	Pitcher Partners	PS4-PP
	Nexia	PS5-NA
	Ernest and Young	PS11-EY
	Financial Reporting Specialists	PS12-FRS
	HLB Mann Judd	PS13-HLB
	RSM Australia	PS16-RSM
	KPMG Australia	PS17-KMPG
	Grant Thornton Australia	PS20-GT
	Deloitte Australia	PS23-DTT
3 Professional Bodies (PB)	CPA Australia and Chartered Accountants Australian and Zealand (joint submission)	PB8-CPA/CAANZ
	Australian Institute of Company Directors (AICD)	PB10-AICD
	Institute of Public Accountants	PB21-IPA
1 User (U)	Equifax Australasia Credit Ratings Pty Ltd	U25-Equifax
3 Preparers (P)	Heads of Treasuries Accounting and Reporting Advisory Committee	P6-HoTARAC
	QBE Insurance Group	P7-QBE
	Suncorp	P22-Suncorp
2 Regulators (R)	Australian Charities and Not-for-Profits Commission	R2-ACNC

⁵ Of the 25 respondents, three respondents are from NFP sectors (ie P6-HoTARAC and AO9-ACAG are from public sector and R2-ACNC is NFP private sector).

Category ⁵	Respondent	Submission no.
	Australian Taxation Office	R24-ATO
1 Public Sector Audit Office (AO)	Australasian Council of Auditors General	AO9-ACAG
5 Others	Darryl Swindells (personal)	O3-DS
	Keith Reilly (consultant)	O14-KR
	IFRS Systems (software provider)	O15-IFRSystem
	Mark Shying, Swinburne Business School (academic)	O18-Swinburne
	David Hardidge (personal)	O19-DH

TABLE 3: SUMMARY OF RESPONSES PROPOSE SPECIAL PURPOSE FINANCIAL STATEMENTS REMOVAL ED 297

14 The table below provides quantitative summary of the responses to Specific and General matters for comment that were provided in the ED 297. For further details, see Appendix A:.

Summary of Written Responses						
	Agree	Agree with Comments	Disagree	Unclear	No Comments	Total
<u>SMC 1a)</u> – amendments to AASB 1057 are effective	5	2	-	2	10	19
<u>SMC 1b)</u> – scope exemptions for entities not required by legislation	3	5	4	-	7	19
<u>SMC 1c)</u> – scope exemption for public sector entities	7	-	-	-	12	19
<u>SMC 3</u> – entities voluntarily preparing GPFS can apply either CF or Revised CF	3	6	-	-	10	19
<u>SMC 4</u> – exemption for entities required to prepare FS that provide true and fair view	9	-	1	-	9	19
<u>SMC 5</u> – transitional relief	2	5	1	-	2	19
<u>SMC 6</u> – no relief in addition to that proposed in ED 295 is required	4	3	2	1	9	19
<u>SMC 7</u> – amendment to AASB 1053 requirements whether a parent entity complied with AASB 10 in its previous SPFS	6	2	-	1	10	19
<u>SMC 8</u> – effective date 1 July 2020	4	3	8	-	4	19
<u>GMC 9</u> – standard setting framework applied appropriately	1	4	-	-	14	19

	Yes (new arguments)	Yes (argument previously considered)	Unclear	No comments	Total
<u>SMC 2</u> – matters in addition to those in the BC requiring considering before determining whether to remove SPFS	1 ¹	8 ¹	-	11	20 ⁶

	Yes	No	No comments	Total
<u>GMC 10</u> – any regulatory issues affecting implementation	5	2	12	19
<u>GMC 11</u> – proposal results in FS that would be useful to the users	7	-	12	19

⁶ P16-Suncorp has been included in this table twice as they provided multiple comments to be considered which were categorised differently.

	Yes	No	No comments	Total
<u>GMC 12</u> – proposals are in the best interests of the Australian economy	5	-	14	19

TABLE 4: SUMMARY OF RESPONSES – REVISED TIER 2 ED 295

Summary of Written Responses						
	Agree	Agree with Comments	Disagree	Unclear	No Comments	Total
<u>SMC 1</u> – overarching principles and methodology	9	4	6	-	6	25
<u>SMC 2</u> – SDS replacing RDR framework	9	6	7	-	3	25
<u>SMC 3:(a)</u> – decision and judgement made to replacement of AASB 7, AASB 12, AASB 101 and AASB 107 in their entirety	4	6	3	-	12	25
<u>SMC 3:b)</u> – decision and judgement made to add, remove or amend disclosures (eg leases, revenue, borrowing costs, revalued PPE and intangibles)	4	6	2	-	13	25
<u>SMC 3:c)</u> – decision and judgement made to include audit fees disclosures	14	1	4	-	6	25
<u>SMC 3(d)</u> – decision and judgement made not to include certain AAS and Interpretations	5	4	3	-	13	25
<u>SMC 3(e)(i)</u> – decision and judgement made to include disclosures above RDR	2	4	7	-	12	25
<u>SMC 3(e)(ii)</u> – decision and judgement made to include disclosures above full IFRS	3	3	11	-	8	25
<u>SMC 4:</u> – option to have a separate statement of changes in equity	7	2	7	-	9	25
<u>SMC 5:</u> – do you agree with the other disclosures that have been identified by applying the proposed methodologies and principles	-	6	11	-	8	25
<u>SMC 6</u> ⁷ – SDS made available to Tier 2 NFP private and public sector entities	5	6	3	-	11	25
<u>SMC 7(a)</u> ⁸ – principles applied to identify the additional NFP specific disclosures	5	2	3	-	15	25
<u>SMC 7(b)</u> ⁸ – no need to revisit the decisions made under RDR framework in relation to cost vs benefits of these disclosures	3	1	2	-	19	25
<u>SMC 8</u> ⁸ – NFP specific disclosures	4	2	3	-	16	25
<u>SMC 9</u> – the proposed title of SDS	10	-	-	-	15	25

⁷ Refer to Agenda Paper 3.5 for discussion on NFP issues – not analysed in this paper

⁸ Refer to Agenda Paper 3.5 for discussion on NFP issues – not analysed in this paper

Summary of Written Responses						
	Agree	Agree with Comments	Disagree	Unclear	No Comments	Total
<u>SMC 10</u> – the approach taken to make SDS a stand-alone standard	11	1	4	-	9	25
<u>SMC 11</u> – effective date of 1 July 2020	5	2	9	-	9	25
<u>SMC 12</u> – transition requirements	4	4	2	-	15	25
<u>GMC 13</u> – standard setting framework applied appropriately	2	2	5	-	16	25

	Yes	No	No comments	Total
<u>GMC 14</u> – any regulatory issues affecting implementation	6	4	15	25
<u>GMC 15</u> – proposal results in FS that would be useful to the users	9	5	11	25
<u>GMC 16</u> – proposals are in the best interests of the Australian economy	5	8	12	25

INITIAL SUMMARY OF KEY ISSUES IDENTIFIED BY STAFF

15 Submissions have been received from the 19 respondents to ED 297 listed in Table 2: and to date staff have identified the items below to be the key issues raised.

TABLE 5: KEY ISSUES ED 297⁹

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>Key issue 1. Entities with a non-legislative requirement to prepare financial statements that comply with AAS</p> <p>Feedback regarding the grandfathering exemption for such entities proposed in ED 297 was mixed.</p> <p>Refer to Question 2 to the Board.</p>			
<p>a) Sunset on exemption</p> <p>Five respondents (PS12-KPMG, PS17-GT, P16-Suncorp, PS6-EY, PS7-FRS)⁹ and one webinar attendee suggested a sunset date on the exemption. Some respondents suggested a period of three or five years may be appropriate.</p> <p>A few¹⁰ roundtable attendees also suggested that the exemption should only be temporary.</p>	<p>This proposed solution has not been considered.</p>	<p>Feedback suggested that keeping track of exemptions can be challenging, particularly as time passes. Such relief also affects the transparency and comparability of financial reporting.</p> <p>Some respondents were also concerned that</p>	<p>Staff considered the following options:</p> <p>1) Having sunset clause for the exemption of 3 years – that is, non-legislative requirements to apply AAS would have the effective date deferred by 3 years, rather than an exemption until a constituting document is amended. Staff propose 3 years as, per the AASB’s Due Process Framework para 7.9.2, a AASB Standard is typically issued at least 2 years before its effective date. Three years is longer than the due process requirement, and is more time for entities to amend the financial reporting</p>

⁹ Throughout this table the following abbreviations have been used – PS = Professional Services firm, PB = Professional Body, U = User, P = Preparer and O = Other. For list of respondents refer to Table 1 above.

¹⁰ In this context, All = 100% (106 stakeholders attending roundtables, 147 stakeholders attending webinar), Most = 99-80%, Majority = 79-51%, Even = 50%, Several = 49-21%, Some = 20-10%, Few >10%

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
		<p>those responsible for ‘tripping’ the exemption may not be aware that they had done so (e.g. lawyers making amendments to trust deeds may not be aware of the financial reporting consequences of such changes). Attendees at the 2019 roundtable events had similar concerns and felt that education of those involved in preparing trust deeds and other constituting documents would be important.</p>	<p>requirements in their constituting documents. Alternatively, the Board could consider an even longer period of up to 5 years to give all entities even more time to prepare for the changes.</p> <p>2) No change to the proposals in ED 297.</p> <p>Staff agree that a sunset date might reduce the complexity mentioned by the respondents, however it does not completely remove exemptions from the standard to keep track of.</p> <p>It would also mean that all entities with a non-legislative requirement to prepare financial statements that comply with AAS would be in scope of the standard. A date does not address the issues originally considered by the Board, such as the potential tax consequences of amending a trust deed, rather it only delays stakeholders having to address the issues by 3 years. There is no evidence that extended time is actually necessary to resolve the issues raised, rather it would just provide more time. Further, education would still be required for amendments to happen to constituting documents where GPFS are in fact not required. As such, for the same reasons considered in BC73-BC83 of ED 297 Staff recommend option 2 (no change).</p>
<p>b) Permanent exemption</p> <p>Two respondents (PS3-PP, O14-DH) and one roundtable attendee suggested a permanent exemption as these entities prepare financial statements for specific users that have the ability to command whatever information they require from the entity, they are not regulated, and the financial statements are not lodged on the public</p>	<p>Yes – refer to paragraphs BC73-BC83 of ED 297.</p> <p>Board decided that only limited relief should be provided for non-legislative references to AAS.</p>	<p>N/a – no new arguments</p>	

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>record.</p> <p>One roundtable attendee also suggested a permanent exemption with the ability to voluntarily 'opt in'.</p>			
<p>c) No exemption</p> <p>Two respondents (PS6-EY and O10-IFRSSystem) suggested that no exemption was necessary for these entities.</p>	<p>Yes – refer to paragraphs BC73-BC83 of ED 297.</p> <p>Board decided relief needed as changing trust deeds could lead to unintended consequences, some non-legislative FS could genuinely be special purpose.</p>	<p>N/a – no new arguments</p>	
<p>d) Criteria for exemption to be more objective</p> <p>Three respondents (PS7-FRS, O10-IFRSSystem and P16-Suncorp (in case AASB does not accept sunseting)) felt there should be a clear either-or approach. P16-Suncorp suggested linking the scope to the Corporations Act proprietary company thresholds (e.g. similar rules as the</p>	<p>Yes – refer to paragraphs BC79-BC83 of ED 297.</p> <p>Only a small minority of trusts would meet the new thresholds for</p>	<p>N/a</p>	

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
threshold for small vs large proprietary entities).	<p>a large proprietary company. Therefore, the issue with SPFS would mostly persist.</p> <p>Further (not considered in the BC to ED 297), entities could anyway change their documents to avoid AAS compliance.</p>		
<p>e) Proposed exemption is appropriate</p> <p>Four respondents (PS1-PwC¹¹, PS11-RSM, PB5-CPA/CAANZ and O13-Swinburne) agreed that the proposed exemption is appropriate and six did not comment.</p>	N/a	N/a	

¹¹ Staff subsequently clarified that the comments in the PwC submission relate to trusts in general, but that these views do not apply to trusts that have debt instruments listed on a stock exchange. For these trusts, PwC does not support any exemption.

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p><u>Roundtable/Webinar feedback:</u> Most¹² attendees at the 2019 roundtables and the majority¹² of webinar attendees were of the same view.</p>			
<p>Key issue 2. Voluntary preparation of GPFS and the conceptual framework Refer to Question 3 to the Board.</p>			
<p>Views were mixed regarding the application of more than one conceptual framework when voluntarily preparing GPFS.</p> <p>Three respondents (PS3-PP, PS17-GT, O13-Swinburne) supported the voluntary preparation of GPFS and the application of either conceptual framework.</p> <p>Six respondents (PB5-CPA/CAANZ, PS6-EY, PS7-FRS, PS11-RSM, PS12-KPMG, PS18-DTT) supported the voluntary preparation of GPFS, <u>however</u> felt that the GPFS should apply the revised RCF.</p>	<p>Yes, however not explained in BC</p>	<p>Feedback from respondents indicated that the reasons for allowing the use of the <i>Framework for the Preparation and Presentation of Financial Statements</i> were not well understood.</p>	<p>Staff considered the following options:</p> <ol style="list-style-type: none"> 1) No change to the proposed standard, that is an entity voluntarily preparing GPFS can choose which conceptual framework they wish to apply; or 2) Entities not required by legislation, constituting or other documents or for-profit public sector entities, which voluntarily prepare GPFS should be mandated to apply the revised RCF <p>Entities voluntarily preparing GPFS may be subject to additional costs to align to the RCF if the Board mandated that only the RCF should be applied, for example where they have used the current framework to form accounting policies in accordance with AASB 108. Also, non-legislative requirements to comply with AAS (eg trusts) would be able to continue</p>

¹² In this context, All = 100% (73 stakeholders attending roundtables, 147 stakeholders attending webinar), Most = 99-80%, Majority = 79-51%, Even = 50%, Several = 49-21%, Some = 20-10%, Few >10%

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>to apply either framework, and hence the Board initially considered that entities voluntarily preparing GPFS preparers should have the same option.</p> <p>However, allowing either framework for voluntary GPFS perpetuates problems that this project attempts to resolve, such as operating two CFs (which will anyway occur in the medium term due to other exemptions), creating confusion about what compliance with AAS means, and two entities preparing GPFS may form different accounting policies for like transactions. Allowing either framework also means that preparing GPFS would not necessarily lead to IFRS compliance.</p> <p>Further, entities could choose to cease voluntary application of GPFS if the cost outweighs benefits.</p> <p>Staff are also unsure whether entities voluntarily preparing GPFS would have many transactions that requires the CF to be consulted. Staff recommend option 2 – BC to be updated – refer to draft AASB 2020-X.BC160.</p>
<p>Key issue 3. Project contemplating the definition of Not-for-Profit (NFP) entity should be completed prior to these proposals being finalised</p> <p>Refer to Question 4 to the Board.</p>			
Two respondents (PB5-CPA/CAANZ, O13-Swinburne) noted that certainty over what the	No	NFP entities are currently out of scope	Staff considered the following options:

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>revised NFP entity definition is, is necessary before implementing the proposals in ED 297, so that entities have clarity as to which financial reporting framework (ie for-profit or NFP) they would fall into prior to being potentially required to transition to GPFS.</p> <p>One roundtable attendee provided similar feedback.</p>		<p>of ED 297. However, a future change to the definition of a NFP entity could result in some current NFP entities being classified as for-profit entities and therefore no longer being able to prepare SPFS. Current for-profit entities might move to NFP in the future and would be required to transition to GPFS early, and also may not be required to prepare GPFS subject to future Board decisions on revised tiers.</p>	<ol style="list-style-type: none"> 1) make transitional relief available to those NFP entities that become for-profit entities at a later date (after effective date); 2) delay finalisation of project until the definition of a NFP entity is finalised so it is clear if any current NFP entities would move to for-profit and are therefore in scope; and 3) no change to the proposals in ED 297 – defer consideration of whether to provide a relief as part of the NFP definition project. <p>Staff considered the feedback and noted that option 1 would contribute to further complexity in the exemptions/exceptions to be contained in the requirements. Further, staff consider it more appropriate to consider whether any relief is required when the outcome of the NFP definition project is known, to assess whether the extent of change would warrant relief under the Standard-Setting Framework. Staff do not recommend delaying the finalisation of this project, or the effective date any further than recommended in Key issue 8a) as resolving the problems associated with SPFS reporting for FP entities is urgent. Based on the proposed NFP definition staff do not expect many entities to move from NFP to for-profit – hence, minimal impact¹³. In any case, if the</p>

¹³ See Agenda Paper 13.1 which discusses the next steps for the NFP definition project in more detail.

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>Board decides to delay effective date (discussed later in Key issue 8), the NFP definition project is expected to be finalised prior to the deferred effective date meaning that entities will have clarity before the effective date.</p> <p>Staff recommends option 3. To be considered as part of the NFP definition project.</p>
<p>Key issue 4. Exemption for grandfathered large proprietary companies Refer to Question 5 to the Board.</p>			
<p>One respondent (PB5-CPA/CAANZ) recommends the AASB to encourage Treasury to revisit the grandfathered large proprietary company lodging exemptions to further the quality of information on the public record.</p> <p>On the other hand, one other respondent (P2-BO) commented that such grandfathered large proprietary companies should be excluded from the scope of the AASB’s proposals.</p> <p>While not directly discussing grandfathered large proprietary companies, PS6-EY also noted that the Introduction (under ‘who will be affected’) and Basis for Conclusion (BC61) to the ED indicate that the requirements apply to Corporations Act</p>	<p>No</p>	<p>In some places the BC of ED 297 refers to SPFS lodged with ASIC, rather than a requirement to prepare financial statements. As grandfathered large proprietary companies are exempt from lodging with ASIC, some respondents felt that these entities should not be in scope of ED 297.</p>	<p>Staff considered the following options:</p> <ol style="list-style-type: none"> 1) Exempt grandfathered large proprietary companies from the scope of ED 297 as these companies do not lodge their financial reports with ASIC (i.e. the financial reports are not publicly available); or 2) No change to proposals in ED 297 as these companies should already comply with RG85 (and therefore with R&M anyway). Also, the exemption from lodging financial statements does not mean an extension to exemption from compliance with accounting standards. <p>The recent Banking Royal Commission recommended removing special rules and exceptions that can create</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>entities that ‘lodge’ financial statements, whereas the scope refers to the preparation of financial statements. The scope of the proposals should be clarified.</p> <p><u>Roundtable feedback:</u> Attendees at the 2019 roundtable events expressed mixed views similar to respondents’ views.</p>			<p>regulatory complexities. Further, grandfathered large proprietary entities are only exempted from lodgement, not the requirement to prepare financial statements in accordance with accounting standards. For this reason staff recommend option 2.</p> <p>Amendment to the BC is required to clarify that grandfathered proprietary companies are in scope as the proposals are not limited to only entities required to lodge financial statements with ASIC and why grandfathered companies should be in scope – BC amendment drafted throughout, including summary table at BC92.</p>
<p>Key issue 5. Application of the proposals to Australian Financial Services licence holders</p> <p>Refer to Question 6 to the Board.</p>			
<p>One respondent (P16-Suncorp) noted that in their view, there is a discrepancy between the financial reporting requirements of ASIC, the <i>Corporations Act 2001</i> and the proposals in ED 297 and ED 295. They suggested that if the intention of the proposals is to increase the reporting obligations attaching to an AFSL, the appropriate place for this to be reflected is within the <i>Corporations Act 2001</i> via an amendment and</p>	<p>No</p>	<p>AFSL are required by the Corporations Act to prepare a profit and loss (PL) and balance sheet (BS). These 2 statements do not represent a full set of financial statements (as explained in the BC of ED 297). However, ASIC Form FS70 requires the</p>	<p>Staff considered the feedback received and communicated it to ASIC. Staff do not consider this a matter for the Board to address as FS71 contains specific requirements from the regulator to comply with accounting standards. ASIC is aware of the implications and is able to change the requirements if it is not its intention to require GPFS.</p> <p>Staff recommend no changes to the proposals in ED 297.</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>not indirectly via the application of the new standard.</p> <p><u>Roundtable feedback:</u> Attendees at the 2019 roundtables expressed similar concerns about the effects of the proposals on the FS70 requirements.</p>		<p>AFSL to lodge their PL and BS and Form FS71 requires lodgement of an audit report of financial statements which comply with accounting standards.</p> <p>Therefore, the AFSL holders are in scope of ED 297.</p>	
<p>Key issue 6. Cost of preparing additional disclosures for wholly-owned subsidiaries</p> <p>Refer to Question 7 to the Board.</p>			
<p>One respondent (P4-QBE) suggested that the research findings in AASB Research Report No. 13 Parent, Subsidiary and Group Financial Reporting (October 2019) which were not yet published at the time ED 297 was issued, were too narrow in its consideration of users of the financial statements of subsidiaries, and a broader cross section of potential users should be considered before determining the best approach to presenting financial information about subsidiaries (ie wholly owned Australian subsidiaries of listed entities with no external borrowings have a limited user base and</p>	<p>Yes – refer to paragraphs BC106-BC111 of ED 297.</p> <p>Feedback from users in the Research Report 13 indicated that subsidiary financial statements are used.</p> <p>Further feedback received from User</p>	<p>N/a – no new arguments</p>	<p>Staff considered feedback received however due to reasons stated in BC106 – BC111 of ED 297 recommend no changes to the proposed standard.</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
therefore additional disclosure requirements would be a burden).	Advisory Committee members indicated that subsidiary financial statements have users other than lending entities.		
<p>Key issue 7. Audit implications Refer to Question 8 to the Board.</p>			
<p>In respect of the audit implications of the ED 297 proposals, additional matters which require consideration include:</p> <p>a) how identifying non-compliance with recognition and measurement (R&M) requirements on transition where SPFS have previously claimed compliance with AAS should be treated. That is, should it be dealt with via transitional relief or as an error in accordance with AASB 108. One roundtable attendee had this same feedback; and</p> <p>b) whether it is necessary for the financial statements in the year of transition to include an emphasis of matter drawing</p>	No	<p>Some roundtable attendees argued that ED 297 was not clear on whether an entity would be able to apply transitional relief if it had previously stated compliance with R&M incorrectly.</p> <p>Entities would usually be required to distinguish the correction of errors from changes in policies upon first-time</p>	<p>Staff considered the following options in respect to a):</p> <ol style="list-style-type: none"> 1) Revise the amendments and BC of ED 297 to clarify that any non-compliance with R&M should be addressed as a transitional adjustment (i.e. not as an accounting error), and to ‘turn off’ paragraph 35.14 of AASB 10XX which would otherwise require entities to distinguish errors from other policy changes. Such relief would only be provided in the year of transition; and 2) No change to ED 297, the assessment is to be made by entity’s auditors. <p>The objective of the project is to provide a consistent, comparable, transparent and enforceable financial reporting framework. The Board also prefers to</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>readers attention to the comparative information which has not been prepared on the same basis as the current year information (i.e. comparative SPFS information that may not be comparable with current year information which complies with AAS).</p>		<p>adoption (AASB 1.26 / AASB 10XX.35.14).</p> <p>If no guidance is provided entities/auditors may approach transition differently – some may apply transitional relief as they had not complied with R&M, whilst others may argue it is only an error to be corrected and not apply relief.</p> <p>Feedback from the AUASB staff suggested that it would be helpful to clarify for preparers and auditors.</p>	<p>complete the project in a timely manner to bring all entities to an even base of R&M. Not distinguishing prior period errors from accounting policy changes may not meet the Conceptual Framework’s qualitative characteristic of faithful representation (CF.2.12-2.19), however staff consider a trade-off can be made with faithful representation to meet the Board’s objective in these limited circumstances. This would also provide cost relief for preparers from identifying and distinguishing prior period errors, assisting a timelier transition.</p> <p>Staff recommend option 1.</p> <p>Amendments to the proposed standard required (AASB 1053 paragraph 18D (see 2020-X), AASB 1053 paragraph E2 (see 2020-X), BC138-BC139 (see 2020-X)).</p> <p>In respect of b), staff do not recommend any action by the Board. Entities would already be required to have an EOM in their audit report¹⁴ as a result of preparing SPFS, and as such staff do not expect an EOM in the year of transition to cause any significant issues.</p>

¹⁴ See AUASB Bulletin [Auditor’s Responsibilities and the Financial Reporting Framework](#)

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>Key issue 8. Transitional relief and effective date Refer to Question 21 to the Board.</p>			
<p>a) Effective date and transitional relief</p> <p>As this issue is closely related to the implementation of ED 295, Staff has considered the feedback on the effective date submitted to ED 297 and ED 295 together.</p> <p>Submissions to ED 297:</p> <p>Eight respondents disagreed with the suggested effective date and suggested deferral by 12 or 24 months. Reasons include:</p> <ul style="list-style-type: none"> • To provide time for education, software, and process changes (PS3-PP, PB5-CPA/CAANZ, PS8-HLB, PS17-GT, PB19-AICD)¹⁵ • Challenges caused by first-time consolidation, eg. gathering AAS-compliant information (PS8-HLB, PS18-DTT)¹⁶ • Deferring would dismiss the need for transitional relief (PB5-CPA/CAANZ, O13-Swinburne, PS18-DTT) 	<p>New issues: Software/system change may be challenging and the software providers need more time to develop changes.</p> <p>Existing issues: Application date is too soon after finalisation of the proposal which does not allow enough time for transition plans and education of business and legal profession – refer ED297 BC126-BC129 for Board’s</p>	<p>There was a strong feedback supporting the deferral of the application date. The impact from transition to first time consolidation is unknown.</p> <p>However, in the current economic environment, there is a strong desire for transparent and high-quality financial statements. The recent parliamentary inquiry highlighted even more the need for change in financial reporting.</p>	<p>Staff considered the following options in relation to effective date:</p> <p>1) Extend the effective date of both standards to 1 July 2021 and make the transitional relief available only to all entities which elect to early adopt (R&M compliant and non-compliant).</p> <p><i>Advantages:</i></p> <p>This option gives stakeholders more time to prepare for the significant change to the financial reporting framework including education and collation of historical information. It is also closer to the AASB’s Due Process Framework that suggests a period of 2 years before the effective date. Further, retaining transitional relief for those that early adopt provides an incentive to transition in a timely manner and provides relief for large proprietary companies that might become reporting entities as a result of the change in thresholds by Treasury. Further, software providers have expressed concerns about their</p>

¹⁵ Similar feedback was also provided by four roundtable attendees

¹⁶ Similar feedback was also provided by one roundtable attendee

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<ul style="list-style-type: none"> The AASB's Due Process Framework suggests an implementation period of 2 years in typical cases (PS3-PP, PB5-CPA/CAANZ, O9-KR, PS17-GT) The effective date seems appropriate for Corporations Act entities who should have been complying with RG85, but not other for-profit entities who didn't have such guidance (O13-Swinburne) <p>Arguments for deferral were also received in ED 295. In addition to those already mentioned above, they included:</p> <ul style="list-style-type: none"> Should wait for the outcome of the IASB's Subsidiaries that are SMEs Project to reduce the risk of multiple changes to framework in short term (PB5-CPA/CAANZ, O10-IFRSSystem). Two respondents also note concerns about future possible changes as a result of the pending IASB projects, even though they ultimately support the effective date (EY, FRS). One respondent (QBE) would recommend a one-year deferral to allow for preparation of comparative information. Four respondents (CPA/CAANZ, GT, FRS, IFRS System) note the impact of ED 295 on trans- 	<p>rationale of 1 July 2020.</p> <p>SGEs did not require any relief in addition to that currently in AASB 1 and AASB 10 – refer ED 297 BC116.</p>		<p>ability to create and test templates in a timely manner and also the presentation of 'mixed' comparatives</p> <p><i>Disadvantages:</i></p> <p>Effective date would not be aligned with the change in proprietary company thresholds, and therefore large proprietary companies would likely need to prepare GPFS prior to the effective date to be consistent with Treasury's expectations. The effective date would also not be aligned with the effective date of the RCF for publicly accountable entities. Further, there is an objective for transparent and high-quality financial statements. The recent parliamentary inquiry highlighted the need for change in financial reporting. Delaying the effective date is inconsistent with this objective</p> <p>2) No change to transitional relief (except to address Key Issues (b) and (c) below) and effective date of any of the standards.</p> <p><i>Advantages:</i></p> <p>Under this option, the effective date would be more closely aligned with the change in proprietary company thresholds and application of RCF for publicly accountable entities. Also, the project will be completed more quickly, therefore</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>Tasman convergence. A deferral would provide additional time to address this issue.</p> <p><u>Roundtable/Webinar feedback:</u> Both roundtable and webinar attendees mainly showed support for the proposed effective date, with only some¹⁷ participants being either unsupportive of the proposed effective date or unsure. Some expressed concern that the effective date may be too soon after the issue of any final pronouncements.</p> <p><i>Transitional relief – AASB 1 and AASB 10 are sufficient</i></p> <p>One respondent (PS6-EY) felt that given Significant Global Entities (SGEs) have recently transitioned from SPFS to GPFS without any transition relief apart from that already provided in AASB 1, no additional relief is necessary for entities transitioning as a result of these proposals. In their view, optional relief for the restatement of comparative information is not</p>			<p>responding to the strong desire for transparent and high-quality financial statements and the recent parliamentary inquiry.</p> <p>Further, as there are only a maximum of 7,295¹⁹ entities expected to be effected, and with the effect for the majority of these entities (5,589) expected to be limited to providing additional disclosures only coupled with the transitional relief an earlier effective date was considered reasonable.</p> <p><i>Disadvantages:</i></p> <p>Stakeholders are concerned they do not have sufficient time to prepare for such a significant change to the financial reporting framework including education and collation of historical information. However, research strongly suggests that deferring the effective date of new standards does not necessarily result in entities using the extended lead time to better prepare for the new requirements, instead it is often used to delay</p>

¹⁷ In this context, All = 100% (106 stakeholders attending roundtables, 147 stakeholders attending webinar), Most = 99-80%, Majority = 79-51%, Even = 50%, Several = 49-21%, Some = 20-10%, Few >10%

¹⁹ Research Report 12.

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>required as in their experience, providing such information was not a significant effort.</p> <p><u>Roundtable/webinar feedback:</u> Conversely, the majority¹⁸ of roundtable participants and webinar participants felt that transitional relief in addition to that in AASB 1 was warranted, agreeing that the transitional relief proposed in ED 297 plus the relief already in AASB 1 was appropriate</p>			<p>starting to prepare.²⁰ Software providers have also expressed concerns about their ability to create and test templates in a timely manner. The proposed effective date is also not consistent with the AASB's Due Process Framework that suggest a period of 2 years before the effective date.</p> <p>3) Extend the effective date of both standards to 1 July 2021 with no transitional relief.</p> <p><i>Advantages:</i></p> <p>Similar as those for Option 1 above. Also, the transition requirements would be consistent with those applied by SGEs.</p> <p><i>Disadvantages:</i></p> <p>Similar as those for Option 1 above. There is also no incentive for entities to early adopt.</p> <p>4) Extend the effective date of both standards to 1 July 2021 with the transitional relief applicable only to entities' first time consolidation.</p> <p><i>Advantages:</i></p>

¹⁸ In this context, All = 100% (106 stakeholders attending roundtables, 147 stakeholders attending webinar), Most = 99-80%, Majority = 79-51%, Even = 50%, Several = 49-21%, Some = 20-10%, Few >10%

²⁰ Davern, M., Gyles, N., Potter, B. and Yang, V. (2019), "Implementing AASB 15 revenue from contracts with customers: the preparer perspective", [Accounting Research Journal](https://doi.org/10.1108/ARJ-03-2018-0055), Vol. 32 No. 1, pp. 50-67. <https://doi.org/10.1108/ARJ-03-2018-0055>.

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>Similar as those for Option 1 above. Also, as Research Report 12 does not address the number of financial reports which were presented on a consolidated or separate basis, it is difficult to quantify the number of affected entities. As such the entities preparing first time consolidation would be given the transitional relief and extra time to prepare for any changes that might be required</p> <p><i>Disadvantages:</i></p> <p>Disadvantages of deferred effective date similar as for Option 1 above</p> <p>5) Staggered implementation, that is Corporations Act entities to apply the proposals in year one, with the effective date deferred by a further year for all other entities in scope.</p> <p><i>Advantages:</i></p> <p>The effective date would be aligned with the change in proprietary company thresholds for those entities, and all entities regulated by Corporations Act, which are in scope of ED 297 would comply with R&M requirements relatively soon. Also, it is expected that entities required to prepare financial reports in accordance with the Corporations Act should already be complying with</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>the R&M requirements in AAS²¹ and there are only a maximum of 7,295 entities expected to be affected. Therefore, this option is not expected to be too onerous for Corporations Act entities. As the population of other entities is unknown, and they do not have a RG 85 equivalent, an additional year to prepare would be helpful.</p> <p><i>Disadvantages:</i></p> <p>The resolution of the problems with SPFS reporting would take an additional year for entities not regulated by the Corporations Act. This option also adds complexity to the requirements.</p> <p>Noting that there was strong feedback supporting the deferral of the application date, and the link between transitional relief proposed in ED 297 and the earlier proposed effective date, and after considering the advantages and disadvantages of each option, on balance staff recommends option 1. Amendments to the proposed standards as well as to the BC – drafted at AASB 2020-X.BC145-BC152.</p> <p>ED 295 paragraph BC24 outlines that this project needs to be completed in a more timely manner than the IASB’s due to domestic issues surrounding SPFS.</p>

²¹ Paragraph 2 of ASIC Regulatory Guide 85 Reporting requirements for non-reporting entities.

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>ED 295 paragraph BC29 justifies that the loss of trans-Tasman harmonisation is balanced by retaining the same R&M requirements, and having more Australian entities preparing GPFS.</p> <p>To address concerns about changes in quick succession, staff recommend that the Board could decide to defer the mandatory adoption of the IASB's IFRS for Subsidiaries standard if the IASB's project is finalised sooner than expected. Staff recommend the Board considers that issue when the IASB's project is further progressed.</p> <p>Disclosure of compliance with R&M in SPFS:</p> <p>In recommending deferring the effective date of these proposals by one year, staff note that the Board previously decided not to proceed with the proposals in ED 293²² for for-profit entities after considering feedback from respondents. This feedback noted that respondents "were particularly concerned about the costs of the ED 293 proposals exceeding any benefits for for-profit private sector entities given the ED 293 proposals were intended to be only a short-term</p>

²² [ED 293](#) proposed, as an interim measure, amendments to AAS to require all entities preparing SPFS to make an explicit statement as to whether or not the accounting policies applied in the SPFS comply with all the R&M requirements in AAS. The Board considered the feedback received and decided that the proposals (with some amendments) should apply only to NFP entities. [AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements](#) was issued in October 2019.

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>measure for these entities. This is because the broader project proposing to remove the ability for certain for-profit private sector entities to prepare special purpose financial statements when they are required to comply with Australian Accounting Standards is expected to be completed by 30 June 2020.”²³ Therefore staff reconsidered this decision in light of the later recommended effective date. Staff considered two options:</p> <ul style="list-style-type: none"> a) Extending the scope of AASB 2019-4 (or preparing another amending Standard) to include the for-profit private sector entities that are within the scope of these proposals. This would also require reconsidering the appropriateness of the disclosures required by AASB 2019-4 for for-profit entities; or b) Do nothing, that is do not require for-profit private sector entities to make specific disclosures in their SPFS regarding compliance with the R&M requirements in AAS. <p>Making the disclosures required by AASB 2019-X (or similar) would help an entity to prepare for the transition to GPFS as they would need to understand the extent of alignment between their accounting</p>

²³ [AASB 2019-4](#), paragraph BC43 and BC 44.

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>policies and AAS. Staff also noted that as some users (such as investors) are not aware that SPFS may not comply with R&M understanding areas of non-compliance with R&M may be useful so they make any necessary adjustments in order to fully understand an entity’s financial position and performance. However, on balance staff recommend option 2.</p> <p>This is because while staff recommend deferring the effective date of the proposals to remove SPFS by 12 months, the recommendation also proposes that transitional relief is only available for entities that early adopt to incentivise these entities to do so. Further, the increase in large proprietary company thresholds and the related expectation that large proprietary companies should be preparing GPFS due to their economic significance among other matters mean that fewer entities will be preparing SPFS during this period. Finally, staff are only recommending deferring the effective by 12 months any benefits that may be gained from requiring the disclosures about R&M in the SPFS during this period would be outweighed by the costs associated with such a short term measure. One reason is because respondents to ED 297 noted that they needed additional time to prepare for the proposed changes, and to impose disclosures of a nature contemplated in ED 293 / AASB 2019-4 would reduce their time to prepare for the changes as where</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			they did not comply with R&M requirements in AAS they may need to undertake procedures similar to those required on transition in order to understand any differences.
<p>b) Transitional relief – application to entities already applying R&M</p> <p>Currently the transitional relief is available only to entities which did not comply with R&M requirements in their SPFS.</p> <p>Three respondents (PS3-PP, PS6-EY, PS12-KPMG) to ED 297 indicated that the transitional relief should be available to all entities impacted, regardless of whether the SPFS previously issued complied with all R&M requirements. DTT also provided this feedback in their response to ED 295. Those respondents argued that this relief should be available in particular where entities had not previously provided disclosures that are required under the GPFS Tier 2 framework.</p> <p><u>Roundtable feedback:</u> Several²⁴ attendees at the 2019 roundtable events expressed views similar to respondents.</p>	<p>No</p> <p>The transitional relief was intended as an additional relief to that provided by AASB 1. AASB 1053 para 18A only allows entities applying Tier 2 reporting requirements for the first time to apply AASB 1 if previously issued SPFS did not comply with all R&M requirements.</p>	<p>This feedback has been received repeatedly at the roundtables as well as in the submissions to ED 297 and ED 295.</p>	<p>Staff considered the following options:</p> <p>1) For entities that complied with R&M in their previous SPFS – provide transitional relief from including comparatives for those disclosures that they had not previously made and keep the transitional relief as in ED 297 for others; or</p> <p><i>Advantages:</i></p> <p>This option responds to stakeholder concerns about presentation of comparative disclosures. It also expects that entities that have previously complied with R&M will have comparative information available for all balances therefore they should only need relief from providing comparative period disclosures that were not previously required.</p> <p><i>Disadvantages:</i></p> <p>The drafting of the amendments may be more complex with more scenarios to address and</p>

²⁴ In this context, All = 100% (106 stakeholders attending roundtables, 147 stakeholders attending webinar), Most = 99-80%, Majority = 79-51%, Even = 50%, Several = 49-21%, Some = 20-10%, Few >10%

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>Respondents also noted it may be particularly difficult for entities already complying with R&M to prepare comparative information about related parties (including key management personnel) and income tax as the data might not exist or might be difficult to prepare.</p>			<p>entities that have complied with R&M may have difficulty disaggregating comparative period information (other than information for which relief may be available) in order to restate.</p> <p>2) no change to the scope.</p> <p><i>Advantages:</i></p> <p>The drafting of the amendments may require only minimal revision subject to Board decisions on other matters. Further, as the entities already complied with R&M requirements, it is only the additional disclosure which is required. Disclosure of full comparative information will provide better transparency and comparability</p> <p><i>Disadvantages:</i></p> <p>This option does not respond to stakeholder concerns about the preparation of comparative note disclosures where information that was not previously required may not be available. Further entities that have complied with R&M, may have previously aggregated certain comparative information, therefore it may be difficult to disaggregate it (other than information for which relief may be available) in order to restate.</p> <p>Staff recommend option 1, as entities that have previously complied with R&M should have the</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>comparative information available for all balances except disclosures they were not previously providing.</p> <p>Revision to the amendments drafted at AASB 1053 paragraph E3 (see 2020-X) and 2020-X.BC140.</p>
<p>c) Transitional relief – application to entities appropriately applying AASB 10, but not consolidating</p> <p>One respondent (PS18-DTT) requested clarification on the application of AASB 1 (and the additional transitional relief) particularly in respect of entities previously preparing unconsolidated SPFS, or those preparing separate GPFS where the entity was not considered a reporting entity and therefore was not captured by paragraph Aus4.2 of AASB 10. That respondent suggested updates to AusE8.2(b)(ii) as follows:</p> <p>(b) prepared its most recent previous financial statements in the form of special purpose financial statements (including consolidated financial statements) that meet either or both of the following criteria: ...</p> <p>(ii) in the case of a parent entity, <u>where have not been prepared as</u></p>	<p>No</p>	<p>This project would remove the reference to reporting entity in AASB 10.Aus4.2, hence requiring entities to consolidate for the first time.</p> <p>Also, entities that have previously relied on the exemption in AASB 10 and have therefore not prepared consolidated financial statements might believe they are not able to apply the transitional relief in AASB 1. This is because they may consider that they complied with all R&M requirements (including consolidation) as they</p>	<p>Staff considered the following options:</p> <ol style="list-style-type: none"> 1) Clarify scope to include those that had prepared SPFS but not consolidated on the basis of AASB 10.Aus4.2 2) Clarify scope to include those that had prepared both SPFS or GPFS but not consolidate on the basis of AASB 10.Aus4.2 3) No change to ED <p>Staff consider that the scope should be clarified to include entities previously preparing SPFS as they are required to consolidate as a result of removing the reporting entity concept.</p> <p>However, extending to GPFS preparers (although they are affected for the same reason) may be problematic as the Board would need to consider whether to:</p> <ul style="list-style-type: none"> • Allow such entities to apply (or re-apply) AASB 1. This could cause adverse consequences for some entities, as for example it would require application of mandatory exceptions; or

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p><u>consolidated financial statements</u> in accordance with AASB 10 <i>Consolidated Financial Statements</i> because the entity was not a <u>reporting entity</u>.</p> <p>Staff understand anecdotally that it is common for SGE entities to not consolidate on that basis.</p>		<p>were not <u>required</u> to prepare consolidated financial statements due to the exemption previously.</p> <p>Entities preparing separate GPFS (eg SGE entities) would also not be able to apply relief as they are already preparing GPFS.</p>	<ul style="list-style-type: none"> Change the location of the relief from restating comparative information and AASB 1 Appendix C from the retrospective accounting for business combinations. <p>Staff understand that the majority of the entities that would be able to avail themselves of the relief provided by AASB 10.Aus4.2 would be an ultimate Australian parent that has a parent that produces IFRS-compliant financial reports. On that basis, staff expect that such entities should already have comprehensive IFRS-compliant information available to help produce consolidated financial statements, as the entity would be reporting that information to its parent. Further, entities currently preparing SPFS would also be required to provide new additional disclosure as well as potentially changes to R&M, hence it could be argued that not having such other challenges would mean entities already preparing GPFS would have enough resources to retrospectively consolidate.</p> <p>Staff recommend Option 1, to only provide clarification for entities previously preparing SPFS. Amendments required to AASB 1053 paragraph 18A (see 2020-X), AAASB 1053 Appendix E (see 2020-X), and amendments to BC at 2020-X.BC141-BC142.</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>d) Transitional relief – presentation of statement of financial position (SOFP)</p> <p>The transitional relief as proposed in ED 297 requires entities to disclose opening adjusted balance and closing balance of the current year on the face of the statement of financial position (SOFP) and current year numbers and previous SPFS information on the face of the SOPLOCI.</p> <p>Three respondents (PS7-FRS, O10-IFRSSystem, PS18-DTT) suggested that the comparative information on the face of the SOFP should be consistent with the information provided on the SOPLOCI. Any loss of comparability between financial statements of the current and comparative year, would be alleviated through qualitative transitional information as required in the ED.</p> <p>One respondent (PS6-EY) also suggested that in relation to the comparatives for the statement of financial position, the notes include a reconciliation between the closing SPFS balances and the opening GPFS balances as this information will be readily available unlike the profit and loss and other comprehensive income. This information is a good basis for providing financial statement users with an understanding of the extent and 'completeness' of the</p>	No	The feedback indicated that the inconsistent presentation might be confusing to the users. The feedback received from the two software providers indicated that it would be easier to have a consistent presentation.	<p>Subject to the decision on a) above, staff considered the following options:</p> <p>1) to revise the amendments to AASB 1 so the entity applying the transitional relief will disclose SOFP prior year comparatives as per latest SPFS (consistent with presentation of the income statement).</p> <p><i>Advantages:</i></p> <p>This option responds to stakeholder concerns about the consistency of the comparative period primary statements and is more straightforward for software providers.</p> <p><i>Disadvantages:</i></p> <p>However, the information provided in the SOFP will not be comparable year on year, making it more difficult for users of the financial statements to observe any trends just from the SOFP without going through the notes.</p> <p>The adjusted opening balances of the current year would be disclosed in the notes to financial statements with the following sub-options:</p> <p>(a) the adjustments to opening balances of the current year would be described in the notes (no need for quantification); or</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
<p>accounting changes required as part of the transition.</p> <p><u>Roundtable/Webinar feedback:</u> A few²⁵ webinar and roundtable attendees expressed views similar to the above.</p>			<p><i>Advantages:</i></p> <p>This option pragmatically balances the needs of users and the costs to preparers (refer paragraph BC 121(a) of ED 297), however this information would be known to the entity through the transition process so disclosing it should not be too onerous.</p> <p><i>Disadvantages:</i></p> <p>While the users of the financial statements will understand the main adjustments made from the description, they might not be able to quantify the individual adjustments, and will not be able to discern this information if the restated opening SOFP is not presented. This option would not be consistent with the current requirements of AASB 1 as they apply to Tier 2 GPFS which require a reconciliation (i.e. quantification) of adjustments to equity.</p> <p>(b) the adjustments to opening balances would be described and quantified in the notes</p> <p><i>Advantages:</i></p> <p>This option should be not too onerous as this information would be known to the entity through</p>

²⁵ In this context, All = 100% (106 stakeholders attending roundtables, 147 stakeholders attending webinar), Most = 99-80%, Majority = 79-51%, Even = 50%, Several = 49-21%, Some = 20-10%, Few >10%

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>the transition process. The information will be useful to users of the financial statements and requiring quantification of this information would be consistent with the requirements in AASB 10XX paragraph 35.13(b) and the current requirements of AASB 1 as they apply to Tier 2 GPFS.</p> <p><i>Disadvantages:</i></p> <p>This option would be more costly for preparers.</p> <p>2) No change to the proposals in ED 297.</p> <p><i>Advantages:</i></p> <p>This option would require only minimal revision to the drafting of the amendments subject to Board decisions on other matters. The information provided in the SOFP (adjusted opening balance and closing balance) would also be comparable and can provide indication of certain trends.</p> <p><i>Disadvantages:</i></p> <p>However, this option does not respond to stakeholder concerns and may be more complex for software providers to implement.</p> <p>If the Board agrees with the staff recommendation in Key issue 8a) to defer the effective date of the proposals and make the transitional relief available only to entities that elect to early adopt, staff suggest that as the inconsistent presentation might be</p>

Key Issues	Has this issue previously been considered? If yes, where.	Why it needs to be addressed (nature and extent of the problem)	Options and Recommendations
			<p>confusing to the users and difficult for software providers to execute, staff recommend Option 1(b) (ie. consistent presentation of SOFP with the SOCI and quantification of transitional adjustments in the notes).</p> <p>Amendments drafted at AASB 1053 paragraph E4-E6 (see 2020-X) and 2020-X.BC132-BC133.</p>

16 In addition to the key issues considered in Table 5: above, staff also recommend a number of clarifications and revisions to the proposed disclosures which have been marked up directly in *the draft AASB 2020-X* included *as agenda paper 3.2*, with the reasons for proposing such clarifications highlighted in comment bubbles. A summary of these changes is outlined in Question 9 to the Board above.

TABLE 6: KEY ISSUES – ED 295²⁶

17 Submissions have been received from the 25 respondents listed in Table 2: above and staff have identified the items below to be the key issues raised that are relevant in the context of applying the proposed simplified disclosure standard (SDS or AASB 10XX) to for-profit entities. Issues that are specific to the application of the proposed standard by not-for-profit private sector and public sector entities are discussed in agenda paper 3.5.

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>Key issue 1. Missing guidance on presentation and disclosure requirements and materiality, and missing definitions</p> <p>As drafted, ED 295 replaces standards that deal exclusively with presentation and disclosure requirements (eg AASB 7, AASB 12, AASB 101, AASB 107 and AASB 124) in their entirety. The replaced standards also include a large amount of guidance about the presentation and disclosure requirements which is not included in the IFRS for SMEs Standard. The standards further include a number of definitions that are not listed anywhere else. In the IFRS for SMEs Standard, the relevant definitions are set out in Appendix B which is not included in ED 295.</p> <p>Refer to Question 10 to the Board.</p>			
<ul style="list-style-type: none"> Nine respondents²⁷ raised concerns around missing guidance in general, including the loss of presentation criteria and related guidance (eg on the classification between current vs non-current in AASB 101 para 66-76) One respondent (PB8-CPA/CAANZ) was concerned about the lack of clear disclosure objectives for each of the distinct areas of disclosure in 	<p>Yes – refer to paragraphs BC42 and BC47 in ED 295.</p> <p>The Board noted that replacing these Standards removes some of the guidance and considered this to be preferable to considering on a case-by-case basis which guidance</p>	<p>The fact that the issue of missing guidance was raised by quite a few respondents indicates that the Board’s intentions were not explained clearly enough in ED 295.</p> <p>Staff agree that Standards should be able to be applied by stakeholders without having to</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> Make no changes to the proposed SDS (rely on the explanation in BC42 and BC47 in ED 295); Include all missing guidance and definitions in the SDS <p>This will make the standard very long and cumbersome to read and also mean a significant deviation from the IFRS for</p>

²⁶ Throughout this table the following abbreviations have been used – PS = Professional Services firm, PB = Professional Body, U = User, P = Preparer, R = Regulator, AO = Audit Office and O = Other. For list of respondents refer to Table 2 above.

²⁷ PS4-PP, PS5-NA, PB8-CPA/CAANZ, PB9-ACAG, PS11-EY, PS12-FRS, PS16-RSM, PS17-KMPG, PS23-DTT

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>the proposed SDS and the missing guidance outlining the qualitative characteristics of information which is included in section 2 of the IFRS for SMEs standard and the <i>Conceptual Framework for Financial Reporting</i>.</p> <ul style="list-style-type: none"> One respondent (PS5-NA) suggested making it clearer that entities shall apply the guidance contained in other standards where relevant to the disclosures in the SDS, while the other respondent (PS16-RSM) suggested references within SDS to the guidance included in the replaced AAS to the extent that it does not contradict the proposed requirements. Others (PB8-CPA/CAANZ, AO9-ACAG, PS12-FRS, PS23-DTT) said the identified missing guidance should be retained either in parts or in full. One respondent (AO9-ACAG) noted that a separate disclosure standard without relevant 	<p>should be included and which could be omitted.</p> <p>While the intention was to maintain simplicity of the disclosures requirements, the Board did not intend the removal of the guidance to result in any differences in the presentation requirements to full AAS.</p>	<p>refer to the Basis for Conclusions.</p> <p>Staff further agree that AASB 101 paragraph 31 provides important clarification about the application of materiality. The IFRS for SMEs Standard discusses materiality in section 2 (paragraph 2.6) which is excluded from ED 295, and the only reference to materiality in ED 295 is in paras 3.15 and 3.16 which confirm when an entity needs to present items separately. However, this does not discuss/confirm that information only needs to be disclosed if it is material.</p> <p>Paragraph 31 of AASB 101 further reminds entities of the need to provide additional information where necessary for an understanding of the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.</p>	<p>SMEs Standard. However, it would make the SDS more of a one-stop-shop for disclosure issues.</p> <ol style="list-style-type: none"> Add a paragraph to the SDS that confirms status of guidance in other standards <p>This would keep the standard simpler and maintain consistency with the IFRS for SMEs standard. However, users may need to refer back to full AAS for the interpretation of specific requirements.</p> <ol style="list-style-type: none"> As for previous option, but also include paragraph 31 of AASB 101. <p>Including paragraph 31 will make it clear that information will only need to be disclosed if it is material.</p> <ol style="list-style-type: none"> As per option 3 or 4, but also include <ol style="list-style-type: none"> the definitions from the replaced standards in an Appendix to the SDS all definitions relevant in the context of the disclosures in an Appendix to the SDS. <p>Including the definitions would make the SDS more of a one-stop-shop, but it means the definitions will have to be</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>guidance would invite boilerplate disclosures, because they consider the guidance critical for preparers to make appropriate judgements and decisions about what disclosures to include. This respondent also noted the loss of the NFP implementation guidance relating to related party disclosures.</p> <ul style="list-style-type: none"> • Three respondents (O19-DH, P6-HoTARAC, AO9-ACAG) were specifically concerned about the missing guidance on materiality that is included in section 2 of the IFRS for SMEs standard. One respondent (P6-HoTARAC) recommended including the guidance from AASB 101 paragraph 31 in the proposed SDS, and • One respondent (O3-DS) requested guidance on materiality in the context of the audit fee disclosures and one respondent (PB21-IPA) said materiality needs to be emphasised to reduce the checklist mentality to disclosures. 			<p>separately updated any time they are amended in the full IFRS.</p> <p>Staff are concerned that it may not be appropriate to refer to replaced standards for definitions that are necessary for the application of the disclosure requirements. This is different to saying that the guidance in those standards may still be useful per option 3 above. On that basis, staff recommend option 5(a).</p> <p>Amendments to AASB 10XX required (mark-ups in Preface, new paragraph Aus1.x and new Appendix A). Amendments to Basis for Conclusions yet to be drafted.</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> • Three respondents (R2-ACNC, AO9-ACAG, PS17-KPMG) noted missing definitions that are included in the replaced standards (eg definitions of other comprehensive income in AASB 101 or cash in AASB 107). • Two roundtable participants were concerned about the loss of the additional guidance provided in the full standards and one participant was concerned about applying the disclosures in isolation without the context of the overriding objectives of the full standards. 			
<p>Key issue 2. Presentation differences</p> <p>While the general intention in ED 295 was to retain the same presentation requirements as applicable to Tier 1 entities, stakeholders have raised concerns that there at least two notable exceptions:</p> <p>Refer to Question 11 and Question 12 to the Board</p>			
<p>a) the presentation of discontinued operations</p> <ul style="list-style-type: none"> • ED 295 does not require entities to separately present assets/liabilities that are classified as held for sale or included in a disposal group that is 	<p>Yes – refer to paragraph BC63 of ED 295.</p> <p>In developing the ED, the Board concluded that the impairment requirement in the IFRS for SMEs Standard</p>	<p>While staff remain confident that there is nothing in the proposed SDS that would prevent entities from presenting assets and liabilities of discontinued operations</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> 1. Make no changes to the SDS but clarify in the BCs that:

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>classified as held for sale in the statement of financial position.</p> <ul style="list-style-type: none"> ○ Seven respondents (PS5-NA, AO9-ACAG, PS11-EY, PS16-RSM, PS20-GT, PS23-DTT and U25-Equifax) expressed concerns over the presentation differences to full AAS ○ some roundtable participants²⁸ questioned the rationale for the difference in presentation requirements ○ One roundtable participant was concerned that assets & liabilities may not be reclassified to current without the requirement of separate presentation. ● ED 295 further only requires certain disclosures in relation to assets or groups of assets and liabilities for which the entity has a binding sale agreement (paragraph 4.14). In contrast, AASB 101 <i>Presentation of Financial Statements AASB 5 Non-current Assets Held for Sale and Discontinued Operations</i> require 	<p>will essentially result in the same carrying amount of the assets as if AASB 5 is applied. Thus there are no R&M differences that would warrant any changes to the disclosures.</p> <p>When discussing the presentation difference in June last year, the Board was further comfortable that entities could still provide additional disclosures if they wanted to, and the proposed removal would not prevent entities from presenting assets or assets and liabilities of a disposal group separately in the statement of financial position where this was preferable, eg because of consolidation with Tier 1 entities.</p>	<p>separately on a voluntary basis, we acknowledge that the disconnect between the requirements in AASB 5 and the proposed SDS could be confusing for stakeholders.</p> <p>Unlike the other standards that will be replaced in their entirety with the proposed SDS, AASB 5 will continue to apply to Tier 2 entities. It would therefore be consistent with the approach used for other standards if only the disclosure paragraphs in AASB 5 were replaced with the SDS.</p>	<ul style="list-style-type: none"> ● entities could still present discontinued operations consistent with AASB 5 if they chose to do so; ● reclassification of assets/liabilities to current would still be necessary under the general requirements in paragraphs 4.5-4.8; and ● comparatives in the statement of profit or loss will need to be restated to be comparable to the current period. <p>Retain consistency with the IFRS for SMEs standard while still permitting entities to apply full AAS presentation requirements in the statement of financial position. Simpler in terms of identifying the paragraphs in AASB 5 that do not apply to entities reporting under the SDS, being all of paragraphs 30-42.</p> <p>However, standards should drafted to be sufficiently clear without needing to refer back to the Basis for Conclusions.</p> <p>2. Amend the SDS to align the presentation requirements with AASB 5</p>

²⁸ Legend: All=100%, Most=90-80%, Majority=79-51%, Even=50%, Several=49=21% and Some=20-10%

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>certain disclosures where the assets/disposal groups are classified as 'held for sale' which is a broader concept and does not only cover assets/liabilities for which there is a binding sale agreement</p> <ul style="list-style-type: none"> ○ One respondent (U25-Equifax) considered the proposed disclosures insufficient; ○ Three respondents (PS16-RSM, PS5-NA, PS23-DTT) expressed concerns over the inconsistency with full AAS. <ul style="list-style-type: none"> ● The issue was discussed in ED 295 in the context of standards not covered in AASB 10XX and thus covered in SMC3(d). Four respondents agreed with the overall approach without further comments, and 14 respondents did not express any views. 			<p>Requires more extensive amendments to Section 4 of the proposed SDS, and consequential amendments to the PPE and intangible assets disclosures and the examples of events after the end of the reporting period (sections 17, 18 and 32).</p> <p>It also means that the majority of the paragraphs in AASB 5 would be retained, with only clear disclosure paragraphs being excluded.</p> <p>However, it will ensure consistency in presentation of discontinued operations between Tier 1 and Tier 2 entities and is also consistent with the overall intention to retain the R&M and presentation requirements from full AAS and only adopt the IFRS for SMEs disclosures.</p> <p>Staff recommend option 2 – amendments to AASB 10XX required (paragraphs 4.2, 4.14, 17.31, 18.27 and 32.11 and AusD1 in AASB 5), this will also need to be reflected in the Basis for Conclusions.</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>b) the retention of the option not to include a statement of changes in equity (SMC 4)</p> <ul style="list-style-type: none"> • Nine²⁹ respondents agreed with two (AO9-ACAG and PS17-KMPG) agreed with comments; Nine respondents did not comment (eight of them supportive of ED295); Seven respondents disagreed <ul style="list-style-type: none"> ○ One respondent (PS-17 KPMG) who supported the option expressed concern about the higher risk of non-compliance as result of year-on-year changes ○ Three respondents (P22-Suncorp, PS20-GT, and PS12-FRS) disagreed on the basis of cost vs benefit; ○ One respondent (PS16-RSM) who disagreed was concerned about the reduced ease of consolidation into Tier 1 financial statements; and ○ One respondent (AO9-ACAG) did not disagree with the proposal but 	<p>Yes – refer to paragraph BC52 of ED 295.</p> <p>In developing the ED, the Board decided to retain paragraph 3.18 of the IFRS for SMEs Standard which includes the option of not presenting a statement of changes in equity under certain circumstances, an approach in line with the principle of minimising difference to the disclosures in the IFRS for SMEs Standard.</p>	<p>A number of respondents have raised concerns about the proposed optionality of the statement of changes in equity and feedback at the roundtables the webinar was also mixed.</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> 1. Make no changes to the SDS (ie retain the option not to present a separate statement of changes in equity) <p>Ensures consistency with the IFRS for SMEs standard and reduces any unnecessary reporting burden, particularly for smaller and less complex entities including NFPs.</p> <p>However, may result in lack of comparability of financial statements and confusion for users.</p> <ol style="list-style-type: none"> 2. Remove the option and make the statement of changes in equity mandatory <p>This option would result in consistent requirement with current RDR and full IFRS while the incremental cost to prepare is not expected to be significant in many cases.</p> <p>However, it would result in a departure from the principle to follow IFRS for SMEs.</p>

²⁹ R2-ACNC, P6-HoTARAC, PB8-CPA/CAANZ, AO9-ACAG,PS13-HLB, PS17-KMPG, PB21-IPA, PS23-DTT and U25-Equifax, refer to SMC 4 for details

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>said that the option does not have particular benefit for public sector entities.</p> <ul style="list-style-type: none"> • 64% for-profit roundtable participants supported the proposed option, 31% disagreed <ul style="list-style-type: none"> ○ one respondent (PS17-KPMG, agreed) was concerned about the resultant higher risk of non-compliance; ○ three respondents (disagreed) were concerned about the presentation difference; ○ five respondents (disagreed) and several roundtable participants (disagreed) were concerned about resultant reduced comparability; ○ One roundtable participant thought that adapting reporting templates may be too time consuming. • At the webinar, 59% of the participants agreed with the proposed option, 36% said it should not be included and 5% were unsure. 			<p>While staff acknowledge that the optionality could result in a lack of comparability and possibly affecting consolidation into Tier 1 financial statements, staff note that this is an optional relief and that entities are not required to adopt it. Furthermore, the conditions attached to the relief ensure that no information is lost to users.</p> <p>Staff recommend option 1 (no change required).</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> Members of the User Advisory Committee (UAC) were not concerned about the option of not having a separate statement of changes in equity under certain circumstances. 			
<p>Key issue 3. Disclosures above and beyond full IFRS (SMC 3(e))</p> <p>The following proposed disclosures are over and above what is required to be disclosed under full IFRS [SMC3(e)]:</p> <ul style="list-style-type: none"> defined benefit plans – cost relating to defined benefit plans for the period that have been included in the cost of an asset (paragraph 28.41(g)) group employee benefit plans – full disclosures required, cross referencing to another group entity’s financial statements not permitted (paragraph 28.41) termination benefits and other long-term benefits – information about the nature of the benefits, amounts of obligation and extent of funding (paragraph 28.42 ad 28.43), and lessees – full PPE disclosures for right-of-use assets (paragraph 20.14). <p>Refer to Question 13 to the Board.</p>			
<ul style="list-style-type: none"> 11 respondents³⁰ disagreed and believed that such disclosures should not be required. <ul style="list-style-type: none"> One respondent (PS12-FRS) noted that such disclosures are not required under full AAS and 	<p>Yes – refer to paragraph BC38 of ED 295.: In developing the ED, the Board decided to restrict tailoring of the IFRS for SMEs disclosure</p>	<p>Although the Board had discussed this issue previously, staff have subsequently confirmed that with the exception of termination benefits, all of the above disclosures had originally been</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> Make no changes to the SDS (ie retain all disclosures in ED 295) <p>Maintains maximum consistency with the IFRS for SMEs Standard, but would defeat the proposal’s purpose of further</p>

³⁰ PS1-PwC, R2-ACNC, PS5-NA, P7-QBE, PB8-CPA/CAANZ, AO9-ACAG, PB10-AICD, PS13-HLB, PS16-RSM, O18-SWINBURNE, PS20-GT

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>requiring them is against the objective of reducing disclosures. One respondent (O18-SWINBURNE) suggested removing these disclosures from SDS and providing evidence (if any) to the IASB that these additional disclosures are useful to users of financial statements, for consideration whether they should be added to full IFRS.</p> <ul style="list-style-type: none"> Five respondents³¹ agreed to retain the proposed disclosures with two (PS23-DTT and PS11-EY) stating that they viewed consistency with the IFRS for SMEs standard more important. One respondent (AO9-ACAG) questioned why these disclosures are not also required for Tier 1 entities if they provide useful information. The majority of the roundtable and webinar participants disagreed with including these disclosures in the SDS. 	<p>requirements to the absolute minimum to avoid the risk of appearing to create a third dialect of IFRS Standards and to minimise the work needed for stakeholders.</p> <p>As such, the Board decided to retain certain disclosures that are over and above full IFRS. However, the Board also decided to carry over to the SDS those reductions in disclosures in full IFRS that had been made by the IASB after the IFRS for SMEs Standard was finalised.</p>	<p>included in full IFRS but had since been removed.</p> <p>The termination benefit disclosure was highlighted as being potentially more onerous than full IFRS in comment letters and field testing in relation to the IFRS for SMEs exposure draft in 2008. However, the IASB's Working Group (WG) on the IFRS for Small and Medium-sized Entities (IFRS for SMEs) did not consider the disclosure to be onerous or going beyond what would be required under IAS 1 and it was therefore ultimately retained.³³</p> <p>Staff further note that two disclosures were erroneously identified in SMC 3(e) as above and beyond full IFRS:</p>	<p>reduction in disclosures. Would also result in additional costs for entities to collect information that is not even required for consolidation into Tier 1 financial statements.</p> <ol style="list-style-type: none"> Remove all disclosures listed above This option would further reduce the disclosures hence costs for Tier 2 entities, but would result in departures from IFRS for SMEs disclosures without clear principles. Remove only those disclosures that have since been removed from full IFRS, ie retain termination benefit disclosures until they have been considered by the IASB in their project. While resulting in differences to the IFRS for SMEs disclosures, this is consistent with the Board's decisions as outlined in BC38 in ED 295.

³¹ PB21-IPA and PS23-DTT agreed; P6-HoTARAC, PS11-EY and PS17-KMPG agreed with comments, refer to Appendix B, **SMC 3(e) (> Full IFRS)** for details

³³ [IASB Agenda Paper 8B July 2008 – Issues relating to disclosure, including Working Group \(WG\) recommendations](#)

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> ○ some roundtable participants³² were concerned that departures from following IFRS for SMEs would make the implementation in future more difficult; ● 76% of webinar participants said that the disclosures should be removed, 20% preferred to follow IFRS for SMEs and 4% were unsure. 		<ul style="list-style-type: none"> ● the separate disclosure of the amount of the changes in fair value of the hedging instrument and of the hedged item recognised in profit or loss as an additional disclosure (currently required under AASB 7 paras 24A(c) and 24B(a)(iv) and are not shaded for RDR), and ● the disclosure of the loss allowance for lease receivables (which would be required under AASB 7 para 35H where lease receivables are material). 	<p>Staff recommend option 3 – amendments to AASB 10XX required (paragraphs 20.14 and 28.41).</p>
<p>Key issue 4. Disclosures above and beyond RDR</p> <p>The following proposed disclosures are over and above what is required to be disclosed under RDR [SMC3(e)]:</p> <ul style="list-style-type: none"> ● Information about entity’s domicile etc (paragraph 3.24(a) and (b)) ● Cash flow hedges – periods when cash flows are expected to occur and when they are expected to affect profit or loss (paragraph 12.29(a)) ● Investments in associates – amount of dividends and other distributions recognised as income (paragraph 14.13) 			

³² Legend: All=100%, Most=90-80%, Majority=79-51%, Even=50%, Several=49=21% and Some=20-10%

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> • Business combinations – qualitative factors that make up recognised goodwill (paragraph 19.25(g)) • Lease arrangements – maturity analysis of future lease payments of lessees, variable lease payments recognised as income by lessors and loss allowance for uncollectable minimum lease payment receivables (paragraphs 20.13(b),20.30(b) and 20.23(d)) • Defined benefit plans – amounts recognised in profit or loss as expense and actual return on plan assets (paragraphs 28.41(b),(i),(j)) • Events after the end of the reporting period – requirement to update disclosures for adjusting events (paragraph 32.4) • Related party disclosures – parent-subsidiary relationship by government-related entities (paragraph 33.11), and • Transition disclosures – explanation of how transition has affected reported amounts etc (paragraphs 35.12, 35.13(a) and (c), 35.14 and 35.15) <p>Refer to <u>Question 14</u> to the Board.</p>			
<ul style="list-style-type: none"> • Eleven³⁴ respondents were concerned about imposing additional disclosures above and beyond current RDR framework, specifically with the following disclosures: <ul style="list-style-type: none"> ○ Business combination/goodwill (O3-DS, PS4-PP, PS5-NA, PS12-FRS, and PS16-RSM) ○ Investment in associates (PS4-PP, PS11-EY) ○ Hedging (PS4-PP, AO9-ACAG) ○ Lease arrangement (PS4-PP, P6-HoTARAC, AO9-ACAG, PS11-EY) 	<p>Yes – refer to paragraphs BC38 and BC59 of ED 295.</p> <p>In developing the ED, the Board decided to retain certain IFRS for SMEs disclosures that are above RDR, to keep tailoring of the IFRS for SMEs disclosure requirements to the absolute minimum.</p>	<p>Staff are of the view that the stakeholders’ feedback does not contain any new arguments that the Board has not considered previously.</p> <p>The disclosure of a maturity analysis of future lease payments by lessees is discussed separately in key issue xx below.</p> <p>See also further explanations in relation of the updating of disclosures in relation to events</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> 1. Make no changes to the SDS (ie retain all of the disclosures) <p>Ensures consistency with the IFRS for SMEs disclosures and the underlying principles on which the SDS was developed.</p> <p>However, it would defeat the proposal’s purpose of further reduction in disclosures and could add costs for entities that are already reporting under the RDR.</p>

³⁴ O3-DS, PS4-PP, PS5-NA, P7-QBE, AO9-ACAG, PB10-AICD, PS11-EY, PS12-FRS, O14-KR, PS16-RSM, PS20-GT

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> ○ Employee benefit (PS4-PP, AO9-ACAG, PS16-RSM) ○ Subsequent event (PS4-PP, PS16-RSM) ○ Related party (PS4-PP) ○ Transition (PS4-PP). <ul style="list-style-type: none"> ● One respondent (PS4-PP) noted that the increased disclosures do not address the fundamental issue of excessive disclosure of the current RDR and one (P7-QBE) said that it would be difficult and costly for Tier 2 entities to capture the additional information. ● Two respondents (PS11-EY, PS23-DTT) supported retaining the IFRS for SMEs disclosures unchanged. EY noted that the IFRS for SMEs disclosures have already been considered by the IASB through their due process with wider stakeholder engagement and that the AASB should not second-guess any future changes that may be made by the IASB. ● There were no polling questions at the roundtables or the webinar specifically about these disclosures. 		<p>after the end of the reporting period added to paragraph 32.4 in AASB 10XX (agenda paper 3.3).</p>	<p>2. Remove some or all of the disclosures</p> <p>This would avoid a possible increase in disclosures for entities already reporting under the RDR.</p> <p>However, it would result in further deviation from IFRS for SMEs and be contrary to the principles applied in developing the disclosures.</p> <p>Staff considered the feedback and acknowledges that the proposals may result in an increase of disclosures for some entities. However, if the IFRS for SMEs disclosures are demonstrated to be appropriate for not-for-profit private sector entities without public accountability, disclosures should not be removed without good reason. The small increases in disclosures will be more than offset with the reduction in disclosures in other areas. On that basis Staff recommend option 1 (no changes)</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>Key issue 5. Maturity Analysis</p> <p>A quantitative maturity analysis is required for future lease payments of lessees for fixed time periods (paragraph 20.13(b)). However, for other financial liabilities, the proposed SDS only has a general requirement to disclose terms and conditions "such as ...maturity, repayment schedule ..." (paragraph 11.42). Refer to Question 15 to the Board.</p>			
<ul style="list-style-type: none"> • Six respondents³⁵ questioned the inconsistency <ul style="list-style-type: none"> ○ Five³⁶ suggested including a maturity analysis as mandatory disclosure for all financial liabilities because it provides important information about the entity's liquidity and solvency; ○ one (PS11-EY) suggested aligning the requirements for leases with those for borrowings (ie disclosure with general description only) and another (P6-HoTARAC) thought disclosure of a maturity analysis for leases is not warranted for public sector Tier 2 entities given solvency is generally not an issue for these entities 	No	<p>As noted in the basis for conclusions in ED 295, the overall assumptions underlying the disclosures are that users of the financial statements of entities that are not publicly accountable are particularly interested in information about short-term cash flows and obligations and commitments, and about the entity's liquidity (BC37(a),(b)). Arguably, information about the maturity of the entity's financial liabilities could be important in this context.</p> <p>The requirements currently proposed in the SDS seem to create inconsistency in</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> 1. Make no changes to the SDS (ie retain the current disclosure requirements for leases and other financial liabilities). This would ensure that the proposed disclosures are consistent with those of IFRS for SMEs Standard. However it would result in inconsistency in disclosures and lack of information for users. 2. Explicitly require disclosure of a maturity analysis for all financial liabilities This would create differences to the IFRS for SMEs disclosures where such a maturity analysis is not required.

³⁵ P6-HoTARAC, AO9-ACAG, PS13-HLB, PS17-KMPG, PS20-GT, PB21-IPA, PS23-DTT

³⁶ AO9-ACAG, PS13-HLB, PS17-KMPG, PB21-IPA and PS23-DTT

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> ○ One (PS20-GT) did not express a preference but wanted consistency; ○ One (U25-Equifax) noted that they are comfortable with the lower level of disclosures for financial instruments; ● Roundtable participants generally agreed that the requirements for liquidity disclosures should be the same for lease liabilities and for other borrowings; ● 50% of the webinar participants prefer a maturity analysis for both lease liabilities and for other borrowings; 30% believed that the general requirement to disclose terms and conditions would be sufficient for both; 16% voted to keep the disclosures as they are. ● Four UAC members believed that maturity analysis should be required for all financial liabilities; one member considered the proposed disclosures in ED 295 adequate; two members were 		<p>disclosures within financial liabilities for no apparent reason and it could be argued that users may not get the information they need for a good understanding of timing of future cash flow requirements of their financial liabilities.</p> <p>Staff note that the leasing requirements in the IFRS for SMEs Standard are to be reviewed as part of the comprehensive review of the IFRS for SMEs Standard that is currently underway. In the RFI issued in January 2020, the IASB is specifically asking about simplifying the requirements in IFRS 16 such that they are easier and less costly to apply and retaining the disclosure requirements in section 20 of the IFRS for SMEs standard.³⁷</p> <p>The RFI further explains that the IASB decided not to ask for views on whether an option to</p>	<p>However, it would address user requests for this type of information.</p> <p>3. Replace the requirement in paragraph 20.13(b) for leases with a broader requirement to disclose information about the maturity and liquidity (eg maturity, repayment schedule)</p> <p>This would ensure consistent disclosure requirements for all financial liabilities. Furthermore, the broader narrative disclosure requirement would give preparers more flexibility in presenting liquidity and solvency information.</p> <p>However, it may result in entities not disclosing information with sufficient details for users to get a good understanding of timing of future cash flow requirements of their financial liabilities.</p> <p>Considering the mixed responses and the fact that the IFRS for SMEs disclosures are currently being reviewed by the IASB, staff recommend option 1 (no changes). Instead, staff will flag the inconsistency to the IASB and provide details of the</p>

³⁷ [IASB Request for Information Comprehensive Review of the IFRS for SMEs Standard](#) - S6

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>of the view that the general requirement would be sufficient for all financial liabilities;</p> <ul style="list-style-type: none"> Representatives of the Australian Institute of Credit Management (AICM) preferred a maturity analysis for all financial liabilities. 		<p>apply IFRS 9 for recognition and measurement should trigger a requirement to apply the disclosures in IFRS 7. The Board considered that the decision to exempt an entity from these disclosures made when the IFRS for SMEs Standard was developed still applies (B49 in the RFI).</p>	<p>feedback received from stakeholders. Staff note that paragraph 11.42 does require information about maturity and repayment schedules for long-term debt, and that users should therefore get the information they need, only possibly not in a neat tabular format.</p>
<p>Key issue 6. Tax Reconciliation</p> <p>The proposed SDS only requires a narrative disclosure to explain the significant differences between tax expense (income) and accounting profit multiplied by the applicable tax rate (paragraph 29.40(c)). In contrast, full AAS require this information to be provided in form of a numerical tax reconciliation (AASB 112 paragraph 81(c)).</p> <p>Refer to Question 16 to the Board.</p>			
<ul style="list-style-type: none"> Six³⁸ respondents were concerned about the proposed removal of the mandatory tax reconciliation. <ul style="list-style-type: none"> ATO (R24-ATO) noted that an audited tax reconciliation provides important and valuable data concerning an entity's income tax 	No	<p>Feedback indicated mixed views among stakeholders, including users.</p> <p>Some of them were concerned about the narrative disclosure and the potential inability to identify the extent of any</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> Make no changes to the SDS <p>This option would maintain consistency with IFRS and reduce compliance cost for all entities applying the SDS.</p>

³⁸ PB8-CPA/CAANZ, PS12-FRS, PS17-KMPG, PS20-GT, R24-ATO and U25-Equifax

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>adjustments and is an important source of information used by the ATO for risk identification and assessment purposes.</p> <ul style="list-style-type: none"> ○ Equifax (U25-Equifax) highlighted tax reconciliation as an important disclosure to users of financial statements; ● Representatives of the AICM, however, did not have any strong views on this issue. ● One respondent (P22-Suncorp) suggested exempting entities that form part of a tax consolidated group from all of the disclosures in section 29 <i>Income Tax</i> ● There were mixed view among roundtable participants – several felt the tax reconciliation is important to help identify errors and should be retained while others thought that entities would appreciate if this information was not being made publicly available ● 59% of webinar participants agreed with proposed removal of tax 		<p>differences between prima facie tax and actual income tax expense.</p> <p>ATO was particularly concerned about loss of information for its risk identification and assessment purposes because the audited tax reconciliation is considered as valuable data concerning an entity’s income tax adjustments and an important source of information used for risk identification and assessment purposes.</p> <p>However, staff also note that a reconciliation is currently only mandatory for entities that prepare GPFS, but not for those that prepare SPFS.</p>	<p>2. Make the disclosure of numerical tax reconciliation mandatory</p> <p>This option would address some stakeholders’ concerns but would not provide disclosure relief for entities currently reporting under the RDR. It would also result in inconsistency to IFRS for SMEs.</p> <p>In light of the mixed views received, including from users, staff do not believe there is enough reason to warrant a departure from the IFRS for SMEs disclosures. On that basis, staff recommend option 1 (no changes).</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
reconciliation, 36% disagreed and 5% were unsure.			
<p>Key issue 7. Other missing disclosures not currently required</p> <p>Stakeholders identified a number of disclosures that were not included in ED 295:</p> <ul style="list-style-type: none"> • AASB standards not covered by the proposed SDS <ul style="list-style-type: none"> ○ AASB 14 <i>Regulatory Deferral Accounts</i> ○ AASB 17 <i>Insurance Contracts</i> • The proposed removal of the disclosures about combined financial statements from the IFRS for SMEs Standard • Other missing disclosures from various standards – raised by at least two constituents: <ul style="list-style-type: none"> ○ Individually material items of income and expenses (AASB 101 paragraphs 97-98) ○ Disclosures relating to the investment entities (AASB 12) ○ Net operating cash flow reconciliation where cash flows are prepared using the direct method (per AASB 1054 paragraph 16) ○ Interest expense on lease liabilities ○ Imputation credits ○ Resumption of Tier 2 reporting requirements (AASB 1053) <p>Refer to Question 17 to the Board.</p>			
<p>a) AASB 14 <i>Regulatory Deferral Accounts</i></p> <ul style="list-style-type: none"> • One respondent (PS11-EY) highlighted that AASB 14 could become relevant 	<p><u>Yes – refer to paragraph BC63(b) of ED 295.</u></p>	<p>The exemption in AASB 14 only applies if an entity has already recognised regulatory deferral accounts under its current</p>	<p>Staff do not consider any changes are warranted in relation to this issue. Should there be an entity that – against expectations – is eligible to adopt AASB 14 and recognises</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>for entities that have not complied with the R&M requirements of AAS when they move to GPFS.</p>	<p>In developing the SDS, the Board decided not to address AASB 14 <i>Regulatory Deferral Accounts</i> because it is only relevant for entities that have recognised regulatory deferral account balances under previous GAAP and hence would not be applicable for Australian entities that have complied with all recognition and measurement requirements.</p>	<p>accounting policy (eg where the entity prepared SPFS without compliance with the R&M of full AAS).</p> <p>Staff are not aware of any entities in Australia that have done so and have also confirmed with the respondent that they are not aware of any particular entities that would be affected.</p> <p>Furthermore, staff note that the IASB's view is that it should not incorporate the requirements of IFRS 14 as part of the current comprehensive review of the IFRS for SMEs Standard³⁹.</p>	<p>regulatory deferral accounts, the entity would still be required to disclose its accounting policy for such accounts (paragraph 8.5), present the relevant assets and liabilities separately (paragraph 4.3) and provide sufficient information about the recognised amounts as necessary for users to understand them (paragraph 8.2(c)).</p> <p>Staff recommendation – no change.</p>
<p>b) AASB 17 Insurance Contracts and AASB 4 Insurance Contracts</p> <ul style="list-style-type: none"> Two respondents (AO9-ACAG, PB8-CPA/CAANZ) pointed out that the insurance related standards need to be 	<p>Yes – refer to paragraph BC63(c) of ED 295.</p> <p>The Board decided not to address insurance related Standards, including AASB</p>	<p>Stakeholders have pointed out that the insurance related standards may be applicable to some Tier 2 entities such as 'captive insurers' which may not</p>	<p>Options considered:</p> <ol style="list-style-type: none"> Make no changes to the SDS – rely on the existing general requirements in the SDS

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Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>addressed in the proposal because they apply to insurance contracts rather than entities. For example, a Tier 2 entity such as a captive insurance company, may find these Standards applicable.</p>	<p>17 <i>Insurance Contracts</i>, because the entities applying these Standards would have public accountability as they hold assets in a fiduciary capacity and as a result the Board concluded these Standards are not applicable to Tier 2 entities.</p>	<p>be publicly accountable and therefore eligible to apply the SDS.</p> <p>As currently drafted, ED 295 does not exclude entities reporting under the SDS from compliance with the disclosures in AASB 4. As a consequence, entities with exposure to significant insurance risk from insurance contracts would have to provide all of the disclosures in AASB 4. This is consistent with the requirements under the RDR and likely also the IFRS for SMEs standard⁴⁰.</p> <p>When the AASB first discussed the RDR requirements in 2010, it noted that captive insurers deal only with insurance contracts within their own group and as a result, were likely to have relatively simple</p>	<p>This would avoid any inconsistencies with the IFRS for SMEs Standard, but Tier 2 entities with significant exposure to insurance risk would have to provide the full disclosures required under AASB 4.</p> <p>2. Add disclosures for entities which have insurance contracts that expose the entity to insurance risk</p> <p>This would create an inconsistency with the IFRS for SMEs standard. Even if the <i>Subsidiaries that are SMEs</i> project addresses this issue, there is no guarantee that the disclosures will be ultimately the same.</p> <p>Given staff is not aware of any entities that would actually be affected, staff recommend option 1 (no change).</p>

⁴⁰ If an entity reporting under the IFRS for SMEs standard issues insurance contracts that expose the entity to significant insurance risk, the entity would have to exercise judgement in determining the appropriate accounting policy (paragraphs 10.5 and 10.6). This may also involve referring to the requirements of full IFRS including the relevant disclosures from that standard.

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
		<p>insurance arrangements. They would therefore not be unduly impacted by the full disclosure requirements under the insurance related Standards⁴¹. Staff have not seen any evidence that this has been a significant concern since the introduction of the RDR. There are no references to the insurance standards in ED 277 and also not in the subsequent collation of responses.</p>	
<p>c) Combined financial statements</p> <ul style="list-style-type: none"> • Two respondents (R2-ACNC, 23-DTT) identified that disclosures for combined financial statements (paragraph 9.30 in the IFRS for SMEs Standard) may be relevant hence should not be removed from the IFRS for SMEs Standard. <ul style="list-style-type: none"> ○ One respondent (23-DTT) points out that the reporting entity concept in the Conceptual 	<p><u>Yes – refer to paragraph BC36 in ED 295.</u></p> <p>In developing ED 295, the Board agreed that disclosures relating to R&M options or treatments in the IFRS for SMEs Standard that are not available in full IFRS will be removed. As full IFRS do not deal with the preparation of combined financial</p>	<p>Feedback indicated that this disclosure maybe relevant.</p> <p>Specific disclosures required by paragraph 9.30 of the IFRS for SMEs Standard are:</p> <ul style="list-style-type: none"> • the fact that the financial statements are combined FS • reason why prepared • basis for determining which entities to include • basis of preparation, and 	<p>Considering no equivalent disclosures are required for Tier 1 entities, staff do not believe it would be appropriate to require such disclosures for Tier 2 entities. Adding such disclosures would further be inconsistent with the general methodology and principles applied in developing the disclosures. As there is no evidence that this has been a particular issue in the past, staff recommend not adding disclosures to the SDS.</p>

⁴¹ [ED 192 Revised Differential Reporting Framework](#) – Appendix B paragraph (a)

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>Framework for Financial Reporting explicitly contemplates combined financial statements.</p> <ul style="list-style-type: none"> ○ The other respondent (R2-ACNC) notes that these disclosures are relevant for NFP entities because Australia’s Charities Legislation specifically permits the preparation of combined financial statements under certain circumstances. 	<p>statements, this was considered an R&M difference.</p>	<ul style="list-style-type: none"> • related party disclosures. <p>However, similar disclosures are not specifically required for entities that prepare full AAS/IFRS financial statements. Instead, Tier 1 entities that are preparing combined financial statements currently apply the general requirements of full AAS to determine how much and what type of information to provide.</p>	
<p>d) Individually material items of income and expenses (AASB 101 paragraphs 97-98)</p> <ul style="list-style-type: none"> • some roundtable participants⁴² questioned the logic of removing the requirement, and some were concerned that the overriding requirement to disclose information that is relevant to an understanding of the financial statements would not be sufficient. 	<p>No</p>	<p>Staff note that this issue has been raised by a number of stakeholders, including users.</p> <p>In considering this issue, staff have confirmed that the disclosure of disaggregated amounts and the nature of the amount was originally retained for the RDR because AASB 101 paragraph 97 was considered to</p>	<p>Given the IFRS for SMEs disclosures are considered to be appropriate for not-for-profit private sector entities without public accountability, staff do not consider the arguments provided convincing enough to warrant a departure from the IFRS for SMEs disclosures.</p> <p>Staff recommend not adding this disclosure to the SDS. However, staff will highlight any concerns raised by users in relation to the IFRS for SMEs disclosures to the IASB. This</p>

⁴² Legend: All=100%, Most=90-80%, Majority=79-51%, Even=50%, Several=49=21% and Some=20-10%

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> four respondents, (AO9-ACAG, PS16-RSM, PS17-KPMG, U25-Equifax) identified this as missing disclosure representative from AICM raised similar concerns about not getting this information. 		<p>correspond with paragraph 3.15 of the IFRS for SMEs Standard⁴³. However, it would appear that the corresponding paragraph for para 3.15 is in fact paragraph 29 in AASB 101 and that the requirements of paragraphs 97 go beyond what is required in paragraphs 29/3.15.</p> <p>The IFRS for SMEs Standard has never had a separate requirement to disclose individually material items of income and expenses and that does not appear to have been identified as major concern in the past.</p> <p>Instead, the overriding requirement in paragraph 8.2(c) of the IFRS for SMEs Standard⁴⁴ appears to be sufficient to capture any information that is significant, even without having</p>	<p>includes the feedback on the maturity analysis in key issue 5 and the concerns in key issue 7f) below.</p>

⁴³ See the [analysis of proposed RDR disclosures for AASB 101](#) that was prepared for ED 192 *Revised Differential Reporting Framework*

⁴⁴ Paragraph 8.2(c) of the SDS requires the entity to provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
		the additional requirements from paragraphs 97 and 98 in AASB 101.	
<p>e) Disclosures relating to the investment entities (AASB 12)</p> <ul style="list-style-type: none"> two respondents (PS11-EY, PS23-DTT) noted that the accounting for investment entities is an R&M difference which warrants additional disclosures along the lines of those required under AASB 12. One respondent (PS23-DTT) further expressed concerns in a follow-up e-mail that an investment entity preparing separate financial statements could not comply with paragraph 9.27 of ED 295 which applies to separate financial statements and requires the entity to identify the consolidated financial statements or other primary financial statements to which the separate financial statements relate. 	<p>Yes – refer to paragraphs BC37 and BC53 in ED 295.</p> <p>In developing the SDS the Board did not consider additional disclosures for investment entities would be warranted based on the overall principles set out in BC37.</p> <p>The Board further expected the exemption to have limited practical impact since the majority of investment entities will be publicly accountable and therefore not able to apply the SDS.</p>	<p>Feedback indicated an inconsistent application of the general principle that R&M differences should result in additional disclosures.</p> <p>However, staff are not aware of many entities that would actually be affected by this. No evidence of user needs was provided by the two respondents. A representative from EY further confirmed that they are not aware of any specific entities that would be affected, but had raised the comment on grounds of the general principle that R&M differences would warrant additional disclosures).</p> <p>Staff also note that the IASB discussed the investment entity exception in the context of the recent Request for Information</p>	<p>Given the limited practical impact and to maintain consistency with the IFRS for SMEs Standard Staff recommend not adding any disclosures to the SDS.</p> <p>However, staff have made a note to explain the issue raised in relation to the application of paragraph 9.27 in the Basis for Conclusions.</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
		<p><u>Comprehensive Review of the IFRS for SMEs Standard</u> and similarly concluded that few entities eligible to apply the IFRS for SMEs Standard would be investment entities (B25).</p> <p>Regarding the concerns raised in relation to paragraph 9.27, staff note that separate financial statements are defined in AASB 127 <i>Separate Financial Statements</i> as financial statements that are presented in addition to consolidated financial statements or to financial statements that apply equity-accounting to investments in associates or joint ventures (consistent with the definition of separate financial statements in the IFRS for SMEs Standard). The financial statements prepared by investment entities would not be separate financial statements under that definition and hence paragraph 9.27 would not apply.</p>	

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>f) Net operating cash flow reconciliation where cash flows are prepared using the direct method (per AASB 1054 paragraph 16)</p> <ul style="list-style-type: none"> two respondents (AO9-ACAG, U25-Equifax) suggested retaining the net operating cash flow reconciliation representative from AICM⁴⁵ also expressed concern if this information would no longer be available to them after entities transition from SPFS to SDS GPFS. 	No	<p>Feedback from stakeholders, particularly users, indicated that cash flow reconciliation is an essential information for understanding the relationship between operating cash flows and profit/loss.</p> <p>This disclosure is currently mandatory for entities preparing SPFS. For these entities, transitioning to the SDS would therefore result in a loss of information.</p> <p>The reconciliation is currently not required under RDR because it had no equivalent in the IFRS for SMEs.⁴⁶</p> <p>While this could be due to the fact that not many entities in countries other than Australian and NZ prepare cash flows using the direct method, staff are not aware of any concerns expressed about the missing</p>	<p>While acknowledging the strong views expressed by the users on this issue, staff note that adding a requirement to disclose such a reconciliation would result in an increase of disclosures for entities that are currently reporting under Tier 2 RDR. Seeing there is no evidence that the missing disclosure has been of concern for entities reporting under the RDR, staff recommend not adding this disclosure to the SDS.</p>

⁴⁵ Conference call held with representatives from the Australian Institute of Credit Management on 16 January 2020

⁴⁶ [Analysis of proposed RDR disclosures for AASB 107](#) prepared for ED 192

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
		disclosure during the last 10 years since the RDR was first introduced.	
<p>g) Interest expense on lease liabilities</p> <ul style="list-style-type: none"> Two respondents (AO9-ACAG, PB8-CAANZ/CPA) consider disclosure of interest expense on lease liabilities to be critical for an understanding of the effect of the new leasing standard. 	<u>No</u>	<p>More than one stakeholder raised concerns about the missing disclosure.</p> <p>Staff note that this information is not currently required in relation to finance leases of lessees.</p> <p>Staff have therefore asked the two respondents for evidence that relevant users have expressed a need for this information, but have not had any response.</p>	<p>To maintain consistency with the IFRS for SMEs Standard and considering we have not seen any evidence that users have expressed a need for this information, staff recommend not adding this disclosure to the SDS.</p>
<p>h) Imputation credits</p> <ul style="list-style-type: none"> One respondent [PS23-DTT) suggested adding the disclosure imputation credits from AASB 1054 <i>Australian Additional Disclosures</i> to the SDS. The respondent noted that imputation credits are not widely used outside of Australia and NZ, and that the last 	No	<p>Staff note that the premise of the SDS is that users are particularly interested in information about short-term cash flows etc and less about disclosures that are relevant to investment decisions in public capital markets (BC37). We would expect that investors that</p>	<p>To maintain consistency with the IFRS for SMEs Standard and considering we have not seen any evidence that users have expressed a need for this information, staff recommend not adding this disclosure to the SDS.</p> <p>The question of whether information about an entity's reliance on franking credit refunds should be disclosed in the financial</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<p>Federal election demonstrated that this is a significant area of interest to investors.</p>		<p>are concerned about imputation credits would generally hold shares in entities that have public accountability, ie report under Tier 1. Other investors, including private equity investors, will usually be able to get this information through means other than the audited financial statements.</p> <p>However, the issue of imputation credits has also been raised in the context of certain not-for-profit entities which may receive significant benefits from franking credit refunds. The extent of these benefits may not always be obvious from the disclosures in the financial statements.</p>	<p>statements is a separate issue that is relevant in particular for NFP entities. Staff recommend noting this as an issue to be further considered when developing the NFP financial reporting framework.</p>
<p>Key issue 8. Non-consecutive numbering and other drafting issues Refer to Question 18 to the Board.</p>			

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
<ul style="list-style-type: none"> One respondent (PS-11EY) found the non-consecutive numbering used in ED 295 confusing. One respondent (PS23-DTT) recommended, where substantial amendments to the underlying IFRS for SMEs requirements are made, that the revised paragraph should be numbered using the “Aus” prefix, so that constituents can clearly determine the differences between the proposed SDS and the IFRS for SMEs Standard. 	<p>Yes – refer to the Preface and paragraph BC69 to ED 295.</p> <p>The Board agreed with the approach to numbering of paragraphs in the SDS because this approach allows easy comparison to the IFRS for SMEs disclosures.</p> <p>This approach, however, leads to a non-consecutive numbering mainly due to the exclusion of paragraphs covering R&M requirements and most paragraphs covering presentation requirements in the IFRS for SMEs Standard.</p>	<p>Staff understand stakeholders’ concerns and agree that using non-consecutive numbering in a standalone standard can be confusing.</p> <p>It would further appear likely that if the IASB were to proceed with a separate disclosure standard, it would similarly use consecutive numbering consistent with the other IFRS Standards and not retain the numbering from the IFRS for SMEs Standard.</p> <p>However, retaining the clear link to the disclosures in the IFRS for SMEs Standard, could be useful at least in the short term while the IASB is developing their separate proposals.</p>	<p>Staff have considered the following options:</p> <ol style="list-style-type: none"> Make no changes to SDS (ie retain numbering from ED 295). This shows clear linkage to the IFRS for SMEs standard and highlights any added disclosures via the ‘Aus’ prefix. However, some may find the numbering with missing paragraphs confusing. Renumber the paragraphs in the ED to use consecutive numbering, consistent with other AAS. Retain bold section headings but remove section numbers. Consecutive numbering is less confusing. However, it will not be possible to immediately see which disclosures are from the IFRS for SMEs standard and which have been added or amended. Renumber the paragraphs and remove section numbers as for option 2, but include the number of the equivalent paragraph from the IFRS for SMEs Standard in brackets at the end of each paragraph. Where paragraphs from the IFRS for SMEs Standard have been amended use

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
			<p>word 'partial' after the relevant paragraph number.</p> <p>For example:</p> <ul style="list-style-type: none"> - Paragraph Aus1.1 would become paragraph 1 - Paragraph 3.1 would have a consecutive number x but would have [IFRS for SMEs 3.1] at the end of the paragraph. - Paragraph 4.7 would have a consecutive number Y and would have [based on IFRS for SMEs 4.7] at the end of the paragraph, to highlight the fact that the last sentence in paragraph 4.7(d) was added. <p>This option has the benefits of consecutive numbering while still showing the link back to the IFRS for SMEs disclosures, and also showing where Australian-specific disclosures have been added or the IFRS for SMEs disclosures have been amended.</p> <p>4. Renumber the paragraphs and remove section numbers as for option 2, but include a table of concordance with the IFRS for SMEs Standard in an Appendix.</p>

Key issues	Has the issue been previously considered? If yes, where	Why it needs to be addressed (nature and extent of the problem)	Options and recommendation
			<p>This option has the benefits of consecutive numbering. The concordance table shows the link back to the IFRS for SMEs disclosures. While the body of the Standard will not be affected by the concordance table, it will not be possible to immediately see which disclosures are from the IFRS for SMEs standard and which have been added or amended.</p> <p>Having considered the various options above, staff recommend option 3. Should the Board agree, changes to AASB 10XX will be required. Staff note that option 3 would also help addressing additional comments received in relation to NFP entities, see agenda paper 3.5 for further details.</p>

18 In addition to the key issues considered in Table 6:, staff also recommend a number of clarifications and revisions to the proposed disclosures which have been marked up directly in ***the draft AASB 10XX*** included ***as agenda paper 3.3 (see references to ‘Question 20 to the Board’)***.

19 Not for-profit specific issues that do not affect the application of AASB 10XX to for-profit entities are separately discussed in ***agenda paper 3.5***.

APPENDIX A: SUMMARY OF WRITTEN RESPONSES FOR EACH QUESTION – ED 297⁴⁷

SMC 1 The proposed amendments identify the for-profit entities required to comply with Australian Accounting Standards (or accounting standards) that would no longer have the ability to prepare SPFS. Do you agree that:

- a) the amendments set out in this ED effectively remove the ability to prepare SPFS for the for-profit entities identified in AASB 1057 *Application of Australian Accounting Standards* as entities for which the reporting entity definition is not relevant (also identified in paragraph Aus1.1 of the *Conceptual Framework for Financial Reporting*)? If not, please provide your reasons.

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional services	2 (PS7-FRS, PS12-KPMG)	2 (PS6-EY, PS18-DTT)	-	1 (PS11-RSM)	4 (PS1-PwC, PS3-PP, PS8-HLB, PS17-GT))	9
Professional body	1 (PB5-CPA/CAANZ)	-	-	-	1 (PS19-AICD)	2
User	-	-	-	-	1 (U15-TJNA)	1
Preparer	-	-	-	1 (P16-Suncorp)	2 (P2-BO, P4-QBE)	3
Other (Software provider, academic, advisor)	2 (O10-IFRSSystem, O13-Swinburne)	-	-	-	2 (O9-KR, O14-DH)	4
Total	5	2	-	2	11	19

Issue 1. The reference to ‘accounting standards’ requires clarification.

One respondent (PS18-DTT) noted that the term ‘accounting standards’, or similar terms, may be used in many legislative contexts. For example, the requirement for the lodgement of a ‘general purpose financial statement’ (GPFS) under section 3CA of the Tax Administration Act 1953 refers to the GPFS being prepared in accordance with either “accounting principles” (which is defined to reference “accounting standards” under the Corporations Act 2001) and “commercially accepted principles relating to accounting” (which is not further defined). It is unclear whether this reference to ‘commercially accepted accounting principles’ should be read as meeting the ‘accounting standards’ proposals in ED 297.

Webinar feedback: Similar concerns were expressed by one webinar attendee.

⁴⁷ Throughout this appendix the following abbreviations have been used – PS = Professional Services firm, PB = Professional Body, U = User, P = Preparer and O = Other. For list of respondents refer to Table 1 above.

Staff response:

The intention of the Board was to capture references to accounting standards in Australian legislation, as they noted that it is reasonable to expect that legislators intended compliance with accounting standards as issued by the AASB when that term is used under Australian legislation. However, on the same premise, the Board decided that the application paragraphs would only capture references to AAS for entities with a non-legislative requirement, as in those cases it is less clear as to whether the constituting document would have intended to refer to accounting standards as issued by the AASB, when the term 'accounting standards' is used.

In the example given, commercially accepted principles relating to accounting is broader than AAS. For example, the ATO accept the following accounting standards as being commercially accepted principles relating to accounting for the purposes of subparagraph 3CA(5)(a)(ii):

- *International Financial Reporting Standards (IFRS)*
- *Accounting standards that are IFRS compliant as published on IFRS.org (such as Australian Accounting Standards or IFRS as adopted by the European Union)*
- *US generally accepted accounting principles (GAAP)*
- *Accounting standards that are accepted by ASX Limited from time to time for the purposes of its Listing Rules.⁴⁸*

As the SGE legislation does not explicitly require compliance with AASB Standards, it is staffs' view that such entities would not be in scope. Therefore, if such an entity preferred to comply with US GAAP, they would continue to be able to and would not be subject to Australian Standards. Staff have clarified in the BC that only those legislative references to accounting standards or AAS would be captured and other less explicit / similar terms are not.

Refer to [Question 9](#) to the Board.

Additional feedback

The same respondent also noted that additionally, there may be other legislation that may be inadvertently captured by the proposals in ED 297 where preparation of financial statements in accordance with Australian Accounting Standards may not satisfy the requirements of that legislation. For instance, some constituents may believe that notified foreign passport funds and registered foreign companies with reporting obligations under the Corporations Act 2001 may be captured by the requirements (even though these requirements explicitly permit the use of accounting frameworks other than Australian Accounting Standards).

Staff response:

In response to the feedback regarding notified foreign passport funds, the Corporations Act references to financial reporting requirements are specified to be those of the home economy, and not AAS / Standards issued by the AASB. Therefore, staffs' view is that such entities would not be captured, however each entity should consider its own legislative requirements in order to determine whether it is in or out of scope.

Staff recommendation:

Staff recommend no further action given the application of AAS or otherwise is a matter for the relevant legislator / regulator to decide and the entity to apply.

⁴⁸ <https://www.ato.gov.au/Business/Public-business-and-international/General-purpose-financial-statements/Guidance-on-the-provision-of-general-purpose-financial-statements/#WhatisCAAPwhereAustralianAccountingStand>

Refer to [Question 9](#) to the Board.

Issue 2. Amendments to AASB 1057 are not clear

On respondent (PS11-RSM) felt that the amendments to AASB 1057 are insufficiently clear to the extent that the definition of a “reporting entity” from SAC 1 is retained to an extent and irrelevant to entities in scope of ED 297. Further clarification to explain that the definition of ‘reporting entity’ within AASB 1057 differs to the definition of ‘reporting entity’ within the Revised Conceptual Framework would assist in determining the scope of the standard.

Staff response and recommendation:

AASB 2019-1 and the proposed amendments in ED 297 clarify that the definition of reporting entities contained in AASB 1057 does not apply to entities complying with the Conceptual Framework for Financial Reporting (RCF). Staff have however clarified in the BC that the definition of reporting entity in AASB 1057 does not apply to entities applying the RCF.

Refer to [Question 9](#) to the Board.

Issue 3. Small foreign controlled proprietary companies

One webinar attendee noted that while small foreign controlled proprietary companies are within the scope of the proposals as they are required by legislation to prepare financial statements that comply with AAS (i.e. the Corporations Act), there is some relief available to them, such that not all small foreign controlled entities are required to prepare financial statements.

ASIC Corporations (Foreign-Controlled Company Reports) Instrument 2017/204 relieves foreign-controlled small proprietary companies from the requirement to prepare, audit and lodge a financial report in circumstances where a financial report is not lodged by the foreign parent entity or intermediate Australian parent entity, provided certain conditions are satisfied.

Staff response and recommendation:

Staff note the relief, and further note that AAS cannot override this relief. Therefore no changes are required however it is important for entities to be aware of this relief and take advantage of it if they meet the criteria. The relief has also been referred to in paragraph BC40(a) of ED 297 and remains in AASB 2020-X.

Refer to [Question 9](#) to the Board.

- b) as an exception, other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with AAS should retain the ability to prepare SPFS, provided that the relevant document was not created or amended on or after 1 July 2020? If not, please provide your reasons (see paragraphs BC73-BC83).**

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	2 (PS1-	4 (PS3-PP, PS12- KPMG, PS17-GT, PS18-DTT)	1 (PS7-FRS)	-	2 (PS6-EY, PS8-HLB)	9

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
	PwC ⁴⁹ , PS11-RSM)					
Professional Body	1 (PB5-CPA/CAANZ)	-	-	-	1 (PB19-AICD)	2
User	-	-	-	-	1 (U15-TJNA)	1
Preparer	-	-	1 (P16-Suncorp)	-	2 (P2-BO, P4-QBE)	3
Other (Software provider, academic, advisor)	1 (O13-Swinburne	1 (O14-DH)	1 (O10-IFRSSystem)	-	1 (O9-KR)	4
Total	4	5	3	-	7	19

Issue 1. The exception for these entities should contain a sunset clause

Refer to Key issue 1a) in Table 5: above for consideration and analysis of this issue.

Issue 2. The exception for these entities should be retained indefinitely

Refer to Key issue 1b) in Table 5: above for consideration and analysis of this issue.

Issue 3. Criteria for exemption to be more objective

Refer to Key issue 1d) in Table 5: above for consideration and analysis of this issue.

Additionally, one respondent (PS7-FRS) felt that where these entities have previously prepared GPFS they should not be allowed to revert back to the preparation of SPFS.

Staff response and recommendation:

The ability to prepare SPFS of these entities will be limited to those entities which do not amend their constituting documents post the effective date, for the reasons considered in BC73-BC83 of ED 297. As one of the objectives of this project is to increase the transparency and comparability of financial statements, an entity that has prepared GPFS previously is not expected to revert back to preparing SPFS, as the trend will be most companies transitioning to GPFS.

Staff recommend no changes as the financial reporting requirements of these entities is a matter for those charged with governance.

⁴⁹ Staff subsequently clarified that the comments in the PwC submission relate to trusts in general, but that these views do not apply to trusts that have debt instruments listed on a stock exchange. For these trusts, PwC does not support any exemption.

Issue 4. Clarification regarding what an ‘amendment’ means and the mechanism for removing the short-term exemption

Two respondents (PS12-KPMG, O14-DH) felt that guidance on the meaning of 'amended' is needed given the ‘consequences’ of any amendments to such documents. For example, is the intention to catch all changes to the legal document or only those changes that have some form of significance or only those changes where the 'owners' need to agree on the change to the constituting document?

O14-DH expects there will be many changes to constituting documents, or other documents, without the person making the change (most likely not an accountant) understanding or knowing of the consequences of the rule created by accountants. While the outreach by the AASB to lawyers and law councils is encouraged, such outreach is not enough. O14-DH suggests that the grandfather exemption removal scope is far too wide, and will cause inadvertent consequences, and additional costs on businesses. The current proposals adopt a rules-based approach and there does not seem to be any mechanism to apply a substance over form approach to amendments of constituting or other documents, that were not intended to change existing reporting requirements. The respondent expects frequent cause of inadvertent consequences, and additional cost imposition, will be with loan agreements. Many loan agreements seem to be modified by banks throughout the loan agreement. These changes can range from changes in interest rates, to changes for communication methods, and are not related to reporting requirements, or intended to change existing requirements.

Roundtable feedback: Participants suggested educating those involved in the preparation of trust deeds/other constituting documents what a reference to AAS means. One participant also suggested clarifying ‘amendment’.

One roundtable attendee also suggested that guidance would be required to clarify which ‘other’ documents the drafting is referring to.

Staff response and recommendation:

*Staff note that it was the intention of the Board that **any** amendment to a constituting (or other document) would trigger revocation of the short-term exemption. For this reason, staff have made an amendment to paragraph BC83 of the BC to clarify this for the avoidance of doubt.*

Refer to Question 9 to the Board.

“... If an entity were required to make any amendment to the constituting document for any reason after the effective date of the proposed amendments, then the trustee for example could at the same time amend the financial reporting requirements, subject to the agreement of the beneficiaries ...” (underlining reflects new text).

With respect to guidance to clarify which ‘other’ documents the Board was intending to capture, staff note that the BC refers to lending agreements as one example, however as there are many other potential documents staff suggest no changes are required as the nature and type of any ‘other’ documents is a matter for judgement by each entity.

Refer to Question 9 to the Board.

Issue 5. Concept of SPFS should be retained for exempt entities

One respondent (PS18-DTT) suggested that it would be useful to retain the concept of special purpose financial statements and special purpose financial reports more broadly. This would permit preparers, auditors and users of special purpose financial statements to have a common understanding of the framework under which those financial statements might be prepared.

Another respondent (PS7-FRS) suggested that more consideration should be given to providing guidance relating to the preparation of SPFS. That respondent notes leaving such entities to derive

their own reporting framework is problematic, and relies upon the ability of users and the entity to dictate and agree upon their specific information needs, and creates unnecessary transitional adjustments when, for example, a small private company becomes large and must move from SPFS to GPFS.

Staff response and recommendation:

Staff note this feedback, however entities not subject to the proposals in ED 297 (or the requirements in AASB 2019-1) will continue to be able to prepare SPFS where they are not required to comply with AAS. The concept of SPFS will continue to exist, and the financial reporting framework applied by these entities in their SPFS would continue to be determined by the accounting policies selected by the directors or those charged with governance as is currently the case. For example, the directors or those charged with governance could adopt a basis of preparation based on AAS, the Tier 2 GPFS framework, RG 85, the IFRS for SMEs standard, the NZ Public Benefit Entity Simple Format Reporting – Accrual (Not-for-profit), the NZ Public Benefit Entity Simple Format Reporting – Cash (Not-for-profit), UK FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland and other sources. Therefore, staff suggests no change to be made to ED 297.

Refer to [Question 9](#) to the Board.

Issue 6. Australian accounting standards

One roundtable attendee raised a similar question regarding whether a trust deed which refers to ‘Australian accounting standards’ and not ‘Australian Accounting Standards’ would be within the scope of the proposals (subject to the short-term exemption proposed in ED 297).

Staff response and recommendation:

In staffs’ view it is clear that a reference to either Australian accounting standards or AAS would be within the scope of the proposals (subject to the short-term exemption proposed in ED 297). No changes required.

Refer to [Question 9](#) to the Board.

- c) for-profit public sector entities should also retain the ability to prepare SPFS as discussions about the public sector reporting framework are continuing? If not, please provide your reasons.**

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	5 (PS6-EY, PS7-FRS, PS11-RSM, PS12-KPMG, PS18-DTT)	-	-	-	4 (PS1-PwC, PS3-PP, PS8-HLB, PS17-GT)	9
Professional Body	1 (PB5-CPA/CAANZ)	-	-	-	1 (PB19-AICD)	2
User	-	-	-	-	1 User (U15-TJNA)	1

Preparer	-	-	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	1 (O13-Swinburne)	-	-	-	3 (O9-KR, O10-IFRSSystem, O14DH)	4
Total	7	-	-	-	12	19

SMC 2 Have you identified any arguments additional to those addressed in the Basis for Conclusions or unintended consequences that should be considered by the AASB in determining whether the ability to prepare SPFS should be removed from certain for-profit private sector entities as set out in this ED?

Respondent	Yes (new arguments)	Yes (argument previously considered)	Unclear	No comments	Total
Professional Services	-	4 (PS3-PP, PS6-EY, PS17-GT, PS18-DTT)	-	5 (PS1-PwC, PS7-FRS, PS8-HLB, PS11-RSM, PS12-KPMG)	9
Professional Body	-	1 (PB5-CPA/CAANZ)	-	1 (PB19-AICD)	2
User	-	-	-	1 (U15-TJNA)	1
Preparer	1 (P16-Suncorp)	2 (P4-QBE, P16-Suncorp)	-	1 (P2-BO)	4
Other (Software provider, academic, advisor)	-	1 (O13-Swinburne)	-	3 (O9-KR, O10-IFRSSystem, O14DH)	4
Total	1	8	-	11	19⁵⁰

⁵⁰ P16-Suncorp has been included in this table twice as they provided multiple comments to be considered which were categorised differently.

Issue 1 (new argument): Inconsistency in the reporting requirements of small proprietary companies holding an AFSL

As noted in [Key issue 5 in Table 5:](#) above, Staff has communicated the feedback to ASIC.

Additional feedback in response to this SMC has been included below for information purposes.

As AFLS are within the scope of the ED 297 proposals, ED 297 in combination with ED 295 would require all AFSL entities, irrespective of the size and legal form to prepare Tier 2 GPFS for the purpose of completing the ASIC FS70 form.

The existing SPFS regime in combination with ASIC Regulatory Guidance 85 ensures consistency, comparability and transparency (AASB's purpose) for small proprietary AFSL entities, while ensuring they meet the Commonwealth Treasury's goals to not impose financial reporting obligations and associated costs to small business.

Staff response:

As noted in [Key issue 5 in Table 5:](#), Staff has communicated the feedback to ASIC.

Issue 2 (previously considered): Further research regarding the reporting requirements for subsidiaries is required

Refer to [Key issue 6 in Table 5:](#) above for consideration and analysis of this issue.

Issue 3 (previously considered): The proposed effective date is too soon

Respondents comments:

Four respondents (PB5- CPA/CAANZ, O13-Swinburne, PS17-GT, PS18-DTT) felt that the proposed application date of 1 July 2020 is suitable for for-profit entities required by the *Corporations Act 2001* to prepare and lodge financial statements. However, in the absence of more comprehensive data about other for-profit entities and finalisation of a new definition of the term "not-for-profit", it is too soon for other for-profit entities.

Similarly, one roundtable attendee felt that the scope of the proposals was appropriate for Corporations Act entities, however was unsure in respect of other entities suggesting further research is required.

Staff response:

Refer to [Key issue 8a\) in Table 5:](#) above for consideration of the effective date.

Respondents comments:

Many entities may need to prepare consolidated GPFS for the first time either because they previously prepared single entity SPFS or separate GPFS using the exemption in paragraph 4a) of AASB 10. However, as [AASB Research Report No. 12 Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements](#) does not address the number of financial reports which were presented on a consolidated or separate basis it is difficult to quantify the number of affected entities.

Similar feedback was provided by one webinar attendee regarding the unknown number of entities that may be required to consolidate for the first time.

One webinar participant also noted the requirement in paragraph 4(a) of AASB 10 may in fact lessen the number of entities that may have otherwise been required to prepare consolidated financial statements.

Staff response and recommendation:

While Research Report No. 12 was not able to determine the number of entities that would be

required to prepare consolidated financial statements, it is expected the maximum number of affected entities will be less than 10,500 (the number of entities that will be required to prepare GPFS subsequent to the increase in large proprietary thresholds - (refer paragraph BC64 of ED 297). As this represents a **maximum** of approximately 1.3% of the total population of trading entities staff suggest that no further work or quantification of any possible effect is required.

Refer to Question 9 to the Board.

Additional Feedback

PS17-GT and PS18-DTT also noted that given the significance of these reforms, at least a further 12 months is required to facilitate an orderly implementation.

Staff response:

Refer Key issue 8a) in Table 5: above for consideration and analysis of this issue.

Issue 4 (previously considered): The exception for non-legislatively required entities should be retained indefinitely

Refer to Key issue 1b) in Table 5: above for consideration and analysis of this issue.

Issue 5 (previously considered): Aligning the requirements of small trusts and small proprietary companies

Refer to Key issue 1d) in Table 5: above for consideration and analysis of this issue.

Issue 6 (previously considered): The scope requires clarification

Refer to Issue 2 of SMC 1(a) in Appendix A: for consideration and analysis of this issue.

Additional feedback

One roundtable attendee suggested additional research should be performed in respect of incorporated associations to confirm whether they are within the scope of the proposals.

Staff response and recommendation:

Staff note that if an incorporated association is a for-profit entity and is required by legislation to prepare financial statements that comply with AAS or accounting standards it is within the scope of the proposals. This is addressed in paragraph BC62 of ED 297. If it is a NFP it would be outside the scope of the proposals. Staff suggest no changes are required.

Refer to Question 9 to the Board.

SMC 3 Do you agree that:

- a) for-profit private sector entities that are neither required by legislation to prepare financial statements that comply with AAS or accounting standards nor required by a document (created or amended on or after 1 July 2020) to prepare financial statements that comply with AAS; and
- b) for-profit public sector entities;

should be able to voluntarily prepare GPFS and in doing so apply either the *Conceptual Framework for Financial Reporting* or the *Framework for the Preparation and Presentation of Financial Statements*? Please provide your reasons, including whether there are any adverse or unintended consequences that should be considered by the AASB in determining whether the Framework for

the Preparation and Presentation of Financial Statements should not be permitted to be applied in these circumstances.

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	2 (PS3-PP, PS17-GT)	-	5 (PS6-EY, PS7FRS, PS11-RSM, PS12-KMPG, PS18-DTT)	-	2 (PS1-PwC, PS8-HLB)	9
Professional Body	-	-	1 (PB5-CPA/CAANZ)	-	1 (PB19-AICD)	2
User	-	-		-	1 (U15-TJNA)	1
Preparer	-	-		-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	1 (O13-Swinburne)	-		-	3 (O9-KR, O10-IFRSSystem, O14-DH)	4
Total	3	-	6	-	10	19

Issue 4. Application of more than one conceptual framework for voluntary GPFS reporting

Refer to Key issue 2 in Table 5: above for consideration and analysis of this issue.

SMC 4 Do you agree that entities that are not explicitly required to comply with accounting standards, but are required by legislation or otherwise to provide financial statements or financial information that gives a true and fair view, should not be covered by these proposals? If not, please provide your reasons (see paragraphs BC68-BC69).

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	6 (PS3-PP, PS6-EY, PS11-RSM, PS12-KPMG, PS17-GT, PS18-DTT)	-	1 (PS7-FRS)	-	2 (PS1-PwC, PS8-HLB)	9

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Body	1 (PB5-CPA/CAANZ)	-	-	-	1 (PB19-AICD)	2
User	-	-	-	-	1 (U15-TJNA)	1
Preparer	-	-	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	2 (O10-IFRSSystem, O13-Swinburne)	-	-	-	2 (O9-KR, O14-DH)	4
Total	9	-	1	-	9	19

Issue 1. Compliance with AAS provides a true and fair view

One respondent (PS7-FRS) suggested that because in their view compliance with accounting standards prima facie provides a true and fair view of an entity's financial position and performance, where legislation does not provide a reference to the required or expected framework to apply in the production of financial information that gives a true and fair view, AAS's should be seen as the best-practice guidance to be used. Providing an entity with a true and fair override can create misreporting and both an absence of consistency and transparency. They were concerned that the governing principle in BC69 provides licence to preparers to introduce measurement, recognition and disclosures that may not be elements of generally acceptable accounting principles and which can be introduced due to lack of understanding of accounting treatments and concepts.

Regard must also be taken to the professional standards to which members of the accounting profession are obliged to follow. Where members of the accounting profession are involved in preparation, audit or review of financial statements, APES 205 'Conformity with Accounting Standards' requires members to have regard to AAS. Whilst APES 205 will likely be required to be updated as a result of the proposals, it would be a fundamental shift to convey a message that compliance with AAS may not be relied on to necessarily give a true and fair view. This would cast doubt on the integrity of the RCF and standards in general.

Staff response and recommendation:

As noted in paragraph BC69 of ED 297, the Corporations Act 2001 envisages compliance with the accounting standards might not necessarily result in financial statements that provide a true and fair view and this is further supported by the findings of a UK Financial Reporting Council paper True and Fair (June 2014) – refer to BC para 69 of ED 297 for details. The Board therefore considered in consultation with other regulators that it should be a matter for each regulator to decide as to how to interpret the relevant legislation in relation to 'true and fair view' to avoid any possibly significant unforeseen consequences. Therefore, staff recommend no changes given this was not a common response. Staff will however monitor this matter for future developments, and will undertake further consultation with state regulators and others in this regard also.

Refer to [Question 9](#) to the Board.

SMC 5 Do you agree with the proposal to amend AASB 1 to provide optional relief from the restatement of comparative information in the year of transition from SPFS to GPFS Tier 2 (see paragraphs BC112-BC122)? If not, please provide reasons. If yes, do you agree with the proposed disclosures in relation to the comparative period (see paragraph AusE8.4 for AASB 1 on page 20)? If not, please provide your reasons. Please consider these matters in conjunction with the AASB’s proposals regarding a revised Tier 2 disclosure framework as set out in ED 295.

Respondent	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	1 (PS17-GT)	5 (PS3-PP, PS7-FRS, PS11-RSM, PS12-KPMG, PS18-DTT)	1 (PS6-EY)	-	2 (PS1-PwC, PS8-HLB)	9
Professional Body	-	1 (PB5-CPA/CAANZ)	-	-	1 (PB19-AICD)	2
User	-	-	-	-	1 (U15-TJNA)	1
Preparer	-	-	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	1 (O13-Swinburne)	1 (O10-IFRSSystems)	-	-	2 (O9-KR, O14-DH)	4
Total	2	7	1	-	9	19

Issue 1. Additional / alternative disclosures are required

- One respondent (PS11-RSM) suggested that quantification of the transitional adjustment made to opening balances would be useful and would provide complete, consistent, comparable financial information to produce information which is useful for users (an explicit quantification and disclosure would provide further clarification). One roundtable attendee suggested the same.

Staff response and recommendation:

The Board considered whether quantification of the adjustments required on transition should be provided, however decided not to require quantification in order to reduce the cost burden placed on entities. Refer [Issue 2](#) below for further consideration of this issue.

- One respondent (PS18-DTT) suggested that the requirements in proposed paragraph

AusE8.4(c) of AASB 1 should be modified to permit the presentation of any of the alternatives permitted by paragraphs 3.17(b) and 3.18 of ED 295, i.e.:

- a single statement of comprehensive income
- a separate income statement and separate statement of comprehensive income, or
- a single statement of income and retained earnings.

Staff response and recommendation:

Staff do not think the Board had intended to preclude any of the presentation options provided by the simplified disclosure standard in proposed paragraph AusE8.4(c). As such, staff recommend the paragraph is amended to clarify that such optionality is still available (where permitted). Staff have re-drafted the paragraph based on similar requirements contained in AASB 1 paragraph RDR21.1 (which contemplates a similar scenario).

Refer to Question 9 to the Board.

- One respondent (PS18-DTT) suggested that the requirement to label comparative information that is not compliant with AAS should be amended to cater for situations where previous SPFS complied with all R&M requirements except for consolidation. For example, the requirement could be reworded to require the clear identification of comparative information that is not comparable with the current period disclosures and cross reference that information to relevant information about the basis of preparation of the comparative information. This approach would accommodate all types of special purpose financial statements previously prepared.

Staff response and recommendation:

The current drafting requires an entity to “prominently label the comparative information that is not compliant with Australian Accounting Standards as such.” This means that any information that does not comply with all AAS requirements must be labelled accordingly (including a situation where R&M except for consolidation had previously occurred). Preparers can provide additional information regarding how the information presented is not in compliance with AAS should they choose to (for example the entity didn’t consolidate all subsidiaries). No change required.

Refer to Question 9 to the Board.

- Three roundtable attendees also questioned the scope of the comparative relief to the cash flow statement and the statement of changes in equity, that is, do they need to be restated.

Staff response and recommendation:

AASB 1053 paragraph E6 has been re-drafted and as a consequence clarifies that the cash flow statement and statement of changes in equity need not be restated. No further changes required.

Refer to Question 9 to the Board.

Issue 2. Consistency of comparative information

Refer to Key issue 8d) Table 5: above for consideration and analysis of this issue.

Additional feedback:

In addition to the matters noted above:

- in respect of accounting policy notes, PS7-FRS suggests that the accounting policies disclosed be restricted to those of the current period reflecting the adopted AAS policies and do not need to refer to the policies of the comparative period to the extent they are different. Having potentially two sets of accounting policies would introduce too much clutter to the financial statements and be potentially confusing to users. Changes to policies required on transition to

the revised Tier 2 could be explained in the qualitative discussion of transitional adjustments.

- roundtable attendees also expressed confusion regarding the effect of the transitional relief on comparative period note disclosures. For example, having an adjusted opening balance using comparatives in the statement of financial position with consolidation and R&M, while P&L comparatives is from SPFS.

Staff response and recommendation:

AASB 1 para 7 state that the accounting policies used shall comply with AAS effective at the end of its reporting period. It is staff view that separate disclosure of accounting policies from prior SPFS is not required, as AASB 10XX Section 35 already requires an entity to disclose the effect of the transition on its reported financial position and performance. Staff consider this would provide adequate disclosure about the accounting policies applied in the comparative period. Staff recommend clarification of this point in the BC for the avoidance of doubt.

Refer to [Question 9](#) to the Board.

Issue 3. Relief for entities transitioning from SPFS to Tier 1

One respondent (PS11-RSM) noted that while it is unlikely to impact a large number of entities, additional explicit notes may be welcome where an entity transitions from SPFS to Tier 1 GPFS. Such entities should also be permitted the same transitional relief as entities transitioning to the revised Tier 2, SDS.

Staff response and recommendation:

As Tier 1 GPFS are IFRS compliant GPFS, relief in addition to that included in AASB 1 cannot be extended to Tier 1 GPFS as it would result in non-IFRS compliant GPFS. While there may be some entities that voluntarily elect to prepare Tier 1 where there is no requirement for them to do so, Tier 1 AAS incorporate IFRS Standards issued by the IASB plus Australian specific requirements. No changes required.

Refer to [Question 9](#) to the Board.

Issue 4. The transitional relief should be available ongoing

Two respondents (PS7-FRS, PS12-KPMG) suggested that the proposed relief should apply on an ongoing basis, i.e. after 1 July 2021, for any entity transitioning from SPFS to GPFS, for the same reasons as set out in the Basis for Conclusions in ED297.

One webinar attendee also shared this view.

Staff response and recommendation:

This matter was previously considered by the Board and they decided to limit the transitional relief because it was proposed to facilitate timely adoption of the proposed standard by affected entities. Staff recommend no changes.

Refer to [Question 9](#) to the Board.

Issue 5. Previously complied with R&M in SPFS

Refer to [Key issue 8b\) Table 5](#): above for details and staff recommendation on this issue.

Issue 6. Effective date of proposals

Refer to [Key issue 8a\) Table 5](#): above for consideration and analysis of this issue.

Issue 7. No additional transitional relief is required (the existing relief in AASB 1 and AASB 10 is sufficient)

Refer to Key issue 8a) Table 5: above for consideration and analysis of this issue.

Issue 8. Clarifications of the amendments is required for entities applying AASB 10.Aus4.2

Refer to Key Issue 8c) in Table 5: above for consideration and analysis of this issue.

Issue 9. Transitional relief for hedging

One roundtable participant questioned whether any relief was considered for entities from hedging under AASB 9. The attendee was concerned about whether entities would have enough time to prepare hedge documentation to facilitate hedge accounting.

Staff response and recommendation:

AASB 1 addresses this matter, and states “an entity shall not reflect in its opening Australian-Accounting-Standards statement of financial position a hedging relationship of a type that does not qualify for hedge accounting in accordance with AASB 9”. For this reason, staff do not consider additional transitional relief is required and recommend no changes.

Refer to Question 9 to the Board.

SMC 6 Do you agree that additional transition relief is not required (see paragraphs BC112-BC122)? If not, what transition relief should be provided and what are your reasons?

Respondent	Agree (i.e. no additional relief needed)	Agree with Comments	Disagree (i.e. additional relief needed)	Unclear	No comments	Total
Professional Services	2 (PS11-RSM, PS17-GT)	1 (PS7-FRS)	3 (PS3-PP, PS6-EY, PS18-DTT)	1 (PS12-KPMG)	2 (PS1-PwC, PS8-HLB)	9
Professional Body	1 (PB5-CPA/CAANZ)	-	-	-	1 (PB19-AICD)	2
User	-	-	-	-	1 (U15-TJNA)	1
Preparer	-	-	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	1 (O13-Swinburne)	1 (O10-IFRSSystem)	-	-	2 (O9-KR, O14-DH)	4
Total	4	2	3	1	9	19

Issue 1. Push down accounting

One respondent (PS18-DTT) suggests the Board should reconsider whether the 'push down accounting' option outlined in BC117 is effectively permitted under existing paragraph D8 of AASB 1, and if so, provide commentary in the Basis for Conclusions. The respondent suggested this may require liaison with the International Accounting Standards Board and/or IFRS Interpretations Committee.

Staff response and recommendation:

The Board previously considered a Staff paper which contemplated whether this would be the case. The Board ultimately decided that it did not want to specifically provide this relief and did not wish to form a view regarding whether or not 'push-down accounting' would be permitted under AASB 1. Further, the Board did not expect many entities to be able to avail themselves of this relief (refer ED 297 BC117). Staff recommend changes to the BC to clarify the Board position on this matter.

Refer to Question 9 to the Board.

Issue 2. Previously complied with R&M – additional relief from comparative disclosures

Refer to Key issue 8b) in Table 5: for consideration and analysis of this issue.

Issue 3. Agree with comments and unclear

PS7-FRS and I10-IFRSSystem agreed that no additional relief was required, however suggested that the information presented in the comparative SOFP needed to be consistent with information presented in the comparative SOPLOCI (i.e. previous SPFS information). This was addressed in Key issue 8)d) in Table 5:

One respondent has been classified as unclear as they agreed no additional relief, but suggested additional relief in response to Question 5 (see Issues 5 and 6) (PS12-KPMG).

Staff response and recommendation:

Staff recommend no action – the Board will consider the issues that responses have been made subject to in those respective issues.

Refer to Question 9 to the Board.

Issue 4. Complex corporate structures

Two roundtable attendees were concern that large family groups may find it difficult to assess control due to complex corporate structures, and a poor understanding of the control principle.

Staff response and recommendation:

While staff agree that assessing whether or not an entity controls another can be difficult, the standard does not address corporate structures and it being difficult it not a reason for an exemption. Staff recommend no changes.

Refer to Question 9 to the Board.

SMC 7 Do you agree with the proposal to amend AASB 1053 requirements for the first-time adoption of Tier 2 reporting requirements relating to whether a parent entity has complied with AASB 10 Consolidated Financial Statements in its previous SPFS (see paragraphs BC123-BC125)? If not, please provide your reasons. If noncompliance with AASB 10 was the only departure from AAS in the previous SPFS, should an entity be permitted to apply

AASB 1, which could allow the restatement of amounts under various transition relief options?

Opinion	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	4 (PS6-EY, PS7-FRS, PS12-KPMG, PS17-GT)	2 (PS11-RSM, PS18-DTT)	-	-	3 (PS1-PwC, PS3-PP, PS8-HLB)	9
Professional Body	1 (PB5-CPA/CAANZ)	-	-	-	1 (PB19-AICD)	2
User	-	-	-	-	1 (U15-TJNA)	1
Preparer	-	-	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	2 (O10-IFRSSystem, O13-Swinburne)	-	-	-	2 (O9-KR, O14-DH)	4
Total	7	2	-	-	10	19

Issue 1. Clarity of wording

One respondent (PS11-RSM) commented the proposed wording may be confusing for users, despite support for the proposal. That respondent recommended reconsidering the wording for clarity, but did not provide any suggestions.

Staff response and recommendation:

Staff recommend no action given this was not a common response.

Refer to [Question 9](#) to the Board.

Issue 2. Whether consolidation and equity accounting is R&M

Three respondents (PS5-CPA/CAANZ, O13-Swinburne, PS17-GT) agreed that the proposal is useful/necessary to 'clarify that consolidation is a R&M requirement'. On the other hand, one respondent (PS18-DTT) raised concern that the amendment implies that paragraph 18A(a) as currently worded does not permit an entity that has complied with all R&M requirements but not consolidated/equity accounted to apply the transitional relief in AASB 1. That respondent noted entities had already been interpreting paragraph 18A(a) to capture entities that had not previously consolidated/equity accounted, such as entities captured by the Significant Global Entity requirements to prepare GPFs. PS18-DTT suggests that, instead of amending paragraph 18A, a separate paragraph be inserted as follows:

“Paragraph 18A(a) explicitly applies where the entity meets either or both of the

following:

(a) the entity has not previously presented consolidated financial statements in accordance with AASB 10 'Consolidated Financial Statements', where those consolidated financial statements are required in the current period when applying Tier 2 reporting requirements for the first time and would have been required in the previous period if the Tier 2 reporting requirements were applied in the previous period;

(b) the entity has not previously accounted for its investments in associates or joint ventures using the equity method as required by AASB 128 'Investments in Associates and Joint Ventures', where it is required to do so in the current period and would have been required to do so in the previous period if the Tier 2 reporting requirements were applied in the previous period."

Staff response and recommendation:

The Board is aware there are differing views as to whether R&M includes consolidation. As noted in ED297 BC123, the amendments proposed to AASB 1053 are to 'explicitly state that non-compliance by a parent entity with AASB 10 in its previous SPFS would require the entity to apply either AASB 1 or AASB 108'. See also Key Issue 8c in Table 5: for discussion and analysis regarding the application of AASB 10 where the group was not considered a reporting entity.

Refer to Question 9 to the Board.

SMC 8 Do you agree with the proposed effective date of annual reporting periods beginning on or after 1 July 2020 (see paragraphs BC126-BC129), with earlier application permitted? If not, please provide your reasons.

Opinion	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	4 (PS1-PwC ⁵¹ , PS6-EY, PS11-RSM, PS12-KPMG)	1 (PS7-FRS)	4 (PS3-PP, PS8-HLB, PS17-GT, PS18-DTT)	-		9
Professional Body			2 (PB5-CPA/CAANZ, PB19-AICD)			2
User					1 (U15-TJNA)	1
Preparer			1 (P4-QBE)		2 (P2-BO, P16-Suncorp)	3
Other (Software provider, academic, advisor)		2 (O10-IFRSSystem, O13-Swinburne)	1 O9-KR		1 (O14-DH)	4

⁵¹ Inferred based on comments in submission expressing "PwC also supports the proposals in ED 297".

Opinion	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Total	4	3	8	-	4	19

Issue 1. Defer the effective date

Refer to [Key issue 8a\)](#) above for further discussion on this issue.

GMC 9 Whether The AASB’s For-Profit Entity Standard-Setting Framework has been applied appropriately in developing the proposals in this ED?

Opinion	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	1 (PS12-KPMG)	3 (PS6-EY, PS7-FRS, PS18-DTT)	-	-	5 (PS1-PwC, PS3-PP PS8-HLB, PS11-RSM, PS17-GT)	9
Professional Body		1 (PB5-CPA/CAANZ)	-	-	1 (PB19-AICD)	2
User	-	-	-	-	1 (U15-TJNA)	1
Preparer	-	-	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	-	-	-	-	4 (O9-KR, O10-IFRSSystem, O13-Swinburne, O14-DH)	4
Total	1	4	-	-	14	19

Issue 1. Separate projects and other matters for the standard-setting framework

One respondent (PS6-EY) considers the AASB should progress a separate project on whether to remove the requirement in AASB 10 paragraph Aus4.2 for an ultimate Australian parent entity (whether a Tier 1 or Tier 2 entity) to prepare consolidated financial statements.

Some respondents (PS7-FRS, PS18-DTT) also recommended clarifications be made to [The AASB’s For-Profit Entity Standard-Setting Framework](#), including:

- Issue 5.** The for-profit Framework does not specifically address ‘tiers’ of financial reporting from a presentation and disclosure perspective – that respondent considers it may be timely to consider reviewing the framework to ensure it adequately reflects the financial reporting framework proposed by the Board;

Issue 6. The proposals in ED 295 are based on the IFRS for SMEs standard which is not explicitly mentioned in the for-profit Framework. That respondent recommends the Board consider amending the for-profit Framework to make the full ambit of pronouncements issued by the IASB as the basis for Australian requirements (including the possible standard arising from the IASB’s project on subsidiaries that are SMEs); and

Issue 7. more consideration should be given to providing guidance relating to the preparation of SPFS. Refer SMC 1b) Issue 5 in Appendix B; for further consideration of this comment.

Staff response and recommendation:

With respect to the Standard Setting Framework, at the conclusion of this project staff suggest the Board review the Standard Setting Framework for any changes that may be necessary to clearly demonstrate the link between it and this project

In respect of the other comments, staff recommend the Board considers how to address these matters as part of its next agenda consultation, given these issues are not within the scope of this project.

Refer to Question 9 to the Board.

GMC 10 Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?⁵²

Respondent	Yes	No	No comments	Total
Professional Services	4 (PS7-FRS, PS11-RSM, PS17-GT, PS18-DTT)	2 (PS6-EY, PS12-KPMG)	3 (PS1-PwC, PS3-PP, PS8-HLB)	9
Professional Body	1 (PB5-CPA/CAANZ)	-	1 (PB19-AICD)	2
User	-	-	1 (U15-TJNA)	1
Preparer	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	-	-	4 (O9-KR, O10-IFRSSystem, O13-Swinburne, O14-DH)	4
Total	5	2	12	19

Issue 1. Issue for other regulators – extended lodgement date

One respondent (PS11-RSM) questioned the need for a four-month lodgement deadline for proprietary companies under the Corporations Act, noting that deadline in Australia is shorter

⁵² In responding to this question some respondents left comments such as “as noted in our response to SMC X...”, or “subject to our comments in SMC X...”. These comments have been addressed in the related SMC and have not been repeated in GMC 10 in Appendix C.

than in most comparable jurisdictions. They noted that for entities affected by these proposals, there will be significant additional work required to prepare GPFS for the first time, plus additional time for the audit, accounts preparation process, disclosure checklists etc in the first year too. Additional time will also be required by those entities needing to transition from GPFS-RDR to the proposed SDS. The respondent acknowledged that this is not an issue that the AASB can address, but suggested the AASB be an advocate for legislative change to the lodgement date for proprietary companies, particularly in light of the changes proposed in the ED.

Staff response and recommendation:

Staff have shared this feedback with ASIC, but recommend no further action given it is outside the Board's remit.

Refer to Question 9 to the Board.

Issue 2. Need for education

One respondent (PS17-GT) noted the need for education on the changes, particularly for businesses and legal professionals that may be involved in the preparation of constituting documents that could 'trigger' the requirement to prepare GPFS.

Staff response and recommendation:

Staff will consider this further as part of the communications plan for the issue of the Standard. Staff have already prepared a publication to explain to the legal profession what the impact of the changes mean for them. Staff will also ensure that outreach accompanying any final proposals targets a broader range of stakeholders than in the past.

Refer to Question 9 to the Board.

Issue 3. Large proprietary companies grandfathered under the Corporations Act 2001

Refer to Key issue 4 in Table 5: above for consideration and analysis of this issue.

Issue 4. References to the reporting entity concept

One respondent (PS7-FRS) noted that "to the extent to which other professional statements, accounting standards and auditing standards refer to, or rely upon, the operation of the current reporting entity concept, these will need to be revised". The respondent did not provide any examples.

One webinar attendee had similar feedback regarding the need to consult with other regulators that require preparation of financial statements in accordance with AAS who currently accept SPFS.

Staff response and recommendation:

Staff recommend no action by the Board. Staff have kept other relevant regulators informed during the course of the project in this regard.

Refer to Question 9 to the Board.

GMC 11 Whether, overall, the proposals would result in financial statements that would be useful to users?

Respondent	Yes	No	No comments	Total
Professional Services	5 (PS6-EY*, PS7-FRS, PS12-KPMG, PS17-GT, PS18-DTT)	-	4 (PS1-PwC, PS3-PP, PS8-HLB, PS11-RSM)	9
Professional Body	1 (PB5-CPA/CAANZ*)	-	1 (PB19-AICD)	2
User	-	-	1 (U15-TJNA)	1
Preparer	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	1 (O10-IFRSSystem*)	-	3 (O9-KR, O13-Swinburne, O14-DH)	4
Total	7	-	12	19

*Comments made subject to addressing other issues raised in submission

GMC 12 Whether the proposals are in the best interests of the Australian economy?

Respondent	Yes	No	No comments	Total
Professional Services	3 (PS6-EY, PS7-FRS, PS18-DTT)	-	6 (PS1-PwC, PS3-PP, PS8-HLB, PS11-RSM, PS12-KPMG, PS17-GT,)	9
Professional Body	1 (PB5-CPA/CAANZ*)	-	1 (PB19-AICD)	2
User	1 (O10-IFRSSystem)	-	1 (U15-TJNA)	2
Preparer	-	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	-	-	3 (O9-KR, O13-Swinburne, O14-DH,)	3
Total	5	-	14	19

Respondent	Yes	No	No comments	Total
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*Comments made subject to addressing other issues raised in submission

GMC 13 Unless already provided in response to matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Respondent	Provide Information	No comment	Total
Professional Services	4 (PS6-EY, PS7-FRS, PS11-RSM, PS18-DTT)	5 (PS1-PwC, PS3-PP, PS8-HLB, PS12-KPMG, PS17-GT)	9
Professional Body	1 (PB5-CPA/CAANZ)	1 (PB19-AICD)	2
User	-	1 (U15-TJNA)	1
Preparer	-	3 (P2-BO, P4-QBE, P16-Suncorp)	3
Other (Software provider, academic, advisor)	1 (O10-IFRSSystem)	3 (O9-KR, O13-Swinburne, O14-DH)	4
Total	6	13	19

Transition

Previously applied R&M and consolidated

- Where entities have previously been preparing SPFS applying the full R&M requirements described in RG 85, and have applied the consolidation or equity accounting standards, we would expect the transition to be minimally disruptive (PS11-RSM).
- When moving from SPFS to RDR, excluding consolidation, the additional disclosures represent approximately a 15% increase in the volume of the report, which translates to a one-off increase in compilation costs of 15-30% (PS7-FRS).
- Based on a survey of 512 members, one respondent (PB5-CPA/CAANZ) sought an estimate of the costs to transition for each financial statement as well as the expected ongoing preparation and audit costs. The key cost and transition findings from the survey are that over 40% of respondents expected their transition costs to be between \$500 and \$5,000 per financial statement. Respondents also indicated that key transition challenges were anticipated in the areas of leases, related parties, financial instruments, consolidation, impairment and revenue. Almost 70% of respondents to the survey indicated that additional internal and external resources will or may be required to assist with transition, a possible strain on the profession's resources in the immediate term. A further concern is the ability of

practitioners to justify additional costs arising to their clients, making it essential that a clear cost benefit case is articulated and communicated.⁵³

- A typical set of special purpose financial statements converted to RDR general purpose only increases the content in the notes by 15%. That respondent noted most people agree that the additional disclosures add significantly to the financial statements and therefore it is a positive step up, hence, by converting from special purpose to RDR general purpose it is possible to produce more meaningful accounts without the burden of full general purpose reporting (O10-IFRSSystem).

Not applying all R&M/consolidating

- Where entities have previously not applied full R&M requirements, or have not applied the consolidation standard, the transitional relief is an appropriate way to minimise the costs of transition (PS11-RSM).
- In our experience clients that have moved from standalone SPFS to consolidated RDR have encountered significant costs, in some cases greater than 100% of the prior year compliance costs, as a result of the lack of relief provided in AASB 1 as it currently stands. This includes, but is not limited to, eliminating the parent's investment in subsidiaries and accounting for pre-acquisition retained earnings, fair value adjustments and goodwill. In some cases, the acquisitions occurred more than 10 years ago, and the required information is not readily on hand (PS7-FRS).
- One respondent checked 1,058 single entity 30 June 2018 Annual Reports and only 9 (5 unlisted public and 4 proprietary) of these reports (less than 1%) have subsidiaries and did not produce a consolidated report. However, whilst the scenario was found to be rare, the respondent noted it did not factor in new clients purchasing software so they could do a first time consolidation. First time adoption work includes, but is not limited to, eliminating the parent's investment in subsidiaries and accounting for pre-acquisition retained earnings, fair value adjustments and goodwill. In some cases, the acquisitions occurred more than 10 years ago and information is not readily on hand (O10-IFRSSystem).

Ongoing

- An approximate ongoing increase of 10% compared to the pre-RDR fee. On top of this, consideration needs to be given to the additional costs of auditing such additional disclosures.
- Based on a survey of 512 members, one respondent (PB5-CPA/CAANZ) sought an estimate of the costs to transition for each financial statement as well as the expected ongoing preparation and audit costs. The key cost and transition findings from the survey are that around 40% also expected the \$500 and \$5,000 range per financial statement to be the likely increase incurred on an ongoing basis and having it audited.

Other

- One respondent (PS18-DTT) noted areas of costs would be:
 - Gathering and compiling data
 - Training or obtaining additional external services
 - Preparing consolidated financial statements for the first time, or equity accounting for the first time
- Another respondent (PS6-EY) noted the following:

⁵³

A copy of the survey results can be found on the CAANZ website [here](#).

- Qualitative benefits include greater transparency and comparability for entities considered economically significant, and that otherwise may have self-reported as non-reporting entities (and produced SPFS).
- Qualitative costs include readiness of employees and accounting systems for the increase in disclosure, and in some cases also the adoption of IFRS R&M principles. There could also be increased costs for some entities already reporting under the current Tier 2 RDR framework to align with the new disclosures proposed in the ED.
- Quantitative costs include the one-off costs of training / upskilling of preparers, and implementation of new systems and processes. Ongoing costs include the additional preparation time for those entities moving from SPFS to Tier 2 SDS, and recurring audit fees.

Roundtable feedback: Participants estimated the cost of transition from SPFS to Tier 2 GPFS with full R&M would result in a 20% increase in preparation and audit costs if current SPFS complies with R&M.⁵⁴

Staff response and recommendation:

No action required at this stage. This information will be considered with information received from other stakeholders when undertaking the RIS-like process.

⁵⁴ Refer [Agenda Paper 10.1](#) to the November 2019 meeting for a more detailed summary of the feedback.

APPENDIX B: SUMMARY OF WRITTEN RESPONSES FOR EACH QUESTION – ED 295

Note: Staff have combined the feedback and comments received on SMCs 1 and 2, as similar comments were raised in relation to both questions.

SMC 1: Do you agree with the overarching principles on which the proposed Simplified Disclosure Standard is based and the methodology described in paragraphs BC33-BC43 to this ED? If you disagree, please explain why.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	5 (PS1-PwC, PS13-HLB, PS16-RSM, PS17-KPMG, PS20-GT)	2 (PS11-EY, PS23-DTT)	2 (PS4-PP, PS12-FRS)	-	1 (PS5-NA)	10
Professional body	-	1 (PB8-CPA/CAANZ)	1 (PB21-IPA)	-	1 (PB10-AICD)	3
User	-	-	-	-	1 (U25-Equifax)	1
Preparer	3 (P6-HoTARAC, P7-QBE, P22-Suncorp)	-	-	-	-	3
Regulator	-	-	-	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office			1 (AO9-ACAG)			1
Other (Academic, Consultant, Personal, Software provider)	1 (O3-DS)	1 (O18-SWINBURNE)	2 (O15-IFRSSYSTEM, O19-DH)		1 Other (O14-KR)	5
Total	9	4	6	-	6	25

SMC 2: Do you agree that these proposals should replace the current RDR framework? If you disagree, please explain why.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	5 (PS1-PwC, PS13-HLB, PS16-RSM, PS17-KPMG, PS 23-DTT)	2 (PS11-EY, PS20-GT)	2 (PS4-PP, PS12-FRS)	-	1 (PS5-NA)	10
Professional body	1 (PB10-AICD)	1 (PB8-CPA/CAANZ)	1 (PB21-IPA)	-	-	3
User	-	1 (U25-Equifax)	-	-	-	1
Preparer	-	2 (P6-HoTARAC, P7-QBE)	-	-	1 (P22-Suncorp)	3
Regulator	2 (R2-ACNC, R24-ATO)	-	-	-	-	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	1 (O3-DS)		3 (O14-KR, O15-IFRSSYSTEM O19-DH)		1 (O18-SWINBURNE)	5
Total	9	6	7	-	3	25

Issue 1. Overall support & recommendation to proceed

18⁵⁵ respondents received were supportive for the AASB to proceed with ED 295 with only seven⁵⁶ unsupportive.

⁵⁵ PS1-PwC, R2-ACNC, O3-DS, PS5-NA, P6-HoTARAC, P7-QBE, PB8-CPA/CAANZ, PB10-AICD, PS11-EY, PS13-HLB, PS16-RSM, PS17-KMPG, O18-Swinburne, PS20-GT, P22-Suncorp, PS23-DTT, R24-ATO, U25-Equifax

⁵⁶ PS4-PP, AO9-ACAG, PS12-FRS, O14-KR, O15-IFRSSystem, O19-DH, PB21-IPA,

One respondent (U25-Equifax), who broadly supported the AASB's approach, expressed concern about the reduction in disclosures and reduced transparency, and the impact on the ability for users to make and evaluate decisions on the allocation of scarce resources.

Three respondents (AO9-ACAG, O19-DH, PB21-IPA) suggesting focusing more on the application of materiality. One respondent (O19-DH) thought that with better guidance on applying materiality separate Tier 2 reporting requirements might not be necessary.

Three respondents (PS12-FRS, O15-IFRSSYSTEM and O19-DH) found that RDR is easier to use (eg easy to cross reference to R&M requirements in a full Standard, easy to identify differences between Tier 1 and Tier 2 reporting or between RDR and SDS) and one roundtable participant also expressed a preference to retain RDR.

One respondent (PS4-PP) thought the issue of excessive disclosures in the current RDR could be addressed more simply through modifying the existing regime. AO9-ACAG would prefer having the disclosure requirement in Appendices to each standard to make it easier to compare and match with the Tier 1 requirements.

Two respondents (PB-9ACAG, O19-DH) did not consider the proposed SDS have significantly altered the key disclosures, as a result it did not think the SDS is justified on cost benefit basis. It is overly complex for preparers and auditors to understand and apply, impractical to administer and would reduce comparability between Tier 1 and Tier 2 disclosures. Moving away from the standard AAS disclosures will also run the risk of additional costs due the potential impacts on systems and templates.

Four respondents (AO9-ACAG, PB21-IPA, O14-KR, O19-DH) suggested an alternative basis to develop the SDS (eg ED277 or a simpler reporting system with different R&M). One respondent (O14-KR) considered IFRS for SMEs (with simplified R&M requirements) to be more suitable for Tier 2 entities (ie non-listed companies). The respondent also noted that the proposals in ED 295 will add unnecessary compliance costs as the disclosures exceed what is required by the IFRS for SMEs standard.

Roundtable and webinar feedback: Similarly, we received overwhelming support for the approach applied in other outreach events. 88% of the roundtable participants (including 96% of the NFP specific roundtable participants) and 90% of the webinar participants agreed that the proposed SDS should replace RDR. Stakeholders also liked simpler language and simpler requirements

Staff response and recommendation

While staff note that not all stakeholders are overall in favour of the new approach used in developing the SDS, and some – in particular respondents from the NFP/public sector – consider RDR or the approach used in ED 277 to be superior, these stakeholders are in a minority. Staff do not consider any of the arguments provided to be compelling enough to prevent the Board from proceeding with the proposals.

On that basis staff recommend replacing the existing Tier 2 GPFS disclosure framework with the Simplified Disclosure Standard for for-profit entities. The issues raised in relation to the adoption of the Simplified Disclosure Standard by NFP entities are considered in agenda paper 3.5 and will be voted on separately.

Refer to Key issue 1b) in Table 5: to the Board.

Issue 2. Lack of guidance on application of presentation and disclosure requirements, including guidance on materiality

Refer to [Key issue 1 in Table 6](#): for consideration and analysis of this issue.

Issue 3. Potential impact of IASB's projects

Three respondents (PB8-CPA/CAANZ, PS11-EY, PS23-DTT) supported the SDS but raised concerns over the potential impact of the IASB's [Comprehensive Review of IFRS for SMEs Standard](#) project and [Subsidiaries that are SMEs](#) on the timing for the proposed changes to take effect, particularly given the outcome of the IASB's projects is uncertain.

Two of the respondents (PS11-EY, PS23-DTT) supported the SDS to replace RDR on the basis that the IASB's projects may take substantial time period to complete but urged the AASB to closely monitor the progress of the IASB's projects and align the SDS with the IASB's IFRS for Subsidiaries standard as quickly as possible. One of these respondents (PS11-EY) was concerned that the IFRS for SMEs Standard is only reviewed by the IASB approximately every 5 years, making it difficult for the AASB to update the SDS, particularly for future R&M changes applicable to Tier 1 entities. The respondent suggested the AASB should review the SDS for new and amending standards on a more frequent basis.

Three respondents (PS4-PP, PS12-FRS, 015-IFRSS) were unsupportive because of the pending IASB project and review of the IFRS for SMEs themselves. The respondents suggested that the proposed changes should wait until IASB completing its related projects. IFRS System believes introducing the SDS is not in the best interest of the Australian economy as there are too many changes in a short timeframe which does not provide a stable reporting platform to businesses.

One respondent (PS12-FRS) found the bottom up approach problematic in determining the appropriate disclosures and was concerned that the IASB's project may reach different conclusions and result in a very different disclosure framework.

PB21-IPA further noted that the definition of public accountability should be revised to capture more entities (as raised in their submission on ITC 39).

Roundtable feedback: Three roundtable participants raised similar concerns about the implication of the IASB's Subsidiaries that are SMEs Project and potential future changes to the proposed SDS to align with IASB's proposals.

Staff response:

While staff acknowledge that these two projects may result in further changes to the disclosure standard in the not too distant future, both projects are still at least two years away from completion⁵⁷. Based on the strong support for the proposals expressed by the majority of stakeholders, staff do not consider that the AASB can or should wait for these projects to be finalised. If it should be found that further changes are required within a short time-frame, the AASB could consider at that time providing a longer lead time before the mandatory adoption of the changes.

⁵⁷ Based on IASB staff's [Project proposal from January 2020](#) – moving the project to the standard-setting programme the revised IFRS for SMEs standard is not likely to be issued until June 2022. The timing of the standard for Subsidiaries that are SMEs is depending on the Board's decision at the January 2020 meeting on how to proceed, but may be issued late 2021 or early 2022.

Staff further agree that it will be necessary to update AASB 10XX more frequently than the IFRS for SMEs Standard for any future changes affecting the R&M requirements. This is already discussed and acknowledged in paragraph BC71 of ED 295.

Staff recommendation:

Staff recommend to retain the same application date as AASB 2020-X Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities – see [Key issue 8a](#)) in Table 5:.

Refer to [Question 19](#) to the Board.

Issue 4. Impact on the Trans-Tasman harmonisation

Four respondents (PB8-CPA/CAANZ, PS20-GT, PS12-FRS and O15-IFRSSYSTEM) raised concerns about the impact of the proposed SDS on the Trans-Tasman harmonisation. One (PS20-GT) suggested that the AASB work together with the NZ XRB to keep the alignment as close as possible. One (PB8-CPA/CAANZ) proposed a two-year implementation period to allow time for the AASB and the NZASB to refine the proposal in light of IASB's projects (see above) and enable continued Trans-Tasman harmonisation. FRS noted that the *For-Profit Standard-Setting Framework* requires discussion with NZASB, and a justifiable specific legislative or other rationale for differences.

Staff responses:

ED 295 paragraph B29 justifies that the loss of trans-Tasman harmonisation is balanced by retaining the same R&M requirements, and having more Australian entities preparing GPFS.

Staff note that the NZ XRB has asked its stakeholders about the importance of harmonisation with Australia for Tier 2 for-profit disclosures in their Targeted Review of the Accounting Standards Framework in July 2019.⁵⁸ The NZASB Board papers for the February meeting note that of the respondents who expressed a view on this matter, most considered harmonisation with Australia to be important. NZASB will consider the feedback to help support future discussions on whether and how to respond to developments in Australia and internationally impacting the development of Tier 2 for-profit disclosure requirements, and the approach for developing Tier 2 For-profit Accounting Requirements (based on NZ IFRS RDR).⁵⁹

Staff recommendation:

Staff recommend continuing the dialogue with the NZASB, but not to defer the application of AASB 10XX because of these concerns – see [Key issue 8a](#)) in Table 5:.

Refer to [Question 19](#) to the Board.

Issue 5. Further scope for reduction in disclosures for wholly-owned subsidiaries of listed entities

One respondent (P7-QBE) encouraged developing separate requirements for wholly-owned subsidiaries of listed entities with further reduced disclosures.

⁵⁸

[NZ XRB Targeted Review of the New Zealand Accounting Standards Framework, NZASB Board Papers February 2020, agenda item 9.2](#)

Staff responses:

Staff note that the IASB's Subsidiaries that are SMEs project is specifically intended for subsidiaries, including wholly-owned subsidiaries. Where these subsidiaries are required to prepare and lodge financial statements with a regulator, it is presumed that there are external users for these financial statements and the IFRS for SMEs Standard is intended to cater for those users.

Australian wholly-owned subsidiaries would generally have the option of entering into a deed of cross guarantee and obtaining reporting relief from ASIC. Where this relief cannot be applied, this is generally because ASIC considers it important that the financial statements are made available to users.

Staff recommendation:

Staff do not recommend developing separate disclosure requirements for wholly-owned subsidiaries of listed entities.

Refer to [Question 19](#) to the Board.

SMC 3: Do you agree with the following key decisions made and judgements exercised by the AASB in drafting the proposed Simplified Disclosure Standard in relation to (the following). If you disagree with any of the decisions, please explain why.

3(a) the replacement of AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows and AASB 124 Related Party Disclosures and in their entirety as explained in BC46?

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	1 (PS20-GT)	4 (PS5-NA, PS12-FRS, PS16-RSM, PS23-DTT)	2 (PS11-EY, PS17-KPMG)	-	3 (PS1-PwC, PS4-PP, PS13-HLB)	10
Professional body	-	2 (PB8-CPA/CAANZ, PB21-IPA)	-	-	1 (PB10-AICD)	3
User	-	-	-	-	1 (U25-Equifax)	1
Preparer	1 (P6-HoTARAC)	-	-	-	2 (P7-QBE,	3

					P22-Suncorp)	
Regulator	1 (R2-ACNC)	-	-	-	1 (R24-ATO)	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	1 (O3-DS)	-	-	-	4 (O14-KR, O15-IFRSSYSTEM, O18-SWINBURNE, O19-DH)	5
Total	4	6	3	-	12	25

Issue 1. Missing guidance on presentation and disclosure requirements and materiality, and missing definitions

Refer to Key issue 1 in Table 6: above for consideration and analysis of this issue.

Issue 2. presentation differences to Tier 1 reporting, other than the presentation of discontinued operations or the retention of the option not to include a statement of changes in equity

Three respondents (PS11-EY, AO9-ACAG, PS23-DTT) have raised more general concerns about possible differences between the presentation requirements for Tier 1 and Tier 2 financial reports. Among them, two respondents (AO9-ACAG and PS11-EY) did not support the replacement of AASB 101 and AASB 107 in their entirety on the basis of the resultant changes to the presentation requirements.

One respondent (PS11-EY) preferred to transfer only disclosures into the Simplified Disclosure Standard and asked why AASB 132 *Financial Instruments: Presentation* which contains relevant presentation requirements for Tier 2 entities was excluded.

Staff response:

Staff have reviewed the presentation requirements in the various standards and are comfortable that the only differences in ED 295 relate to discontinued operations and the optional Statement of Changes in Equity. Where there are potential other differences (eg offsetting of deferred tax), relevant paragraphs have been added to ensure any unintended differences are eliminated. The suggested new paragraph Aus1.x (see Key issue 1 in Table 6: above) will further ensure that there are no presentation differences arising as a result of missing guidance from any of the replaced standards.

Staff recommendation:

On this basis, staff recommend no further action.

Refer to Question 19 to the Board.

3(b) adding, removing or amending disclosures, for example the disclosures for lessees, revenue, borrowing costs, revalued property, plant and equipment (PPE) and intangible assets as explained in BC46-BC62?

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	2 (PS16-RSM, PS20-GT)	4 (PS1-PwC, PS11-EY ⁶⁰ , PS17-KPMG, PS23-DTT)	1 (PS12-FRS)	-	3 (PS4-PP, PS5-NA, PS13-HLB)	10
Professional body	-	2 (PB8-CPA/CAANZ, PB21-IPA)	-	-	1 (PB10-AICD)	3
User	-	-	-	-	1 User (U25-Equifax)	1
Preparer	1 (P6-HoTARAC)	-	-	-	2 (P7-QBE, P22-Suncorp)	3
Regulator	-	-	-	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office	-	-	1 (AO9-ACAG ⁶¹)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	1 (O3-DS)	-	-	-	4 (O14-KR, O15-IFRSSYSTEM, O18-SWINBURNE, O19-DH)	5
Total	4	6	2	-	13	25
Issue 1. Lack of guidance on application of presentation and disclosure requirements, including guidance on materiality						
Refer to Key issue 1 in Table 6 : for detailed discussions.						
Issue 2. Various missing disclosures or disclosures to be deleted – raised by one respondent only						
Refer to Appendix C : for detailed analysis.						
Issue 3. Transition relief						

⁶⁰ Comments raised by EY relating to disclosures above and beyond full IFRS have been included in SMC 3(e)

⁶¹ Comments raised by ACAG relating to missing disclosure of interest expense on lease liabilities have been included in SMC 5.

Refer to Key issue 8 in Table 5: for detailed analysis.

Issue 4. The IASB’s project may reach different conclusions

Refer to SMC 2: Issue 3 in Appendix B: above for detailed discussions.

Issue 5. Other comments received in relation to SMC3(b)

PwC notes that disclosures should only be added if they are consistent with the principles used in developing the IFRS for SMEs disclosures.

EY notes that changing disclosures is appropriate only where there are R&M differences between IFRS for SMEs and/or for Australian specific needs.

Deloitte agreed with the AASB’s departure from the IFRS for SMEs Standard in relation to disclosure of the carrying amount of revalued property, plant and equipment that would have been recognised if the entity applied the cost model, but recommends aligning the disclosures with those adopted by the IASB should the IASB retain this disclosure in any IFRS Standard arising from the IASB’s Subsidiaries that are SMEs project.

Staff response and recommendation:

Staff have noted these comments – no further action is required.

Refer to Question 19 to the Board.

3(c) the inclusion of the audit fees disclosures from AASB 1054 Australian Additional Disclosures for the reasons set out in BC62?

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	7 (PS1-PwC, PS11-EY, PS12-FRS, PS13-HLB, PS16-RSM, PS17-KPMG, PS20-GT)	1 (PS23-DTT)	2 (PS4-PP, PS5-NA)	-	-	10
Professional body	2 (PB8-CPA/CAANZ, PB21-IPA)	-	-	-	1 (PB10-AICD)	3
User	1 (U25-Equifax)	-	-	-	-	1
Preparer	1 (P6-HoTARAC)	-	-	-	2 (P7-QBE, P22-Suncorp)	3

Regulator	1 (R2-ACNC)	-	-	-	1 (R24-ATO)	2
Public sector audit office	1 (AO9-ACAG)	-	-	-	-	1
Other (Academic, Consultant, Personal, Software provider)	-	-	2 (O3-DS, O15- IFRSSYSTEM)	-	3 (O14-KR, O18- SWINBURNE, O19-DH)	5
Total	13	1	4	-	7	25

Issue 1. Disclosure of audit and non-audit fees

One respondent (PS23-DTT) who agreed with the mandatory inclusion of audit fee disclosures suggested this would be an opportune time to enhance the audit fee disclosures, including better definition of services (such as audit, audit related services, assurance services and non-audit services).

One respondent (O3-DS) who disagreed with the proposal said he has seen no evidence that disclosure of audit fees makes any difference to independence or accountability of auditors. He further questions whether disclosure of audit fee is material information. The respondent suggested adding practical guidance on how to apply materiality in deciding whether or not audit fee disclosures are required.

Roundtables and other outreach events:

Roundtable participants generally agreed with inclusion of audit fee disclosures.

UAC members agreed that the audit fee disclosures would be useful.

Webinar: 73% of webinar participants agreed Tier 2 entities should disclose audit and non-audit fees; 25% of participants disagreed.

Staff analysis and recommendation:

Considering the general support for this disclosure, staff recommend retaining the disclosure unchanged.

Refer to Question 19 to the Board.

The question of whether the disclosure should be improved to include further details is an issue that should be considered separately after the conclusion of the Senate Inquiry into Regulation of Auditing. Amendments to AASB 10XX should be aligned with amendments made to AASB 1054, to ensure consistent requirements for all entities that prepare GPFS.

3(d) not including certain Australian Accounting Standards and Interpretations in this Simplified Disclosure Standard as explained in BC63-BC65?

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	3 (PS16-RSM, PS17-KPMG, PS20-GT)	3 (PS11-EY, PS12-FRS ⁶² , PS23-DTT)	1 (PS5-NA)	-	3 (PS1-PwC, PS4-PP, PS13-HLB)	10
Professional body	-	1 (PB21-IPA)	1 (PB8-CPA/CAANZ)	-	1 (PB10-AICD)	3
User	-	-	-	-	1 (U25-Equifax)	1
Preparer	1 (P6-HoTARAC)	-	-	-	2 (P7-QBE, P22-Suncorp)	3
Regulator	-	-	-	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	1 (O3-DS)	-	-	-	4 (O14-KR, O15-IFRSSYSTEM, O18-SWINBURNE, O19-DH)	5
Total	5	4	3	-	13	25

Issue 2. The presentation of discontinued operations

Refer to Key issue 2a) in Table 6: above for consideration and analysis of this issue. Staff note that some respondents raised this issue not in the context of SMC 3(d) but in relation to other SMCs such as SMC 3(a) or SMC 5. However, staff have included the matter here, as the issue is discussed in paragraph BC63(a) in ED 295 which is referenced in SMC 3(d).

Issue 3. Missing disclosures not currently covered

⁶² FRS disagreed with the overall proposals. On this basis, FRS agreed with the decision made with respect to not including certain AASs and Interpretations in the proposed standard, should the proposals nonetheless proceed.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Refer to Key issue 7a)-c) in Table 6: above for consideration and analysis of this issue.						
Issue 4. Various missing disclosures or disclosures to be deleted – raised by one respondent only						
Refer to Appendix C: for further analysis.						

3(e) retaining the following disclosures from the IFRS for SMEs Standard that are not currently required under RDR framework or full AAS (see BC59 for explanations): ...

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
SMC 3(e)(i) Disclosures above and beyond RDR						
Professional Services	1 (PS23-DTT)	2 (PS11-EY, PS17-KPMG)	4 (PS4-PP, PS5-NA, PS16-RSM, PS20-GT)		3 (PS1-PwC, PS12-FRS, PS13-HLB)	10
Professional body	1 (PB21-IPA)		1 (PB10-AICD)		1 (PB8-CPA/CAANZ)	3
User					1 (U25-Equifax)	1
Preparer		1 (P6-HoTARAC)	1 (P7-QBE)		1 (P22-Suncorp)	3
Regulator					2 (R2-ACNC, R24-ATO)	2
Public sector audit office		1 (AO9-ACAG)				1
Other (Academic, Consultant, Personal, Software provider)			1 (O3-DS)		4 (O14-KR, O15-IFRSSYSTEM, O18-SWINBURN, O19-DH)	5
Total	2	4	7	-	12	25
Issue 1. Disclosure above and beyond RDR						
Refer to Key issue 4 in Table 6: above for consideration and analysis of this issue.						
SMC 3(e)(ii) Disclosures above and beyond Full IFRS						
Professional Services	1 (PS23-DTT)	2 (PS11-EY, PS17-KPMG)	5 (PS1-PwC, PS5-NA, PS12-RSM)	-	2 (PS4-PP, PS16-RSM)	10

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
		-	FRS, PS13-HLB, PS20-GT)		-	
Professional body	1 (PB21-IPA)	-	2 (PB8-CPA/CAANZ, PB10-AICD)	-	-	3
User	-	-	-	-	1 (U25-Equifax)	1
Preparer	-	1 (P6-HoTARAC)	1 (P7-QBE)	-	1 (P22-Suncorp)	3
Regulator	-	-	1 (R2-ACNC)	-	1 (R24-ATO)	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	1 (O3-DS)	-	1 (O18-SWINBURNE)	-	3 (O14-KR, O15-IFRSSYSTEM, O19-DH)	5
Total	3	3	11	-	8	25

Issue 2. Disclosure above and beyond Full IFRS

Refer to Key issue 3 in Table 6: above for consideration and analysis of this issue

SMC 4: Do you agree with providing Tier 2 entities with an option of not having to prepare a separate statement of changes in equity as per paragraph 3.18 of AASB 10XX? If you disagree, or are concerned that this option could have unintended consequences, please explain why.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	2 (PS13-HLB, PS23-DTT)	1 (PS17-KPMG)	5 (PS4-PP, PS11-EY, PS12-FRS, PS16-RSM, PS20-GT)	-	2 (PS1-PwC, PS5-NA)	10
Professional body	2 (PB8-CPA/CAANZ, PB21-IPA)	-	-	-	1 (PB10-AICD)	3

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
User	1 (U25- Equifax)	-	-	-		1
Preparer	1 (P6- HoTARAC)	-	1 (P22-Suncorp)	-	1 (P7-QBE)	3
Regulator	1 (R2-ACNC)	-	-	-	1 (R24-ATO)	2
Public sector audit office	-	1 (AO9-ACAG)	-	-		1
Other (Academic, Consultant, Personal, Software provider)	-	-	1 (O18- SWINBURNE)	-	4 (O3-DS, O14- KR, O15- IFRSSYSTEM, O19-DH)	5
Total	7	2	7	-	9	25
Issue 1. Retention of the option not to include a statement of changes in equity						
Refer to Key issue 2b) in Table 6 : above for consideration and analysis of this issue.						

SMC 5: Do you agree with the other disclosures for Tier 2 entities as set out in Sections 3 to 35 of the proposed new Simplified Disclosure Standard that have been identified by applying the proposed methodology and principles? If you disagree with the outcome, please identify, with reasons:

(a) which of the disclosures proposed should not be required for Tier 2 entities; and

(b) which disclosures not proposed in this ED should be required for Tier 2 entities.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	-	3 (PS17- KPMG, PS20- GT, PS23- DTT)	5 (PS4-PP, PS11-EY, PS12-FRS, PS13-HLB, PS16-RSM)	-	2 (PS1-PwC, PS5-NA)	10
Professional body	-	1 (PB8- CPA/CAANZ)	1 (PB21-IPA)	-	1 (PB10-AICD)	3
User	-	-	1 (U25- Equifax)	-	-	1

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Preparer	-	1 (P6- HoTARAC)	1 (P22- Suncorp)	-	1 (P7-QBE)	3
Regulator	-	-	2 (R2-ACNC, R24-ATO)	-	-	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	-	1 (O3-DS)	-	-	4 (O14-KR, O15- IFRSSYSTEM, O18- SWINBURNE, O19-DH)	5
Total	-	6	11	-	8	25

Issue 1. Maturity Analysis

Refer to Key issue 5 in Table 6: above for consideration and analysis of this issue.

Issue 2. Tax Reconciliation

Refer to Key issue 6 in Table 6: above for consideration and analysis of this issue.

Issue 3. Other missing disclosures raised by more than one respondent:

- **individually material items of income and expenses**
- **disclosures relating to the investment entities**
- **net operating cash flow reconciliation where cash flows are prepared using the direct method**
- **interest expense on lease liabilities**
- **imputation credits**

Refer to in Table 6: above for consideration and analysis of this issue.

Issue 4. Various missing disclosures or disclosures to be deleted – raised by one respondent only

Several respondents identified certain disclosures that are either missing or should be further reduced. Staff do not consider that further action are needed. Refer to Appendix C: for details.

Issue 5. Limited benefit for public sector Tier 2 entities

Refer to agenda paper **3.5** *Summary of NFP private and public sector specific issues raised in relation to ED 295 and staff recommendations – SMC 6, issue 3*.

SMC 9 Do you agree with using the proposed title of AASB 10XX Simplified Disclosures for Tier 2 Entities? If you disagree, please explain why.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	6 (PS11-EY, PS12-FRS, PS16-RSM, PS17-KPMG, PS20-GT, PS23-DTT)	-	-	-	4 (PS1-PwC, PS4-PP, PS5-NA, PS13-HLB)	10
Professional body	2 (PB8-CPA/CAANZ, PB21-IPA)	-	-	-	1 (PB10-AICD)	3
User	-	-	-	-	1 (U25-Equifax)	1
Preparer	1 (P6-HoTARAC)	-	-	-	2 (P7-QBE, P22-Suncorp)	3
Regulator	-	-	-	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office	1 (AO9-ACAG)	-	-	-	-	1
Other (Academic, Consultant, Personal, Software provider)	-	-	-	-	5 (O3-DS, O14-KR, O15-IFRSSYSTEM, O18-SWINBURNE, O19-DH)	5
Total	10	-	-	-	15	25

SMC 10 Do you agree with the approach taken in this ED to include all the disclosure requirements for Tier 2 entities in one stand-alone standard (as explained in BC41)? If you disagree, please explain why.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	5 (PS13-HLB, PS16-RSM, PS17-KPMG,	1 (PS11-EY)	2 (PS4-PP, PS12-FRS)	-	2 (PS1-PwC, PS5-NA)	10

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
	PS20-GT, PS23-DTT)					
Professional body	2 (PB8-CPA/CAANZ, PB21-IPA)	-	-	-	1 (PB10-AICD)	3
User	-	-	-	-	1 (U25-Equifax)	1
Preparer	2 (P6-HoTARAC, P22-Suncorp)	-	-	-	1 (P7-QBE)	3
Regulator	1 (R2-ACNC)	-	-	-	1 (R24-ATO)	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	1 (O18-SWINBURNE)	-	1 (O15-IFRSSYSTEM)	-	3 (O3-DS, O14-KR, O19-DH)	5
Total	11	1	4		9	25

Issue 1. Numbering

Refer to Key issue 8 in Table 6: above for consideration and analysis of this issue.

Issue 2. Preference for RDR approach

Refer to SMC 2: Issue 1 in Appendix B: for detailed discussion.

Additionally, one respondent (PS4-PP) suggested a standalone guide (ie not a standard) that contains the disclosure requirements for the standards that are not 'disclosure only' standards.

Issue 3. Missing guidance

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Refer to <u>Key issue 1</u> in Table 6: above for consideration and analysis of this issue.						

SMC 11 Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 July 2020 with early application permitted (as explained in BC78-BC80)?

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	3 (PS13-HLB, PS16-RSM, PS17-KPMG)	2 (PS11-EY, PS12-FRS)	3 (PS4-PP, PS20-GT, PS23-DTT)	-	2 (PS1-PwC, PS5-NA)	10
Professional body	1 (PB21-IPA)	-	1 (PB8-CPA/CAANZ)	-	1 (PB10-AICD)	3
User	-	-	-	-	1 (U25-Equifax)	1
Preparer	1 (P6-HoTARAC)	-	1 (P7-QBE)	-	1 (P22-Suncorp)	3
Regulator	-	-	-	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	-	-	3 (O14-KR, O15-IFRSSYSTEM, O18-SWINBURNE)	-	2 (O3-DS, O19-DH)	5
Total	5	2	9	-	9	25
Refer to <u>Key issue 8</u> in Table 5: for consideration and analysis of the issue.						

SMC 12 Do you agree with the transitional requirements proposed in this ED (as explained in BC72-BC77)? If you disagree, please explain why.

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
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Professional Services	2 (PS16-RSM, PS12-FRS)	3 (PS11-EY, PS17-KPMG, PS23-DTT)	1 (PS20-GT)		4 (PS1-PwC, PS4-PP, PS5-NA, PS13-HLB)	10
Professional body	1 (PB21-IPA)		1 (PB8-CPA/CAANZ)		1 (PB10-AICD)	3
User					1 (U25-Equifax)	1
Preparer	1 (P6-HoTARAC)				2 (P7-QBE, P22-Suncorp)	3
Regulator					2 (R2-ACNC, R24-ATO)	2
Public sector audit office		1 (AO9-ACAG)				1
Other (Academic, Consultant, Personal, Software provider)					5 (O3-DS, O14-KR, O15-IFRSSYSTEM, O18-SWINBURNE, O19-DH)	5
Total	4	4	2	-	15	25
Refer to Key issue 8 in Table 5 : for consideration and analysis of the issue.						

GMC 13 fit Standard-Setting Framework and Not-for-Profit Standard-Setting Framework have been applied appropriately in developing the proposals in this ED?

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
Professional Services	1 (PS17-KPMG)	2 (PS11-EY, PS23-DTT)	1 (PS12-FRS)	-	6 (PS1-PwC, PS4-PP, PS5-NA, PS13-HLB, PS16-RSM, PS20-GT)	10
Professional body	-	-	2 (PB8-	-	1 (PB10-AICD)	3

Respondents	Agree	Agree with Comments	Disagree	Unclear	No comments	Total
			CPA/CAANZ, PB21-IPA)			
User	-	-	-	-	1 User (U25-Equifax)	1
Preparer	1 (P7-QBE)	-	-	-	2 (P6-HoTARAC, P22-Suncorp)	3
Regulator	--	-	-	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office	-	-	1 (AO9-ACAG)	-	-	1
Other (Academic, Consultant, Personal, Software provider)	-	-	1 (O14-KR)	-	4 (O3-DS, O15-IFRSSYSTEM, O18-SWINBURN, O19-DH)	5
Total	2	2	5	-	16	25
Refer to <u>GMC 9</u> in Appendix A: for detailed discussion.						

GMC 14. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, including Government Financial Statistics (GFS) implications?

Respondents	Yes	No	No comments	Total
Professional Services	2 (PS11-EY, PS16-RSM)	3 (PS12-FRS, PS17-KPMG, PS23-DTT)	5 PS1-PwC, PS4-PP, PS5-NA, PS13-HLB, PS20-GT)	10
Professional body	1 (PB8-CPA/CAANZ)	1 (PB21-IPA)	1 (PB10-AICD)	3
User			1 (U25-Equifax)	1

Respondents	Yes	No	No comments	Total
Preparer	2 (P6-HoTARAC, P22-Suncorp)		1 (P7-QBE)	3
Regulator			2 (R2-ACNC, R24- ATO)	2
Public sector audit office	1 (AO9-ACAG)			1
Other (<i>Academic, Consultant, Personal, Software provider</i>)			5 (O3-DS, O14-KR, O15-IFRSSYSTEM, O18- SWINBURNE, O19-DH)	5
Total	6	4	15	25

Issue 1. Limited benefit for public sector Tier 2 entities

Refer to agenda paper 3.5 *Staff Paper: Summary of NFP private and public sector specific issues raised in relation to ED 295 and staff recommendations* – ED 295 NFP SMC 6 Issue 1 for consideration and staff analysis on these issues.

Issue 2. Impact on the Trans-Tasman harmonisation and ACNC Legislative review

Refer to SMC 2: Issue 5 in Appendix B; and agenda paper 3.5 *Staff Paper: Summary of NFP private and public sector specific issues raised in relation to ED 295 and staff recommendations* – Key issue 1 for consideration and staff analysis on these issues.

Issue 3. Potential impact of IASB projects

Refer to SMC 2: Issue 3 in Appendix B; for consideration and staff analysis on this issue.

Issue 4. Application of the ED 297 proposals to Australian Financial Services licence holders

Refer to Key issue 7 in Table 5; for consideration and staff analysis on this issue.

Issue 5. Application of the principle in determining disclosures

Refer to agenda paper 3.5 *Staff Paper: Summary of NFP private and public sector specific issues raised in relation to ED 295 and staff recommendations*. – SMC 7(a) Issue 2

Issue 6. No consistency, comparability and transparency while grandfathered proprietary companies are exempt from lodgement

Refer to Key issue 4 in Table 5; for staff analysis and recommendation.

GMC 15. Whether, overall, the proposals would result in financial statements that would be useful to users?

Respondents	Yes	No*	No comments	Total
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Professional Services	5 (PS1-PwC, PS11-EY, PS17-KPMG, PS20-GT, PS23-DTT)	2 (PS4-PP, PS12-FRS)	3 (PS5-NA, PS13-HLB, PS16-RSM)	10
Professional body	1 (PB8-CPA/CAANZ)	1 (PB21-IPA)	1 (PB10-AICD)	3
User	-	-	1 (U25-Equifax)	1
Preparer	2 (P6-HoTARAC, P7-QBE)	-	1 (P22-Suncorp)	3
Regulator	-	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office	-	1 (AO9-ACAG)	-	1
Other (<i>Academic, Consultant, Personal, Software provider</i>)	1 (O3-DS)	1 (O15-IFRSSYSTEM)	3 (O14-KR, O18-SWINBURNE, O19-DH)	5
Total	9	5	11	25
<i>* Comments made subject to addressing other issues raised in the submission</i>				

GMC 16. Whether the proposals are in the best interests of the Australian economy?

Respondents	Yes	No*	No comments	Total
Professional Services	2 (PS11-EY, PS23-DTT)	2 (PS4-PP, PS12-FRS)	6 (PS1-PwC, PS5-NA, PS13-HLB, PS16-RSM, PS17-KPMG, PS20-GT)	10
Professional body	1 (PB8-CPA/CAANZ)	1 (PB21-IPA)	1 (PB21-AICD)	3
User			1 (U25-Equifax)	1
Preparer	1 (P7-QBE)	1 (P22-Suncorp)	1 (P6-HoTARAC)	3

Regulator			2 (R2-ACNC, R24-ATO)	2
Public sector audit office		1 (AO9-ACAG)		1
Other (<i>Academic, Consultant, Personal, Software provider</i>)	1 Other (O3-DS)	3 Others (O14-KR, O15-IFRSSYSTEM, O19-DH)	1 (O18-SWINBURNE)	5
Total	5	8	12	25
<i>* Comments made subject to addressing other issues raised in the submission</i>				

GMC 17. Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

Respondents	Provide information	No comment	Total
Professional Services	4 (PS1-PwC, PS4-PP, PS12-FRS, PS23-DTT)	6 (PS5-NA, PS11-EY, PS13, HLB, PS16-RSM, PS17-KMPG, PS20-GT)	10
Professional body	-	3 (PB8-CPA/CAANZ, PB10-AICD, PB21-IPA)	3
User	-	1 (U25-Equifax)	1
Preparer	3 (P7-QBE, P6-HoTARAC, P22-Suncorp)	-	3
Regulator	-	2 (R2-ACNC, R24-ATO)	2
Public sector audit office	1 (AO9-ACAG)	-	1
Other (<i>Academic, Consultant, Personal, Software provider</i>)	3 (O3-DS, O14-KR, O15-IFRSSYSTEMystem)	2 (O18-SWINBURNE, O19-DH)	5
Total	11	14	25

Issue 1. Cost vs Benefit

Do not expect significant increase in costs

Two respondents (O3-DS and P7-QBE) did not expect significant increase in costs as result of transitioning into SDS. One respondent (PS1-PwC) believed the proposed SDS appears to be a better way to appropriately balance user needs and costs of disclosure. One respondent (PS11-EY) believed the proposal will help reduce the cost burden for entities.

Expect increase in costs / costs outweigh benefits

One respondent (PS4-PP) stated that while the proposed SDS may be easier for preparers that previously prepared SPFS, it would cause unnecessary cost for those entities that already prepared GPFR for no additional benefit.

One respondent (AO9-ACAG) was of the view that the proposal would not provide any significant improvement over the existing arrangements but would increase the burden on preparers by introducing an additional level of regulatory complexity.

One respondent (PS12-FRS) was concerned that the costs of implementing may outweigh the benefits. The respondent estimated a once-off increase in transition compliance costs of 15-30%.

One respondent (O14-KR) believed the proposed SDS would add unnecessary compliance costs and is contrary to the government's mandate to reduce unnecessary business compliance costs.

One respondent (P22-Suncorp) estimated an increase in ongoing preparation and auditing costs between 5% (for entities currently preparing GPFS Tier 2 RDR) and 20% (small proprietary companies holding AFSL).

One respondent (PS23-DTT) identified that the most significant costs may arise from the proposals for gathering information to compile the additional information required in GPFS, training and other compliance services, accounts preparation including consolidation and equity accounting that is not previously required.

Staff response and recommendation:

No action required at this stage. This information will be considered with information received from other stakeholders when undertaking the RIS like process.

Refer to [Question 19](#) to the Board.

APPENDIX C: COMMENTS NOT NEEDING AN ACTION – ED 295

The following table summarises the issues that have been raised in submissions, but staff have decided to take no further action.

Submission	Issues	Justification for not taking further action
PB8-CPA/CAANZ	Disclosures in paragraph 53 of AASB 16 (eg depreciation of right-of-use assets or the interest expense on lease liabilities) are considered important by users but appear to be missing from the proposed SDS.	<p>Disclosure of depreciation expense on lease asset will be required via the reference to the PPE disclosures. Note that this would be the case even if the Board agreed with staff recommendation in Key issue 3 in Table 6: (see marked up revised paragraph 20.14 in AASB 10XX).</p> <p>The disclosure of interest expense is discussed in Key issue 7e) in Table 6:KI7EED295</p>
AO9-ACAG	<p>ACAG suggests the following disclosures should be added to the current proposals:</p> <ul style="list-style-type: none"> • AASB 107 paragraph 50 (voluntary disclosures) • AASB 12 paragraphs 2(a),7,10,19B,21&24 (significant judgements and assumptions) • average interest rates and whether they are fixed or floating to be mandated for financial assets and financial liabilities and replace the non-specific requirements of paragraph 11.42 of SDS • AASB 7 paragraphs 12B/D (reclassification – financial asset) • AASB 101 paragraphs 82(ca)(cb) (P&L line items relating to 	<p>Disclosures under AASB 107 paragraph 50 are optional under full AAS/IFRS. The proposed SDS, therefore, should not impose more restrictive requirements for Tier 2 entities.</p> <p>In relation to the proposed addition of AASB 12 paragraphs 2(a),7,10,19B,21&24, staff are of the view that the general requirement to disclose significant judgements in paragraph 8.6 should be adequate.</p> <p>As for the remaining suggested disclosures, staff note that the proposed disclosures in ED 295 are based on the IFRS for SMEs disclosures, which are considered to be adequate for entities without public accountability, where users are mostly lenders and trade creditors rather than equity investors.</p> <p>While staff appreciate that users in the public sector have different needs, we would need evidence that relevant users have expressed a need for any of the particular disclosures.</p> <p>Staff have asked the respondent for such evidence but have not received any response.</p> <p>In line with the AASB’s evidence-based approach to standard setting, staff therefore do not recommend adding any of the disclosures listed on the left.</p>

Submission	Issues	Justification for not taking further action
	<p>reclassified financial asset)</p> <ul style="list-style-type: none"> • AASB 7 paragraph 16A (loss allowance for FVOCI) • AASB 7 paragraph 17 (compound financial instruments with multiple embedded derivatives) – considered to be necessary for assessing liquidity/solvency and complexity • AASB 16 paragraphs 59-60, 53(e) (variable lease payments); • AASB 15 paragraph 113(b) (impairment losses) • Transition disclosures from AASB 15/16 should be added 	
AO9-ACAG	AASB 16 paragraph 57 (revalued RoU asset) – not the same requirements under paragraph 20.14	<p>Paragraph 57 in AASB 16 refers specifically to paragraph 77 of AASB 116 whereas paragraph 20.14 in ED 295 refers generally to the disclosures in section 17. However, the disclosures for revalued assets in section 17 are the same as are currently required for RDR entities in AASB 116. While paragraph 17.33 also requires disclosure of the methods and significant assumptions applied in estimating the fair value, which is not required under AASB 116, this disclosure is required for RDR entities under AASB 13.</p> <p>Staff therefore concluded that the disclosure requirements are the same and no action is required.</p>
AO9-ACAG	Paragraphs 3.17(b) and 5.7, and 3.18 and 6.4 are repetitive.	While staff acknowledges that there is some repetition in these paragraphs, we do not consider that this would warrant any differences to the IFRS for SMEs disclosures. Instead, we have passed this comment on to the IASB staff for consideration in a

Submission	Issues	Justification for not taking further action
		future update and/or Subsidiaries that are SMEs project.
AO9-ACAG	Does not agree with paragraph 5.3 which specifically requires that changes from a single-statement approach to the two-statement approach for the statement of profit or loss and other comprehensive income shall be treated as a change in accounting policy.	While staff can see a point, we do not believe that removing this paragraph would result in any substantive changes, as comparatives would still need to be aligned to the new presentation. Instead, we have passed this comment on to the IASB staff for consideration.
AO9-ACAG	Questions why paragraph 33.8 includes examples of related party transactions when there is also a more specific list in paragraph 33.12.	Similar to the two previous points, staff have passed this comment on to the IASB staff for consideration.
PS11-EY	Questioned why paragraph 17.33(d) of the IFRS for SMEs Standard was deleted (for revalued items of PPE, disclose the carrying amount that would have been recognised had the asset not been revalued).	<p>Staff note that the deletion was a deliberate decision made by the Board and the reasons are explained in BC61.</p> <p>In line with the AASB's evidence-based approach to standard setting, we would need evidence that relevant users have confirmed that they do need this information in order to recommend to the Board adding it back to the final standard.</p>
PS11-EY	Suggested deletion of paragraphs Aus24.6(d) and AusNFP25.3.2 on the basis that disclosure of accounting policies is already required under paragraph 8.5 These paragraphs are therefore not required and, to keep differences to IFRS for SMEs at the absolute minimum, should be removed.	<p>Staff note that the relevant paragraphs have been added as a result of R&M differences. In both cases, the equivalent Australian Accounting Standard provides optional treatments that are not available under IFRS for SMEs. On that basis, staff recommend retaining the relevant paragraphs.</p> <p>Staff note that this is consistent with the approach in the IFRS for SMEs standard for example in relation to the accounting policy choice for actuarial gains and losses. Paragraph 28.41(b) in the IFRS for SMEs standard specifically requires disclosure of the accounting policy chosen for actuarial gains and losses. This paragraph has been removed from the SDS as there is no such choice under full IFRS.</p>

Submission	Issues	Justification for not taking further action
PS12-FRS	<p>A number of disclosures have been identified as not required, including</p> <ul style="list-style-type: none"> • paragraph 4.12(a)(i),(iii) (number of shares authorised and par value – as not relevant for Australian entities), • paragraph 7.18 (non-cash transaction), • paragraph Aus11.41(g) (separately disclose financial asset measured at fair value through OCI and those designated as such), • paragraph 21.14 (reconciliation for each class of provision) and • paragraph 23.30 (information about performance obligations) 	<p>The proposed disclosures are based on the IFRS for SMEs disclosures, which are considered to be adequate for entities without public accountability, where users are mostly lenders and trade creditors rather than equity investors.</p> <p>In line with the AASB’s evidence-based approach to standard setting, we would need evidence that relevant users have confirmed that the listed disclosures are not required in order to recommend to the Board removing any disclosures from the final standard. Staff have asked the respondent for such evidence but have not received any response.</p> <p>While staff acknowledges that disclosure authorised shares and par value of shares is not relevant for Australian entities, the disclosure should be retained consistent with the overall approach of keeping differences to IFRS for SMEs to a minimum. As it is not applicable, it will not result in additional cost incurred by entities.</p>
O15-IFRS System	<p>The stakeholder suggests removing the following disclosures from the current RDR:</p> <ul style="list-style-type: none"> • the disaggregation of revenue, • breakdown of deferred tax assets/liabilities, • fair value measurement disclosures, • aggregate compensation of KMP, 	<p>Staff note that the proposed disclosures are based on the IFRS for SMEs disclosures as these disclosures are considered by the IASB to be appropriate for entities without public accountability, where users are mostly lenders and trade creditors rather than equity investors.</p> <p>In line with the AASB’s evidence-based approach to standard-setting, we would need evidence that relevant users have identified the listed disclosures as not being necessary for their purposes in order to recommend to the Board removing any further disclosures from the final standard.</p> <p>Staff have asked for such evidence as follow up on the submission, but the respondent noted that they are unlikely to be able to provide further information prior to the Board meeting due to commitments during the reporting season. The</p>

Submission	Issues	Justification for not taking further action
	<ul style="list-style-type: none"> • share-based payment disclosures, • RoU asset depreciation and lease expenses <p>Staff note the same disclosures would be required under the proposed SDS.</p>	<p>respondent further commented that the proposals are being unnecessarily rushed through.</p>
PS17-KPMG	<p>A number of disclosures have been identified as should be added to the current proposals:</p> <ul style="list-style-type: none"> • AASB 101 paragraphs 61/65 (re amounts recovered/settled within/after 12 months and expected dates of realisation) • AASB 7 paragraph 19 (other breaches of loan agreements) • disclosure of commitments relating to equity accounted investments • disclosures in AASB 15 paragraphs 117 (impact of timing of satisfaction of performance obligations and payment on contract assets and liabilities), paragraph 123 (disclosure of significant judgement) and 129 (practical expedients used) and • for performance obligations satisfied at a point in time: 	<p>Staff note that we have based the proposed disclosures on the IFRS for SMEs disclosures as these disclosures are considered by the IASB to be adequate for entities without public accountability, where users are mostly lenders and trade creditors rather than equity investors. In line with the AASB's evidence-based approach to standard-setting, we would need evidence that relevant users have expressed a need for the specific additional disclosures in order to recommend to the Board adding any such disclosures in the final standard.</p> <p>Staff have asked the respondent for such evidence but have not received any response.</p> <p>In relation to performance obligations that are satisfied at a point in time, staff note that AASB 15 only requires disclosure of significant judgements made and that such judgements would be covered by the general requirement to disclose significant judgements made (paragraph 8.6). The same applies to the disclosures required by AASB 15 paragraph 123. Staff will note this as an issue to be highlighted in any training or webinars.</p>

Submission	Issues	Justification for not taking further action
	<p>information about methods used to determine timing and significant judgements made.</p>	
PS17-KPMG	<p>AASB 112 paragraph 88 (tax related contingencies) should be included</p>	<p>AASB 112 paragraph 88 only refers to contingent liabilities in AASB 137 and is not a specific disclosure requirement. As a result, there is no need to add it to the SDS.</p>
PB21-IPA	<p>Recommended to add disclosures about:</p> <ul style="list-style-type: none"> • AASB 120 para 39 & Interpretation 129 Service Concession arrangements • credit quality and impairment of financial information, • structured entities and • related parties/KMP information <p>Also identified the following disclosures that should be deleted:</p> <ul style="list-style-type: none"> • a number of reconciliations (eg for PPE and intangible assets, provisions), and • a number of defined benefit disclosures. 	<p>In relation to the missing disclosures of AASB 120 paragraph 39, staff note that these are covered in paragraph 24.6 of ED 295.</p> <p>Accounting for service concessions arrangements is discussed in section 34 of the IFRS for SMEs standard, but without any specific disclosures.</p> <p>In line with the AASB's evidence-based approach to standard-setting, we would need evidence that relevant users have either expressed a need for the suggested additional disclosures, or identified the relevant disclosures as not being necessary for their purposes in order to recommend to the Board adding or removing any disclosures from the final standard.</p> <p>Staff have asked the respondent for such evidence but have not received any response.</p>
PS23-Deloitte	<p>Recommended adding disclosures about</p> <ul style="list-style-type: none"> • AASB 1054 imputation credits, • AASB 6 paragraphs 24 and Aus 24.1 (exploration and evaluation assets/expenditure), 	<p>Staff have asked the respondent whether they have any evidence that relevant users have expressed a need for any of these disclosures. The respondent provided the following additional comments:</p> <ul style="list-style-type: none"> • Imputation credits: <u>see Key issue 7 h) in Table 6:</u> • Exploration and evaluation (E&E) disclosures: paragraph Aus24.1 (statement about recoverability of E&E assets) was added by the AASB as a result of R&M differences. The disclosures in both paras 24 and Aus24.1 are currently required for RDR entities and the

Submission	Issues	Justification for not taking further action
	<ul style="list-style-type: none"> • investment entities, and • tax consolidated groups. 	<p>respondent considers that this is warranted given importance of mining, oil and gas to the Australian economy. The respondent further notes that the initial ED for the IFRS for SMEs Standard required expensing of all E&E expenditure, but this was removed without any obvious discussion about disclosures.</p> <ul style="list-style-type: none"> • Investment entities - <u>see Key issue 7e) in Table 6:</u> • Tax consolidated groups: given this is an Australian concept, it would be difficult for a user of the financial statements to fully understand the financial statements without understanding how tax has been accounted for. Staff note that no disclosures are currently required under the RDR and we have not heard from anyone else that this has been a concern in the past. <p>Staff do not consider that the above additional comments provide strong evidence that users will need this information. On that basis, staff do not recommend adding any of the suggested disclosures.</p>
PS23-Deloitte	<p>One respondent (PS23-DTT) have suggested that this text should be replaced with the text from AASB 110(22)(f) which reads “major ordinary share transactions and potential ordinary share transactions after the reporting period”, to avoid questions of why there are differences to the Tier 1 requirements.</p>	<p>Staff consider that these are examples only, that do not affect the overall disclosure requirement. Based on the principle of keeping differences to the IFRS for SMEs standard to a minimum, staff do not believe that a change is required.</p>
<p>Conference call held with representatives from Australian Institute of Credit Management (ACIM) on 16 January 2020</p>	<p>AICM representatives have noted that for the purpose of assessing the financial health of an entity, it is also important to get information about the timing of the expected settlement of employee benefit obligations, such</p>	<p>Staff note that full IFRS currently only requires disclosure of the amount settled within/after 12 months (AASB 101 para 61), but that this disclosure is not required under IFRS for SMEs and also not under the current RDR. While this was also noted as missing disclosure by KPMG (see above), staff is not recommending adding any disclosure at this stage but will note this issue for consideration and future follow-up by the IASB.</p>

Submission	Issues	Justification for not taking further action
	<p>as annual leave and long service leave. This is becoming more prevalent particularly for smaller businesses where employee costs make up a large proportion of their total expenses. AICM representatives consider that there may be benefit in requiring a maturity table also for employee benefits.</p>	

APPENDIX D: DUE PROCESS SUMMARY – ED 297 AND ED 295

20 This Appendix sets out an assessment of whether the AASB Due Process Framework for Setting Standards (Due Process Framework) has been appropriately met. As required by paragraph 7.5.4 of the Due Process Framework, the appendix sets out:

- (a) A summary of the steps taken by the AASB in developing the pronouncements – see Table F1: Mandatory Due Process Steps
- (b) Setting out how the ‘comply or explain’ due process elements have been addressed – see Table F2: Comply or Explain Due Process Steps
- (c) Assessing whether the proposals can be finalised or whether they should be re-exposed either fully through new consultation process or partially through a fatal flaw draft – See Table F4: Due Process Matters for Board Decision at this Meeting; and
- (d) Recommending whether the pronouncements should be issued under section 334 of the Corporations Act.

21 Staff have also included an additional table setting out cross references between the standard-setting process/RIS questions and the Bases for Conclusions, to illustrate to the Board how the RIS-like process has been met – see Table F3: Cross Reference between the Standard-Setting Process/RIS Questions and the Bases for Conclusions.

Staff recommendation

22 In summary, staff:

- (a) consider that all of the requirements of the Due Process Framework have been satisfied by the Board in developing these pronouncements;
- (b) does not recommend the Board to re-expose the proposals; and
- (c) as such, recommends that the Board issue AASB 2020-X and AASB 10XX under section 334 of the Corporations Act.

23 **See Question 23 to the Board in respect of the above staff recommendations.**

TableF1. Mandatory Due Process Steps

Mandatory due process steps		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
<p>Identify:</p> <ul style="list-style-type: none"> Accounting or external reporting issue Scope of the issue Rationale for needing a standard-setting solution <p>(DP.6.5(a))</p>	<p>✓ Due Process met and documented in BC</p> <ul style="list-style-type: none"> SPFS as long-standing issue SPFS issue Research Reports to define extent of issue Regulatory views and enquiries Evidence from stakeholders, including financial report users IASB/AASB reporting entity clash (See 2020-X. BC10-BC48) 	<p>✓ Due process met and documented in BC</p> <ul style="list-style-type: none"> To provide a simpler and more appropriate Tier 2 for entities affected by removal of SPFS for certain for-profit entities RDR did not deliver outcome expected and changes proposed by ED 277 were not enough ITC 39 proposals not supported Balances user needs with costs of preparers Maximum use of IFRS based materials (10XX.BC2-BC10)
<p>Debating proposals in one or more public meetings</p> <p>(DP.6.5(b))</p>	<p>✓ Discussed in 8 public meetings from 5 Sep 2018 – 22 Nov 2019 – See AASB Action Alert Update and Board Papers available to public in Project Summary</p>	<p>✓ Discussed in 7 public meetings from 15 Sep 2016 – 22 Nov 2019 - See AASB Action Alert Update and Board Papers available to public in Project Summary</p>
<p>Using an evidence-informed approach to standard-setting to ensure regulatory action is warranted, including completing before finalisation a Regulation Impact Statement or similar assessments in the BC</p> <p>(DP.6.5(c))</p>	<p>✓ Evidence used includes:</p> <ul style="list-style-type: none"> AASB RR1 <i>Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements</i> AASB RR7 <i>Financial Reporting Requirements Applicable to For-Profit Private Sector Companies</i> AASB RR10 <i>Legislative and Regulatory Financial Reporting Requirements</i> AASB RR12 <i>Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements</i> AASB RR13 <i>Parent, Subsidiary and Group Financial Reporting</i> Submissions from respondents on ITC 39 and ED 297 (noted further below) User and Preparer Survey 	

Mandatory due process steps		
	Finalisation of RIS-like process in progress and expected to be completed by Board meeting subject to discussion with Office of Best Practice Regulation – RIS-like steps met shown in this report	
Exposing for public comment a draft of any proposals (DP.6.5(d))	<ul style="list-style-type: none"> • ED 297 open for comment from 15 Aug 2019 to 30 Nov 2019 (107 days). ✓ Due Process met: 17 days above minimum due process requirement of 90-days • ED 295 open for comment from 1 Aug 2019 to 30 Nov 2019 (122 days) ✓ Due Process met: 32 days above minimum due process requirement of 90-days • ITC 39 open for comment from 14 May 2018 to 9 Nov 2018 (179 days) ✓ Due process met: 59 days above minimum due process requirement of 120 days). 	
Making public submissions received, summaries of outreach events and other targeted consultations (DP.6.5(e))	<ul style="list-style-type: none"> ✓ submissions available on AASB website for ED 297 ✓ Outreach summaries available on website related to ED 297: <ul style="list-style-type: none"> • Webinar – slide pack & recording [November 2019] • Roundtables – slide pack & summary [November 2019] ✓ Outreach summaries available on website related to ITC 39: <ul style="list-style-type: none"> • Webinar – slide pack & recording [June 2018] • Roundtables – slide pack & summary [September 2018] ✓ submissions available on AASB website for ITC 39. 	<ul style="list-style-type: none"> ✓ submissions available on AASB website for ED 295 ✓ Outreach summaries available on website related to ED 295: <ul style="list-style-type: none"> • Webinar – slide pack & recording [November 2019] • Roundtables – slide pack & summary [November 2019] ✓ Outreach summaries available on website related to ITC 39: <ul style="list-style-type: none"> • Webinar – slide pack & recording [June 2018] • Roundtables – slide pack & summary [September 2018] ✓ Public submissions available on AASB website for ITC 39.

Mandatory due process steps		
<p>Considering feedback received from comment letters/other outreach events. Addressing in the Basis for Conclusions of any final pronouncement how the feedback has been addressed (DP.6.5(f))</p>	<p>✓ ED 297</p> <p>SMC 6: 19 formal submissions SMC 7: Feedback from 73 stakeholders at outreach events SMC 8: 147 attendees to webinar</p> <p>Summary of feedback and staff recommendations presented at this meeting.</p> <p>✓ ITC 39:</p> <p>SMC 9: 33 formal submissions SMC 10: responses from 37 users and 49 preparers to user and preparer surveys SMC 11: feedback from 106 stakeholders at outreach activities SMC 12: 200+ individual meetings</p> <p>✓ Summary of feedback and Board decisions to proceed discussed in public – March 2019</p> <p>✓ Basis for conclusions addresses how the Board addressed comment from ITC 39 and updated in pre-ballot draft for responses to ED 297</p>	<p>✓ ED 295</p> <p>SMC 13: 25 formal submissions SMC 14: Feedback from 73 stakeholders at outreach events SMC 15: attendees to webinar</p> <p>Summary of feedback and staff recommendations presented at this meeting</p> <p>✓ ITC 39:</p> <p>SMC 16: 33 formal submissions SMC 17: responses from 37 users and 49 preparers to user and preparer surveys SMC 18: feedback from 106 stakeholders at outreach activities SMC 19: 200+ individual meetings</p> <p>✓ Summary of feedback and Board decisions to proceed discussed in public – March 2019</p> <p>✓ Basis for conclusions addresses how the Board addressed comment from ITC 39 and updated in pre-ballot draft for responses to ED 295</p>
<p>Considering whether the proposals should be exposed again (DP.6.5(g))</p>	<p>See TableF4 for Staff recommendation</p>	<p>See TableF4 for Staff recommendation</p>

Mandatory due process steps		
Reporting to the Financial Reporting Council on the due process followed. (DP.6.5(h))	To follow	To follow

TableF2. Comply or Explain Due Process Steps

Comply or explain due process steps		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
Publishing a discussion document before an Exposure Draft is developed, with a minimum comment period of: <ul style="list-style-type: none"> • Discussion Paper • Consultation paper • Invitation to Comment • Research Paper • Agenda Consultation 	✓ Consultation Paper /Invitation to Comment – ITC 39 (May 2018) Due process met – open for comment for 6 months – due process states 120 days (4 months).	✓ Consultation Paper /Invitation to Comment – ITC 39 (May 2018) Due process met – open for comment for 6 months – due process states 120 days (4 months).
Establish: <ul style="list-style-type: none"> • A project advisory panel, implementation or transition resource group or other type of specialist advisory group, ensuring broad representation 	✓ Conceptual Framework Project Advisory Panel established – 2 Board members on Panel (Chair and 1 other member) ✓ Roundtables and webinar held in October 2019, September 2018, May 2018 (see above)	✓ Conceptual Framework Project Advisory Panel established – Board members on Panel (Chair and 1 other member) ✓ Roundtables and webinar held in October 2019, September 2018, May 2018 (see above)

Comply or explain due process steps		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
<p>of relevant stakeholders, with at least one Board member;</p> <ul style="list-style-type: none"> • Roundtables and education to solicit feedback; and • Undertaking fieldwork (DP.6.6(c-d)) 	<p>✓ Fieldwork not undertaken, such as asking entities to test the application of transitional relief – amendment to 2020-X BC required to explain urgency did not allow time for fieldwork. However, were able to understand the potential effect given the recent transition to GPFS by SGEs and the key areas of change identified in Research Report 12.</p>	<p>✓ Fieldwork not conducted at request of AASB, however proposals were applied voluntarily by some accounting firms – amendment to BC required to explain urgency did not allow time for fieldwork.</p>

TableF3. Cross Reference between the Standard-Setting Process/RIS Questions and the Bases for Conclusions

The Standard-Setting Process/RIS questions – Cross-referenced to explanation in BC		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
<p>Identify, research and define the issue (RIS questions 1 and 2) (DP.7.2.1-7.2.7)</p>	<ul style="list-style-type: none"> • SPFS as long-standing issue • SPFS issue • Research Reports to define extent of issue • Regulatory views and enquiries • Evidence from stakeholders, including financial report users • IASB/AASB reporting entity clash (2020-X.BC10-BC48) 	<ul style="list-style-type: none"> • To provide a simpler and more appropriate Tier 2 for entities affected by removal of SPFS for certain for-profit entities • RDR did not deliver outcome expected and changes proposed by ED 277 were not enough • ITC 39 proposals not supported • Balances user needs with costs of preparers • Maximum use of IFRS based materials (10XX.BC2-BC10)
<p>Consider options available (RIS question 3) (DP.7.3.1-7.3.6)</p>	<ul style="list-style-type: none"> • Two phase approach – (1) remove reporting entity concept for publicly accountable entities; (2) remove for all others (2020-X.BC51-2020-X.BC55) 	<ul style="list-style-type: none"> • retain the current Tier 2 disclosure requirements (RDR framework); • adopt the alternative proposed in ITC 39 (SDR framework – see BC13);

The Standard-Setting Process/RIS questions – Cross-referenced to explanation in BC		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
	<ul style="list-style-type: none"> Operate with two CFs Remove reporting entity concept immediately for all Retain existing CF and framework for all Rename the reporting entity concept (2020-X.BC56) 	<ul style="list-style-type: none"> revisit the proposals in ED 277; or develop a new disclosure standard based on the IFRS for SMEs Standard. (10XX.BC11-BC27) IFRS for SMEs (2020-X.BC103-BC109)
Issue consultative document (RIS question 4, 5 and 6) (DP.7.3.1-7.3.6)	<ul style="list-style-type: none"> ITC 39 and related outreach (May 2018) (2020-X.BC57-2020-X.BC60) ED 297 and related outreach (August 2019) (2020-X.BC61-2020-X.BC64) 	<ul style="list-style-type: none"> ITC 39 (May 2018) ED 295 (August 2019)
Consider feedback (RIS questions 6 and 7) (DP.7.5.1-7.5.5)	ITC 39: Feedback considered in March 2019 ED 297: Feedback to be considered at this meeting (March 2020) All deliberations public – see Project Summary	ITC 39: Feedback considered in March 2019 ED 295: Feedback to be considered at this meeting (March 2020) All deliberations public – see Project Summary
Completion of deliberations (DP.7.6.1-7.6.7)	Pre-Ballot draft provided to the Board at this meeting	Pre-Ballot draft provided to the Board at this meeting
Completing the Basis for Conclusions and the Regulation Impact	Basis for conclusions presented in pre-ballot draft	Basis for conclusions presented in pre-ballot draft

The Standard-Setting Process/RIS questions – Cross-referenced to explanation in BC		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
Statement (RIS questions 4 and 6) (DP.7.8.1-7.8.13)	Satisfaction of RIS-like process shown above; Regulatory Burden Measure agreed with OBPR	Satisfaction of RIS-like process shown above; Regulatory Burden Measure agreed with OBPR
Effective dates, early adoption and transition requirements	<ul style="list-style-type: none"> • Transition relief from restating comparatives (2020-X.BC116-2020-X.BC134) • Effective date considered in detail – shorter than typical case, however solution is needed urgently. (2020-X.BC135-2020-X.BC42) 	

TableF4. Due Process Matters for Board Decision at this Meeting

Due Process Matters for Board Decision		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
<p>Re-exposure criteria (DP.7.7.1-7.7.3)</p> <p>(a) New or substantive issues not considered previously</p> <p>(b) Extent of changes to proposals</p> <p>(c) Extent of input from interested parties</p> <p>(d) Any new evidence</p> <p>(e) The more extensive and fundamental the change, the more likely to re-expose. However, balance with cost of delaying standard/urgency</p> <p>(f) More weight given to R&M changes than disclosure</p>	<p>Staff do not recommend the proposals of ED 297 are re-exposed (including as a Fatal Flaw Review), on the basis that:</p> <ul style="list-style-type: none"> • No new substantive issues identified in ED phase • Extent of change from ED minimal – limited to effective date and mechanics of transitional relief • All major stakeholder types have provided input to either ITC 39 or ED 297 • No new substantive evidence on extent or nature of issue • Urgent solution needed to solve SPFS issue • No change to R&M requirements 	<p>Staff do not recommend the proposals of ED 295 are re-exposed (including as a Fatal Flaw Review), on the basis that:</p> <ul style="list-style-type: none"> • The Board was aware of most issues raised prior to the issue of ED 295 • Extent of change from ED not extensive – limited to the proposed amendments to clarify status of guidance, including definitions, to align the presentation requirement with AASB 5, to remove additional disclosures which have been removed from full IFRS, and to renumber the paragraphs with IFRS for SMEs equivalent paragraph number, as well as some other editorial changes • All major stakeholder types have provided input to either ITC 39 or ED 297 • No new substantive evidence on extent or nature of issue • Urgent solution needed for entities to transition from SPFS • Requirements focus on disclosure rather than R&M
<p>Final Pronouncement – single Standard or separate principal and amending standard (RIS questions 6) (DP.7.9.1-7.9.3)</p>	<p>Staff considered whether ED 295 and ED 297 should be combined into a single standard. Staff recommend they remain separate for the following reasons:</p> <ul style="list-style-type: none"> • The requirements of ED 297 are amending other principal standards – the Due Process framework acknowledges that separate amending standards are an efficient way to process such amendments; and 	

Due Process Matters for Board Decision		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
	<ul style="list-style-type: none"> The simplified disclosure standard is intended to be a simple, standalone Standard. Including the amendments of ED 297 as an appendix to that principal standard could lead to confusion by those using the standard, and would require maintenance at a later date to remove the amendments. 	
Awareness, outreach and education (DP.7.14.1-7.14.4)	<p>Staff recommend that education and awareness materials are issued with the Standards, including:</p> <p>SMC 20: Updated 7 key facts document</p> <p>SMC 21: Updated comparison of disclosures under RDR vs the simplified disclosure standard</p> <p>SMC 22: Webinars to explain the outcomes of the project including how we have responded to feedback and an overview of the new requirements</p> <p>SMC 23: Guidance for those amending trust deeds/other non-legislative documents, including a targeted webinar and outreach</p> <p>Staff do not recommend the formation of a Transition Resource Group or Implementation Group. There has been extensive outreach on the proposals, and given the short implementation period, addressing issues in such a forum may pose risk to successful timely application.</p>	

Table F5: RIS Questions and BC Cross-Reference

RIS Questions and BC Cross-Reference		
Due Process	Removal of SPFS (ED 297)	Revised Tier 2 (ED 295)
1. What is the policy problem you are trying to solve?	AASB 2020-X.BC9-BC48 <i>Reasons for developing this Standard</i>	AASB 10XX.BC2-BC10 <i>The need for a new disclosure Standard for Tier 2 Entities</i>
2. Why is government action needed?	AASB 2020-X.BC49-BC50 <i>Resolving the issues</i>	AASB 10XX.BC2-BC10 <i>The need for a new disclosure Standard for Tier 2 Entities</i>
3. What policy options are you considering?	AASB 2020-X.BC51-BC60 <i>ITC 39</i>	AASB 2020-X.BC11-BC27 <i>Options considered: why using the IFRS for SMEs Standard as a basis for the new Tier 2 Standard?</i>
4. What is the likely net benefit of each option?	AASB 2020-X.BC51-BC60 <i>ITC 39</i>	AASB 10XX.BC28-BC32 <i>Costs vs Benefits</i>
5. Who will you consult and how will you consult them?	AASB 2020-X.BC57-BC60 <i>AASB's deliberations on proceeding with Phase 2</i> AASB 2020-X.BC61-BC64 <i>ED 297</i>	AASB 10XX.BC12-BC17 <i>RDR and SDR frameworks – feedback from ITC39</i>
6. What is the best option from those you have considered?	AASB 2020-X.BC51-BC55 <i>Preferred option in ITC 39</i>	AASB 10XX.BC28-BC32 <i>Costs vs Benefits</i>
7. How will you implement and evaluate your chosen option?	AASB 2020-X.BC116-BC151 <i>Transition</i> AASB 2020-X.BC135-BC142 <i>Effective date</i> AASB 2020-X.BC143-BC145 <i>Application of The AASB's For-Profit Entity Standard-Setting Framework</i> AASB 2020-X.BC146-BC151 <i>Amendments required to implement Phase 2</i>	AASB 10XX.BC72-BC77 <i>Transitional requirements</i> AASB 10XX.BC78-BC80 <i>Effective date</i>

