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**Australian Accounting  
Standards Board**

# AASB Staff Paper:

Enhancing the revised *Conceptual Framework* and replacing Special Purpose Financial Statements

For-profit User and Preparer  
Survey Results

December 2018

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## Acknowledgements

AASB Staff thank survey respondents for providing valuable feedback.

## Obtaining a copy of this publication

This AASB Staff publication is available on the AASB website.

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# Executive Summary

This Staff Paper contributes to the Australian Accounting Standards Board's (AASB's) project to simplify and improve the Australian Financial Reporting Framework.

Staff set up two simple surveys, one for preparers of for-profit entity financial statements and one for users of for-profit financial statements. The surveys focussed on specific matters asked in AASB's Invitation to Comment [ITC 39](#) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*.

The purpose of the surveys was to generate discussion at the AASB's September 2018 roundtables and to help the AASB better understand which Tier 2 general purpose financial statement (GPFS) framework proposed in Phase 2 of ITC 39 users prefer – Tier 2 GPFS-Reduced Disclosure Requirements (RDR)<sup>1</sup> or Tier 2 GPFS-Specified Disclosure Requirements (SDR)<sup>2</sup>; and what transitional relief would be helpful for preparers.

37 users<sup>3</sup> and 49 preparers<sup>3</sup> responded to the surveys. The key results were as follows:

- (1) **There is problem with special purpose financial statements (SPFS) that needs to be addressed:** 78% of primary users<sup>4</sup> and 73% of other users<sup>4</sup> said if SPFS do not consistently apply recognition and measurement (R&M) requirements in Australian Accounting Standards (AAS), then this is an issue that needs to be addressed.
- (2) **Comparability, transparency, comprehensibility and consistency are all paramount:** On average 93% of primary users and more than 95% of other users said comparability, transparency, comprehensibility and consistency are what they need most in financial statements.
- (3) **Some users said that SPFS are appropriate in certain circumstances:** 43% of primary users and 56% of other users said they are satisfied with the information presented in SPFS – noting this appears inconsistent with points (1) and (2) above. One of the users suggested having less 'compliance' requirements allows entities to disclose information most useful for users. In

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1 Tier 2 GPFS-RDR is the existing Tier 2 GPFS framework. It consists of full recognition and measurement with AAS, consolidation and equity accounting (where applicable), with **reduced disclosures** from each AAS.

2 Tier 2 GPFS-SDR refers to a proposed alternative Tier 2 GPFS framework. It consists of full recognition and measurement with AAS, consolidation and equity accounting (where applicable), with **disclosures in full** from nine AAS: AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards*, AASB 1054 *Australian Additional Disclosures* plus related party, revenue, impairment of assets and income tax disclosures.

3 Respondents to the surveys self-selected that they were 'users' or 'preparers'. The AASB have no way of verifying that they are actual users or preparers of financial statements.

4 Throughout this document, 'primary users' refers to users that meet the definition of primary users in AASB [Practice Statement 2](#) *Making Materiality Judgements* (i.e. investors (and analysts), lenders and other creditors). All other respondents to the user survey are referred to as 'other users' throughout this document.

contrast, 68% of primary users and 44% of other users were satisfied with Tier 2 GPFS-RDR. .

**(4) A modified, more user-friendly GPFS-RDR was the preferred Tier 2 framework:**

Respondents indicated that the AASB's proposed Tier 2 GPFS-SDR seems to be missing some key disclosures, while Tier 2 GPFS-RDR has too many. Respondents to both surveys suggested a balanced approach to disclosure was preferable (i.e. a combination of Tier 2 GPFS-SDR and Tier 2 GPFS-RDR). Only one respondent across the combined user and preparer respondents suggested using IFRS for SMEs as a preferred alternative for Tier 2 GPFS.

**(5) Detailed disclosures, R&M per AAS and consolidation and equity accounting are key concerns for preparers:**

When asked what the biggest impact would be when moving from SPFS to Tier 2 GPFS, more than 75% of preparers said preparing detailed disclosures, one-third said complying with R&M in AAS and 30% said consolidation and equity accounting.

**(6) Uncertainty on whether AASB 1 *First-time Adoption of Australian Accounting Standards* provides enough transitional relief:**

65% preparers said that the transitional relief in AASB 1 was either not enough, or they were unsure whether it was enough to facilitate moving from SPFS to Tier 2 GPFS. Preparers suggested waiving the requirement to provide comparative disclosures in the year of transition, and asked for additional transitional relief to help with consolidation and equity accounting.

**(7) Primary financial statements and notes are useful:** Both primary and other users rated the primary financial statements and notes as the most useful information for their decision making.

# Introduction

## What did we do and why did we do it?

Staff launched two simple surveys in August 2018, one aimed at preparers of for-profit entity financial statements and one aimed at users of for-profit financial statements.

The surveys focussed on specific matters asked in AASB's Invitation to Comment [ITC 39](#) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*.

The purpose of the surveys was to generate discussion at the AASB's September roundtables on the Phase 2 proposals in ITC 39.

The User survey aimed to better understand what users of for-profit financial statements want, including whether they see a problem with SPFS and what their preference is for a Tier 2 GPFS framework.

The Preparer survey aimed to better understand:

- whether preparers are currently complying with R&M in AAS and/or disclosure requirements<sup>5</sup> in RG 85;
- what the biggest impact would be when moving from Tier 2 GPFS-RDR or SPFS to Tier 2 GPFS-SDR; and
- what transitional relief would be most helpful.

The surveys were open until 30 September 2018.

This report provides the results of the surveys – it does not aim to draw conclusions and due to the simple survey methodology and the basic survey tool used to perform the survey, the report is subject to certain limitations (refer [Survey limitations](#) below).

The formal submission process for ITC 39 will be used to draw conclusions on constituents' views on ITC 39. Submissions on Phase 1 of ITC 39 were due on 9 August 2018. Submissions on Phase 2 of ITC 39 were due on 9 November 2018.

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<sup>5</sup> RG 85 requires full R&M with AAS and disclosures from AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretations of Standards* and AASB 1054 *Australian Additional disclosures*.

## The Survey process

### Survey methodology

Both the User and the Preparer surveys were conducted in SurveyMonkey® Australia, using the basic survey functions. This led to some survey limitations – these are discussed in [Survey limitations](#) below.

The surveys were accessed via the AASB's website.

Invitations to participate in the surveys were communicated via AASB's weekly newsletter, LinkedIn and through targeted emails to constituents. Constituents who registered to the September roundtables<sup>6</sup> were also invited to complete the surveys.

The surveys were anonymous with an option given to survey respondents to provide their contact details if they wished to be contacted to provide further information.

### Rationale for splitting users into primary and other users

When analysing the results for the user survey, respondents were split into primary users<sup>4</sup> and other users<sup>4</sup>. The rationale for splitting users into primary and other users was to see whether there were significant differences in user needs of those defined as primary users per AASB [Practice Statement 2 Making Materiality Judgements](#) (i.e. investors, analysts, lenders and other creditors) versus other user respondents (i.e. which included academics, researchers, liquidators, auditors, small business owners and employees.)

### Survey limitations

#### *Limitations common to both surveys*

**Questions could be skipped:** The surveys were set up in SurveyMonkey, with only basic functionality. Therefore respondents were able to skip questions. When analysing results, AASB Staff analysed each question based on the total number of respondents to that question (rather than total number of participants who accessed the survey – refer to [Population analysed](#) for more information).

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<sup>6</sup> Refer to [Enhancing financial reporting and replacing SPFS – Roundtable Summaries](#)

**Not all questions from ITC 39 included:** The surveys only included some of the questions from ITC 39 and were primarily set up to generate discussion at the AASB's September 2018 roundtables. Survey results are not conclusive evidence of constituents' views. Therefore, this report provides the results of the surveys – it does not aim to draw conclusions. The formal submission process for ITC 39 will be used to draw conclusions on constituents' views on ITC 39. Submissions on Phase 1 of ITC 39 were due on 9 August 2018. Submissions on Phase 2 of ITC 39 were due on 9 November 2018.

**Surveys did not ask whether respondents represented the for-profit or not-for-profit sectors:** While the surveys were aimed at for-profit users and for-profit preparers, the surveys did not explicitly ask whether respondents represented the for-profit or not-for-profit sectors. Therefore there may have been some not-for-profit users and preparers that answered the surveys. Based on survey responses, where it was clear that the response was in the context of the non-for-profit sector, the not-for-profit sector response was excluded from survey results – refer to [Population analysed](#) below for more details.

#### *Limitations specific to the user survey*

**Self-identification by survey respondents:** [Question 2](#) of the User survey required respondents to identify themselves as primary users<sup>7</sup> or other type of users. [Question 4](#) asked respondents to rate the level of experience they had with respect to reading financial statements. The validity of these self-declarations could not be ascertained. Therefore there are inherent limitations with survey responses.

**Reasons for dissatisfaction with financial statements not explicitly asked for each type of financial statement:** [Question 16](#) of the User survey required respondents to state if they are satisfied with the information presented in Tier 1 GPFS, Tier 2 GPFS-RDR and SPFS. If the respondents stated dissatisfaction, then [Question 17](#) of the User survey required respondents to select the reasons for their dissatisfaction from a list of possible answers (respondents could also provide free form text responses rationalising their dissatisfaction. However, since Question 17 did not ask respondents to separately identify reasons for dissatisfaction with each type of financial statements (i.e. Tier 1 GPFS, Tier 2 GPFS-RDR and SPFS). Therefore, the responses to this questions were analysed more broadly.

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<sup>7</sup> The definition of primary users is taken from the AASB [Practice Statement 2 Making Materiality Judgements](#) to include investors (and analysts), lenders and other creditors.



### *Limitation specific to the preparer survey*

**The preparer survey did not ask which organisation or size of organisation the preparer represented:** While the surveys were aimed at for-profit preparers that are required by legislation or otherwise to prepare financial statements in accordance with AAS, the survey did not explicitly ask which organisation or size of the organisation the preparer represented. Therefore there may have been some respondents that represented small or medium-sized entities that are not caught by the AASB's ITC 39 proposals or respondents that were not actually preparers, and thus their responses may not appropriately reflect what the survey was hoping to capture.

## Population analysed

### *User survey*

- AASB Staff analysed the responses of 37 respondents, with 24 assessed as primary users and 13 as other users, based on their responses to [Question 2](#). The User survey was accessed 63 times. However, many of these responses have been excluded from Staff's analysis for the following reasons:
  - **Blank responses:** There were 16 responses that were excluded as the survey accessed was left completely blank.
  - **Responses of users of not-for-profit (NFP) financial statements only:** There were three survey respondents that were users of NFP entity financial statements only, rather than users of for-profit entity financial statements (this was determined based on their responses to [Question 3](#), [Question 15](#) and [Question 18](#)). Responses from these three respondents were excluded.
  - **Responses of users who do not read SPFS or Tier 2 GPFS-RDR:** Responses from seven survey respondents were excluded as they mentioned that they neither read SPFS nor Tier 2 GPFS-RDR. This was evident from their responses to [Question 5](#) and [Question 10-11](#). Users of Tier 1 GPFS were not considered as proposals in ITC 39 do not impact the requirements in Tier 1 GPFS.

### ***Preparer survey***

- AASB Staff analysed the responses of 49 respondents
- The preparer survey was accessed 93 times. However, many of these responses have been excluded from Staff's analysis for the following reasons:

- **Responses by preparers who are not required by legislation or constitution to prepare financial statements as per AAS:** 13 survey responses were excluded as the respondents said they were not required by legislation or constitution to prepare financial statements in accordance with AAS (this was determined based on their response to [Question 1](#)).
- **Blank responses:** There were 20 responses that were excluded as the survey questions were not answered.
- **Responses of preparers of NFP financial statements only:** There were five survey respondents that were preparers of NFP financial statements only, rather than for-profit financial statements (this was determined based on their responses to [Question 7](#), [Question 9](#) and [Question 15](#) and [Question 17](#)).
- **Responses of preparers who do not prepare SPFS or Tier 2 GPFS-RDR:** Responses from six respondents were excluded as the respondents had mentioned that they neither prepare SPFS or Tier 2 GPFS–RDR (this was determined based on their responses to [Question 2](#) and [Question 11](#)).

# Summary of feedback received

## User survey

### Survey respondents – breakdown of primary users

There were 24 primary users – 3 Analysts, 18 Investors and 3 Creditors/Lenders/Bankers.

### Survey respondents – breakdown of other users

There were 13 other users – 3 Regulator/Government agency/Professional membership body staff members, 5 Academics/Researchers, 1 Liquidator, 2 Auditors, 1 Small business owner and 1 Employee.

### What do users want?

- **Comparability, transparency, comprehensibility and consistency are paramount:** On average 93% of primary users and over 95% of other users said comparability, transparency, comprehensibility and consistency are what is most important to them when reading financial statements. Comparability of R&M was rated 88% in importance to primary users and 100% by other users
- **Audited financial statements:** 67% of primary users and 69% of other users stated that they find it useful if the financial statements are audited or reviewed.
- **Related party disclosures considered most useful by primary users:** 68% of primary users indicated related party disclosures as most useful when analysing financial statements. This was followed by revenue, income-tax and impairment of assets disclosures respectively.
- **Revenue and impairment of asset disclosures considered most useful by other users:** 67% of other users indicated revenue and impairment of asset disclosures as most useful when analysing financial statements. This was followed by related party disclosures, with income tax disclosures being the least useful of the four disclosures according to other users.

### What do users think about SPFS?

- **R&M applied inconsistently in SPFS:** Only 9% of primary users said R&M requirements in AAS are applied consistently in SPFS, 61% of primary users said R&M requirements are not applied consistently, with the remaining 30% of primary users being unsure of what is being applied. On the other hand, 18% of other users said that they thought R&M requirements in AAS are applied consistently in SPFS, 36% did not think R&M is being applied consistently and nearly half (46%) were unsure of what is or isn't being applied.

- **R&M inconsistently in SPFS needs to be addressed:** 78% of primary users and 73% of other users said if R&M requirements in AAS are not being applied consistently in SPFS, then this is a problem that needs to be addressed.
- **There is some dissatisfaction with financial statements:** When asked why respondents were dissatisfied with financial statements (noting the [limitation within Question 17](#)), the reasons given were:
  - **Lack related party disclosures:** Most primary users (73%) and 43% of other users said that they do not have enough related party disclosures.
  - **Lack comparability:** 60% primary users and 57% of other users said they do not facilitate comparability between similar entities.
  - **Compliance with R&M not clear:** 60% primary users and 29% of other users said that it is not clear R&M requirements in AAS have been complied with.
- **Some users said that SPFS are appropriate in certain circumstances:** 43% of primary users and 56% of other users said they are satisfied with the information presented in SPFS – noting that this result was inconsistent with feedback to other questions as detailed in the points above. One of the users suggested that by having less ‘compliance’ requirements, entities can choose to disclose information most useful for their users. Another user said that SPFS are used by entities where users (such as banks) have the power to ask for more information where required. In contrast, one user said that SPFS are too often seen as an excuse to abandon recognition and measurement criteria – let alone inadequacy of disclosure.

### Which Tier 2 GPFS framework do primary users prefer?

- **Preference for a combination of Tier 2 GPFS-SDR and Tier 2 GPFS-RDR:** Whilst most primary users (68%) noted that the proposed Tier 2 GPFS-SDR framework could provide sufficient information to meet their information needs, only 30% of primary users said it was their preferred framework. 45% of primary users preferred a combination of GPFS-SDR and GPFS-RDR for the Tier 2 framework. One respondent explained “RDR is too much and SDR too little”. Many respondents said that SDR lacked disclosures on commitments, contingencies and liquidity, which are all necessary to understand the entity’s financials.

## Preparer survey

### Are preparers complying with RG 85?

- **R&M not always met in nearly half of SPFS:** 49% preparers stated that R&M requirements in AAS are not always met in SPFS.
- **Financial instruments, Fair value measurement, Impairment of Assets and Revenue requirements are difficult to comply with:** 57% of preparers said the financial instruments standards are difficult to comply with, 38% of preparers said the fair value measurement requirements are difficult, and one-third had difficulty with the impairment of assets and revenue standards.
- **Many preparers do not comply with RG 85 disclosures:** Many preparers acknowledged that they do not fully comply with minimum disclosure requirements in ASIC's RG 85, with only:
  - 95% stating compliance with AASB 101 *Presentation of Financial Statements*;
  - 85% stating compliance with AASB 107 *Statement of Cash Flows*;
  - 85% stating compliance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
  - 55% stating compliance with AASB 1048 *Interpretations of Standards*; and
  - 50% stating compliance with AASB 1054 *Australian Additional disclosures*.
- **Most preparers said they consolidate and equity account when required to:** 72% of preparers said that they currently comply with the consolidation and equity requirements in AAS (including 20% who stated that they take advantage of the exemptions within AAS). For those preparers who said that they do not consolidate or equity account, the key reason for not doing so is additional cost and perception that users of their financial statements do not need that information.

### What is the biggest impact of moving from Tier 2 GPFS-RDR or SPFS to Tier 2 GPFS-SDR?

- **Detailed disclosures on specified standards:** Most preparers (74%) stated that providing detailed disclosures on specified standards would be the most significant change if required to move from SPFS to the proposed Tier 2 GPFS-SDR. When preparers were asked what they currently disclose in their SPFS, 50% said they already provide revenue disclosures, nearly 40% said impairment disclosures, a third said income tax disclosures, and nearly one quarter said related party disclosures.
- **Applying R&M in full:** One-third of preparers (33%) stated that complying with full R&M in AAS would have a big impact when moving from SPFS to Tier 2 GPFS-SDR.

- **Consolidation and equity accounting:** 30% of preparers stated that consolidation and equity accounting would be a significant change for them when moving from SPFS to Tier 2 GPFS-SDR.
- **Mixed views on the cost versus benefit of moving to GPFS-SDR:** Many preparers said there would be additional preparation costs and minimal benefits for users – stating their users can already command the information they need. However, some preparers highlighted that the proposals would facilitate greater transparency and would provide better information about related party transactions.

### What transitional relief would be most helpful?

- **AASB 1 does not appear to be enough:** Most preparers (65%) said the transitional relief in AASB 1 was either not enough or they were unsure whether or not it was enough.
- **Waiving comparative disclosure requirements in the year of transition suggested:** Many preparers suggested having an exemption from disclosing comparatives in the year of transition.
- **Special transitional relief for consolidation requested:** Preparers suggested specific transitional relief to help with consolidation, for example not needing to retrospectively adjust for purchase price allocations.

# Appendix A: Detailed responses of user survey results

## Feedback from primary and other users who read Financial Statements

### Q1. Have you, or do you, intend to read financial statements?

All respondents said they have or intend to read financial statements.

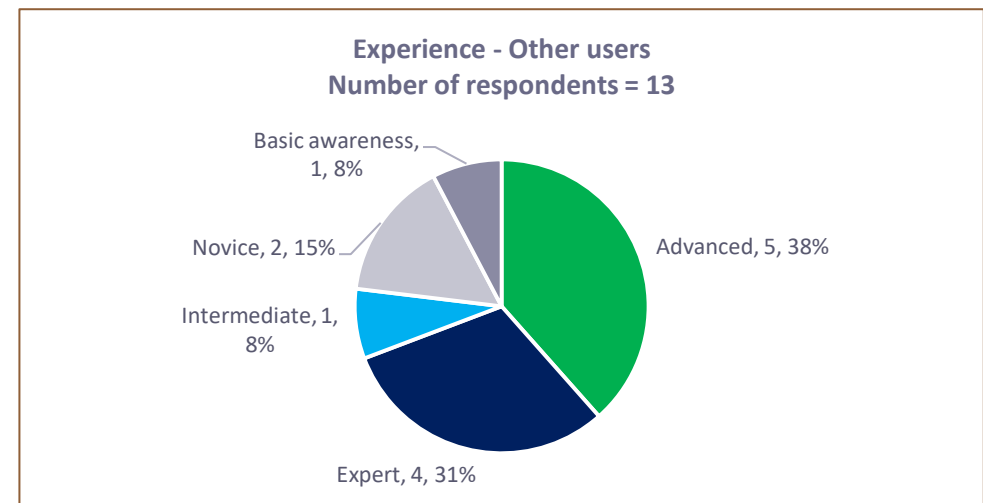
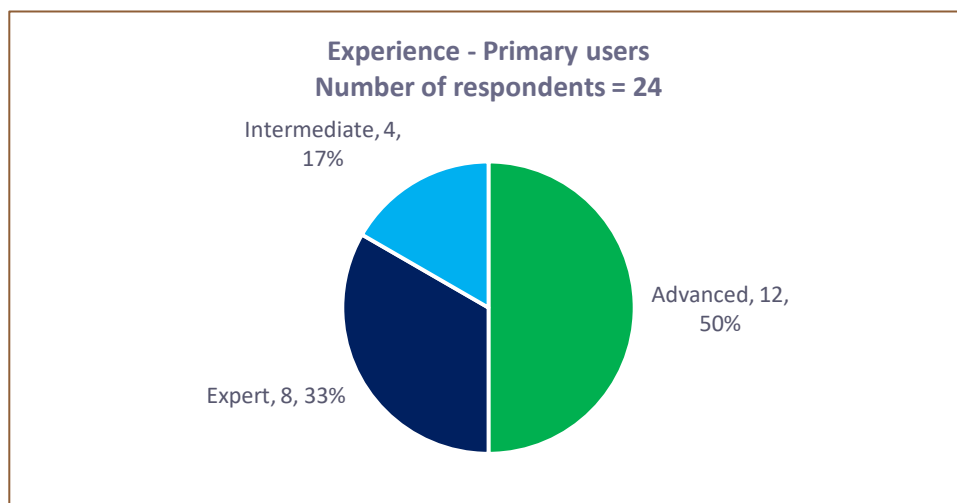
### Q2. Which user type do you identify with?

There were 24 primary users – 3 Analysts, 18 Investors and 3 Creditors/Lenders/Bankers; and 13 other users – 3 Regulator / Government agency / Professional membership body staff members, 5 Academics/Researchers, 1 Liquidator, 2 Auditors, 1 Small business owner and 1 Employee.

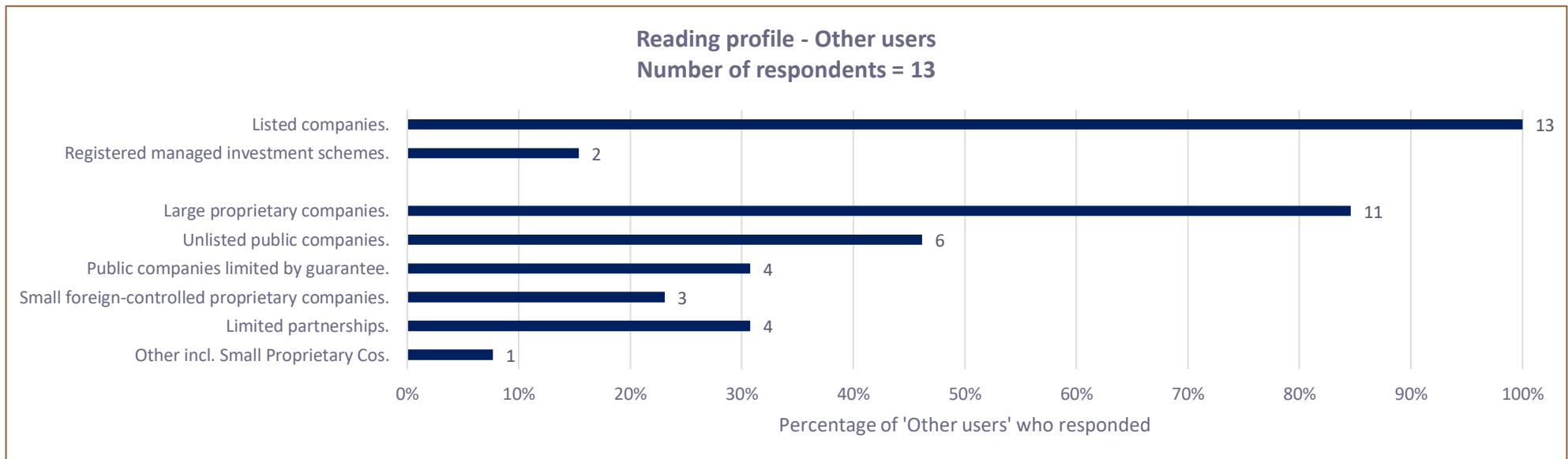
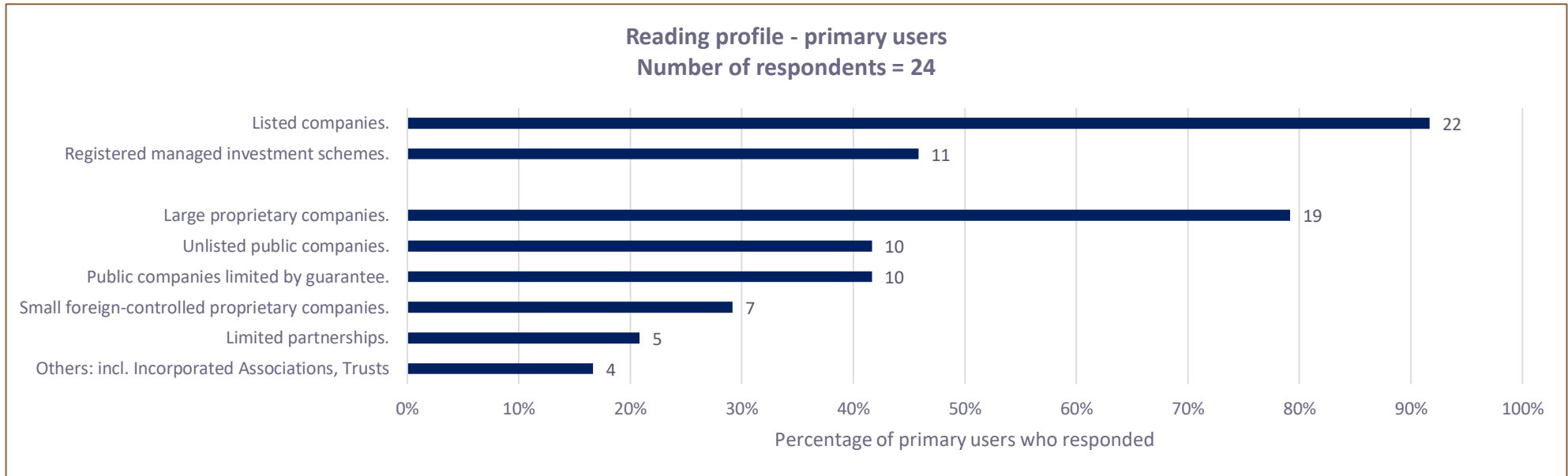
### Q3. For the purpose of this survey, what organisation do you represent (if any)

This survey was anonymous, therefore for confidentiality reason, the answer to this questions has not been disclosed. There was a broad range of respondents from various accounting/audit firms, financial institutions, professional member bodies and government organisations.

### Q4. What level of experience do you have with respect to reading financial statements?



**Q5. Which of the following types of entities' financial statements do you read?**





## Q6. What is most important to you when reading financial statements?

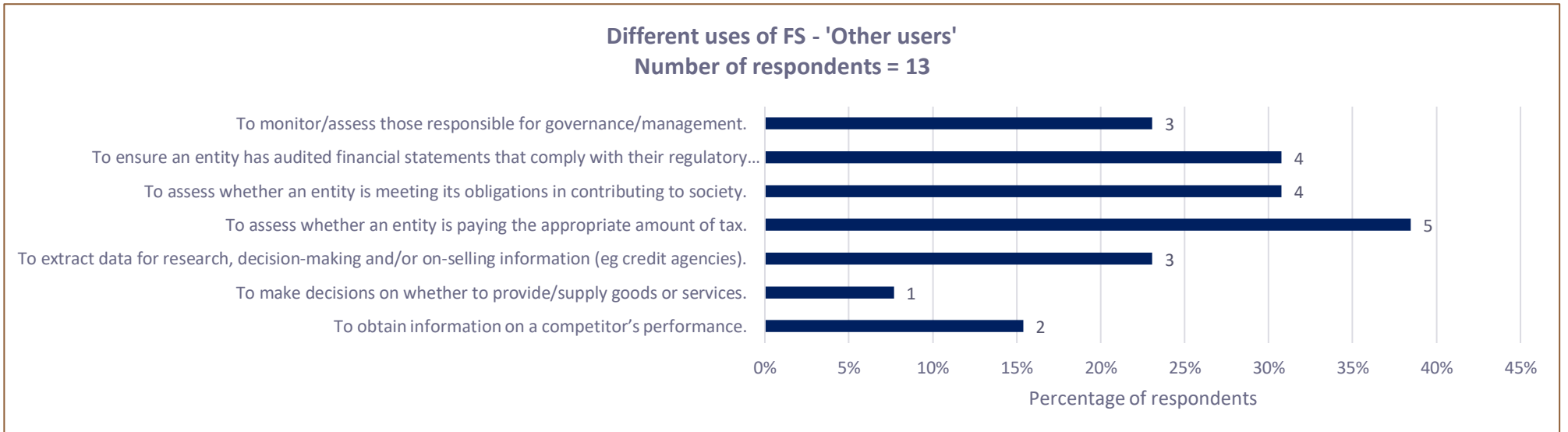
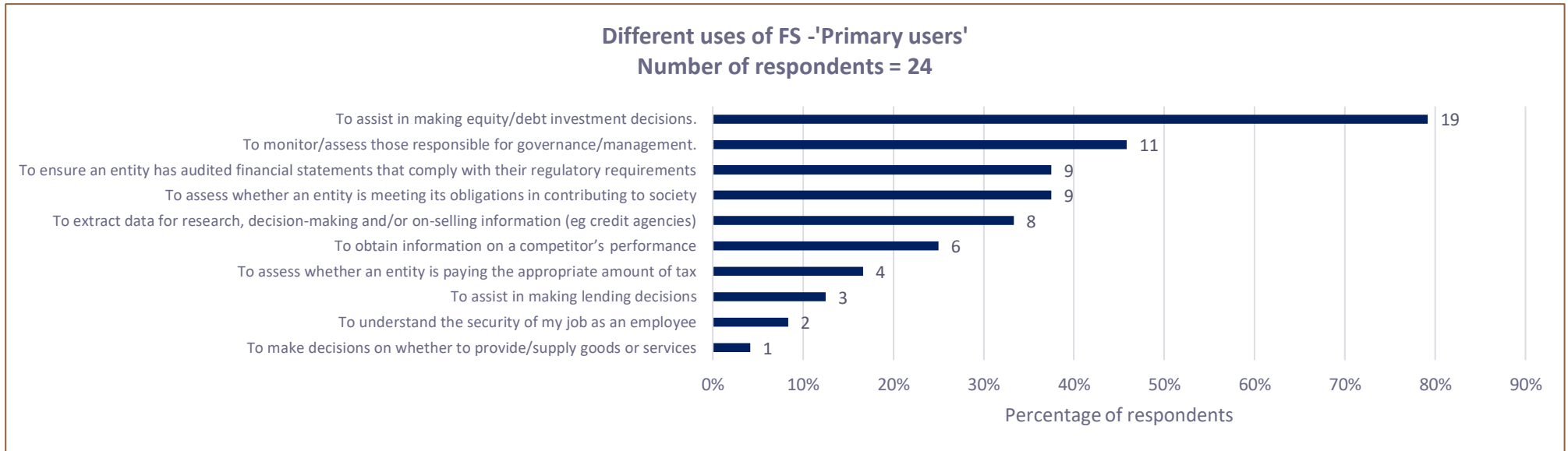
### Primary users

	Number of respondents= 24		
	Most useful/useful	Neutral	Not useful/Least useful
Transparency	96%	4%	0%
Consistency	96%	4%	0%
Comprehensibility of information presented	92%	8%	0%
Comparability of disclosures	92%	4%	4%
Comparability of recognition and measurement	88%	8%	4%
Audited or reviewed by external auditors	67%	25%	8%

### Other users

	Number of respondents= 13		
	Most useful/useful	Neutral	Not useful/Least useful
Transparency	92%	0%	8%
Consistency	100%	0%	0%
Comprehensibility of information presented	100%	0%	0%
Comparability of disclosures	85%	15%	0%
Comparability of recognition and measurement	100%	0%	0%
Audited or reviewed by external auditors	69%	8%	23%

**Q7. What do you generally use financial statements for?**  
**(Respondents were able to select more than one response)**



## Q8. How useful do you find the following items when making decisions?

### Primary users

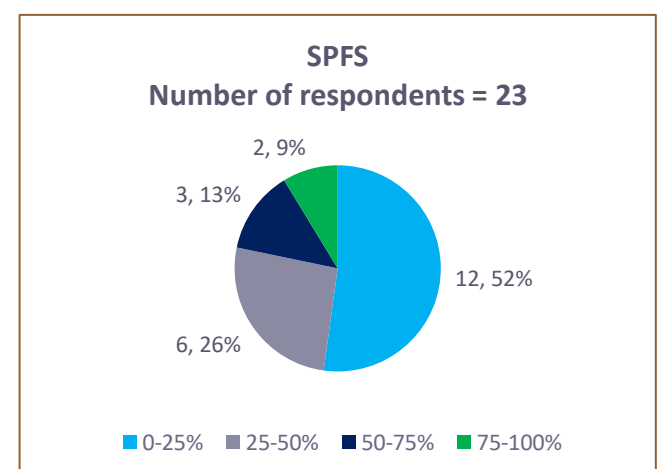
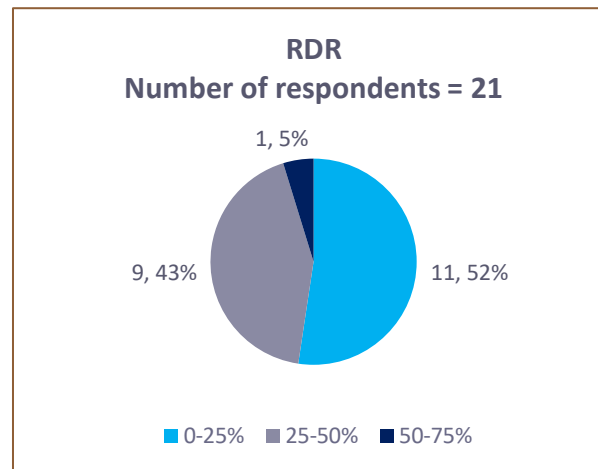
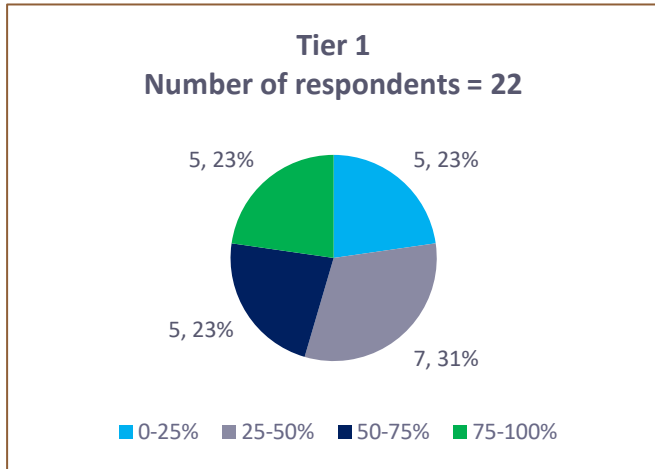
	Number of respondents = 24			
	Mostly/Often used	Sometimes used	Neutral	Not/least useful
Primary financial statements and Notes	54%	4%	13%	29%
Results Announcements and Investor Presentations	42%	13%	13%	32%
The media	33%	4%	13%	50%
Advisors' Reports	29%	17%	4%	50%
Management commentary and analysis	25%	46%	17%	12%
Other Reporting	17%	17%	42%	24%

### Other users

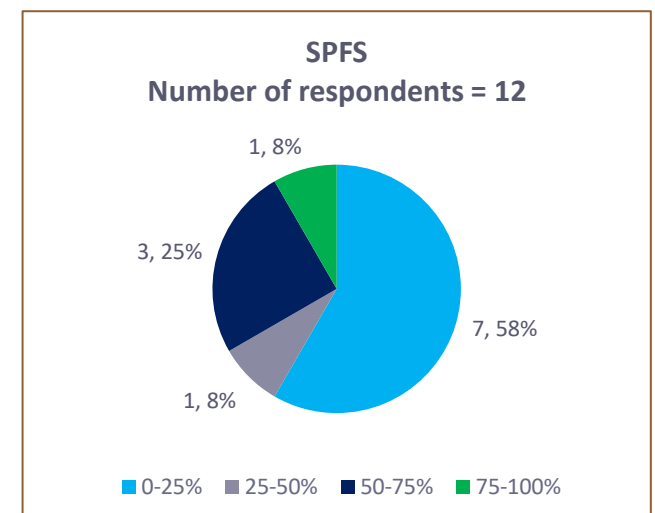
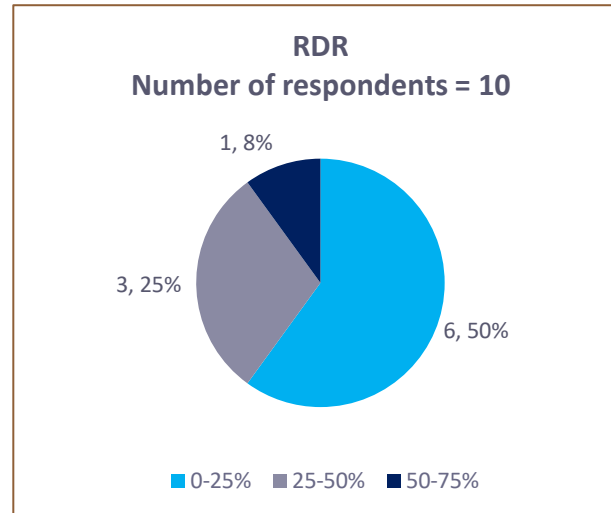
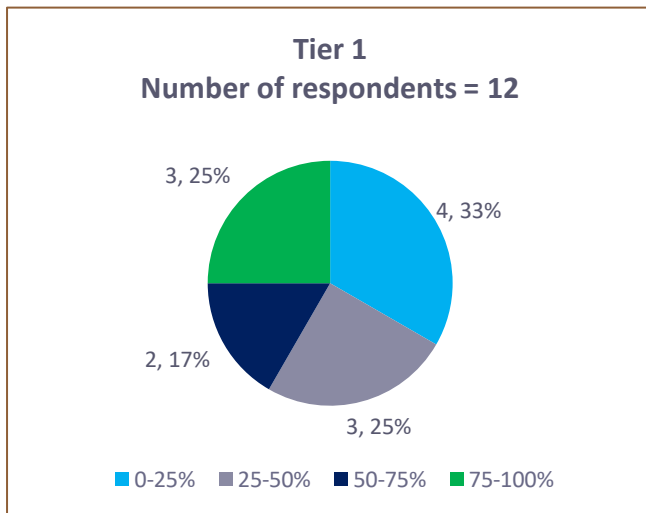
	Number of respondents = 13			
	Mostly/Often used	Sometimes used	Neutral	Not/least useful
Primary financial statements and Notes	62%	8%	8%	22%
Results Announcements and Investor Presentations	54%	31%	8%	7%
The media.	23%	15%	15%	47%
Advisors' Reports	15%	8%	23%	54%
Management commentary and analysis	31%	31%	15%	23%
Other Reporting	15%	8%	31%	46%

**Q9-Q11. What percentage of financial statements that you read are Tier 1 GPFS, Tier 2 GPFS – RDR or SPFS?**

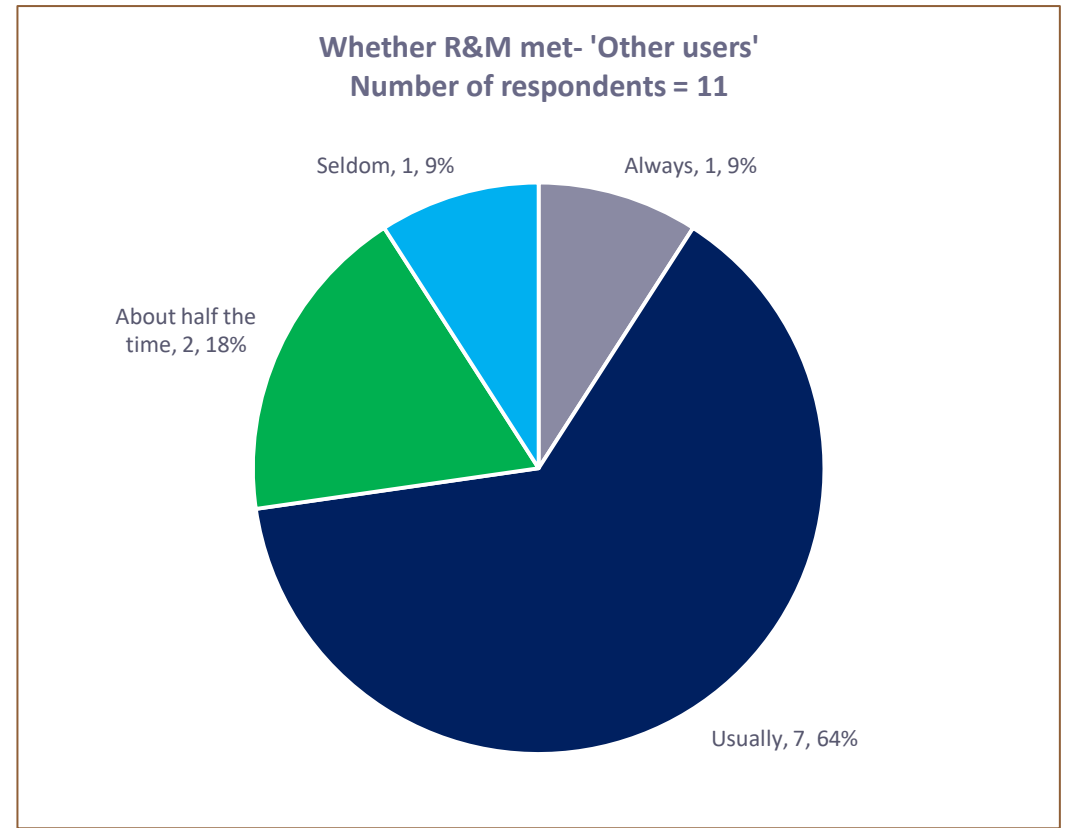
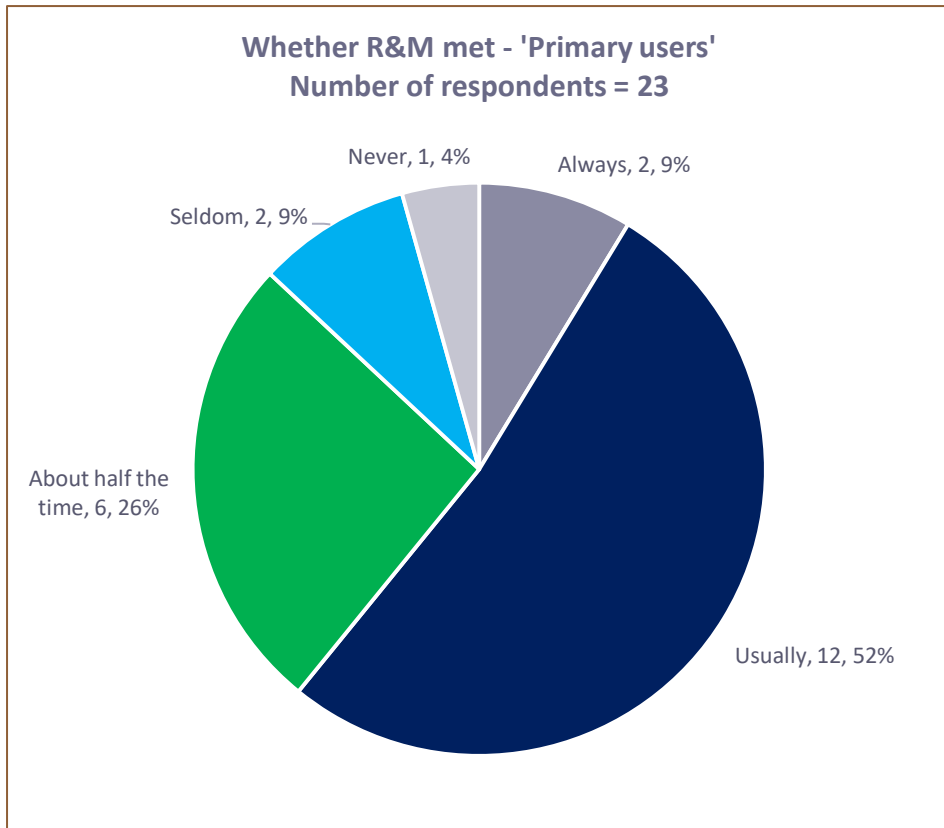
**Primary users**



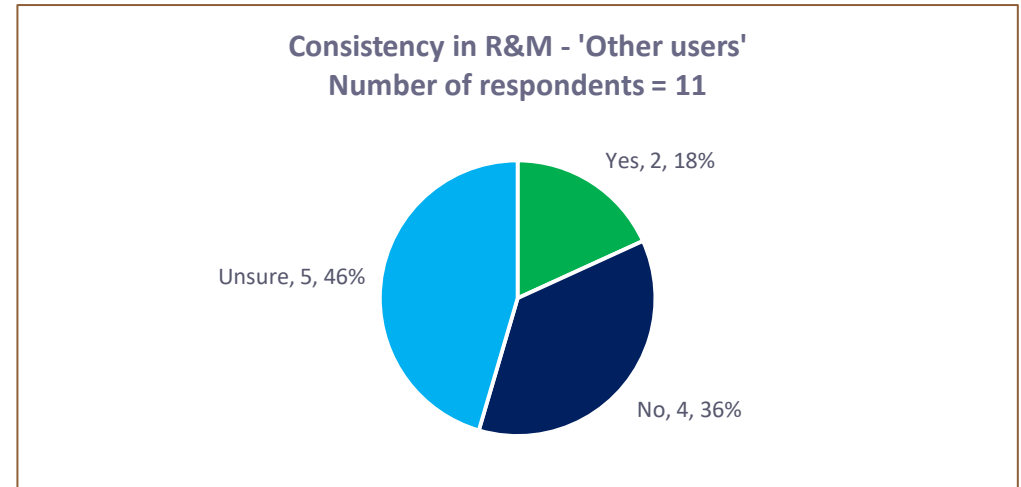
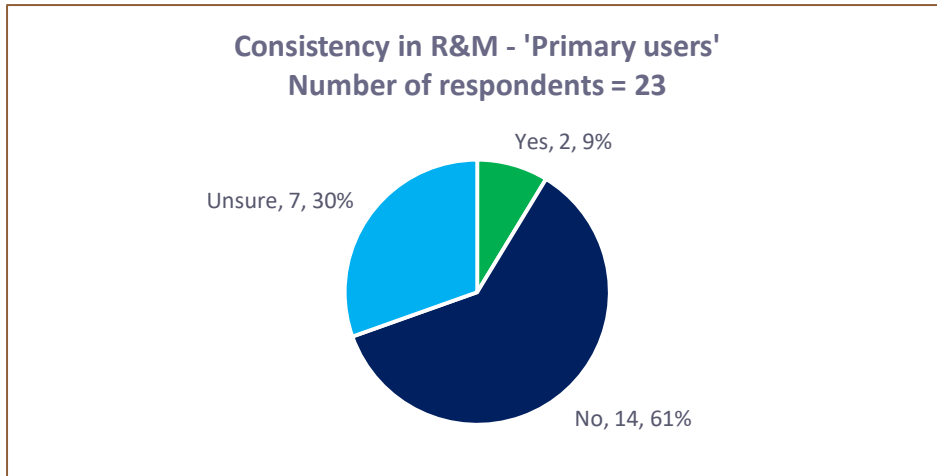
**Other users**



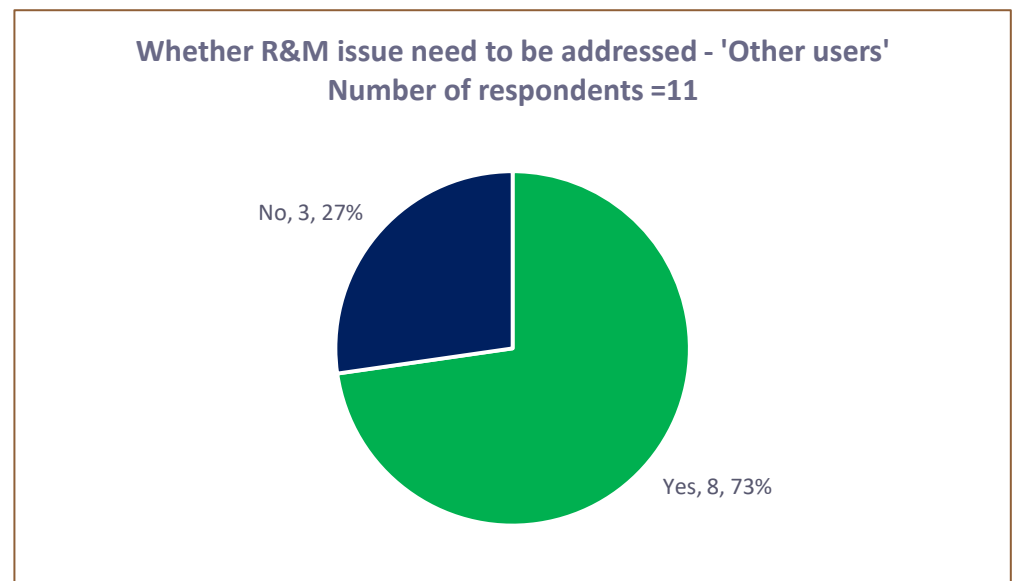
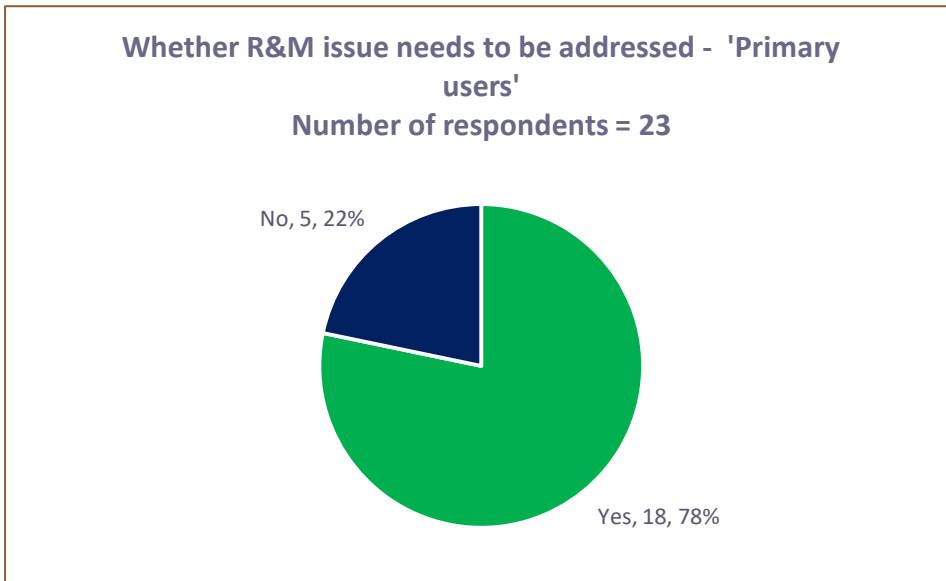
**Q12. For the SPFS you read – how often are recognition and measurement requirements of AAS applied?**



**Q13. Do you think entities preparing SPFS apply AAS recognition and measurement consistently?**



**Q14. If not all entities preparing SPFS are consistently applying the recognition and measurement requirements of AAS – is it an issue that needs to be addressed?**



## Q15. Following on from Question 14, why don't you think the SPFS issue needs to be addressed?

### *Comments from 'primary users'*

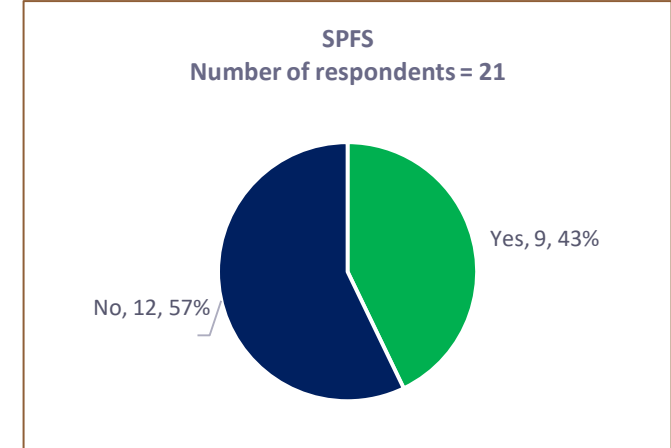
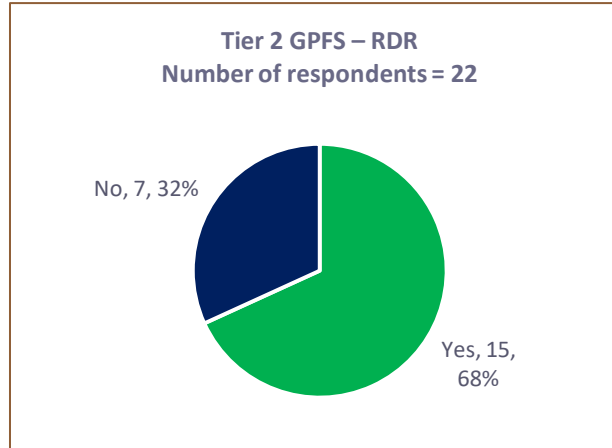
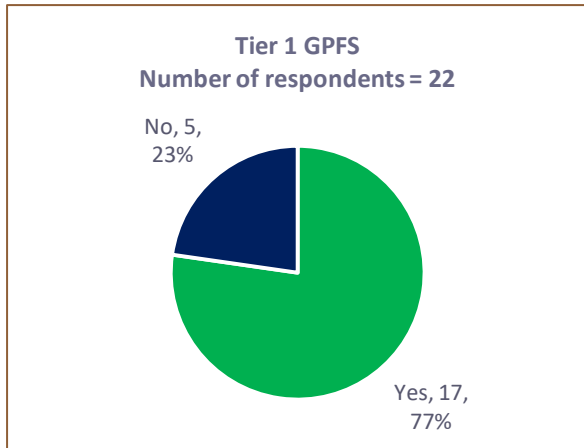
- Agree that compliance with Standards makes analysis of financial statements a little easier. However, in practice, where the accounts are audited and financial statements are consistent period-to-period, this is not a significant issue.
- They are predominately in an environment where the users have the power to ask for more information (i.e. owners have control over day to day operations). Banks can request other sources of information before approving lending.
- It will not change the quality of the information substantially. Entities need to decide what information are most useful for users. Having less "compliance" requirements allows entities to decide information that is most important to users.
- It doesn't make much difference.

### *Comments from 'other users'*

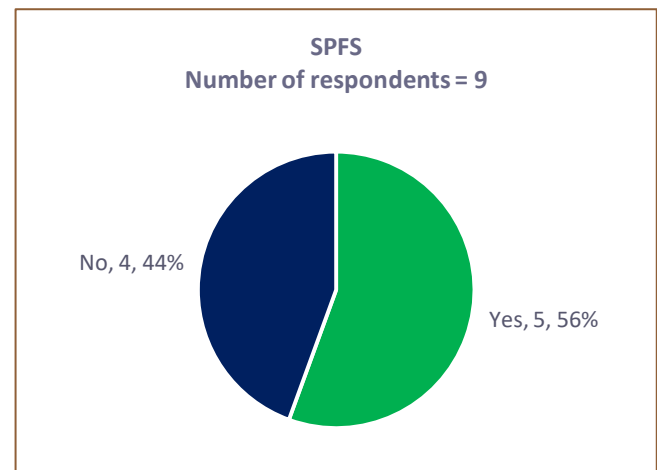
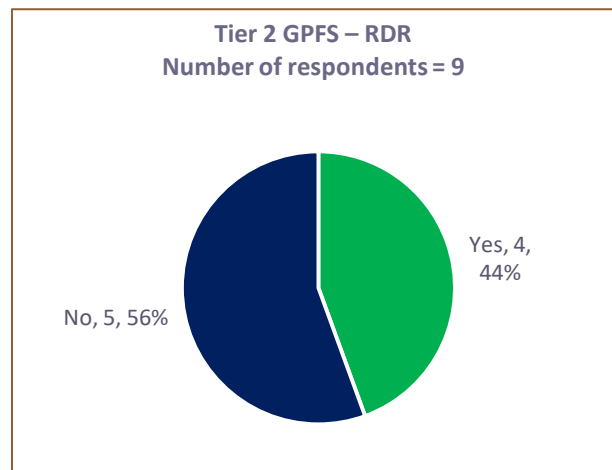
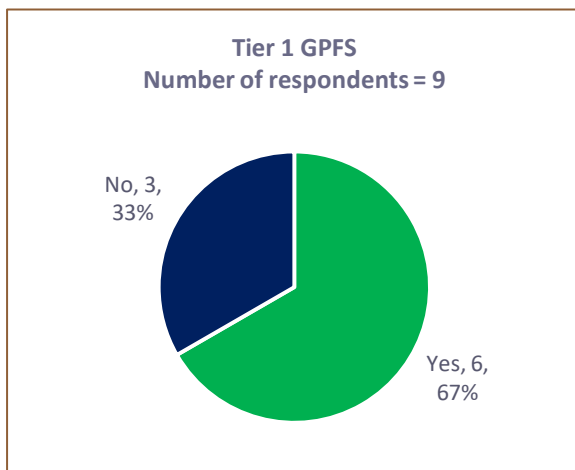
- Waste of money for business owners to worry about.
- Because there is a lack of users reliant on the information and by preparing based on tax principle they are easy to understand and compare from year to year with low cost to prepare.

Q16. Are you satisfied with the information presented in the following financial statements?

**Primary users**

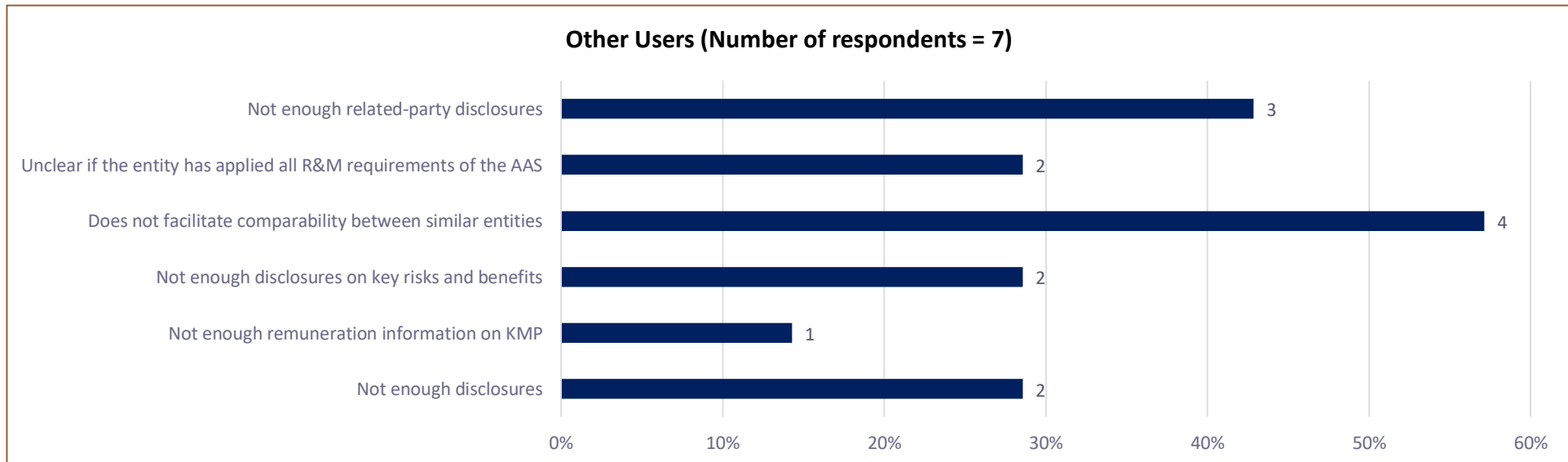
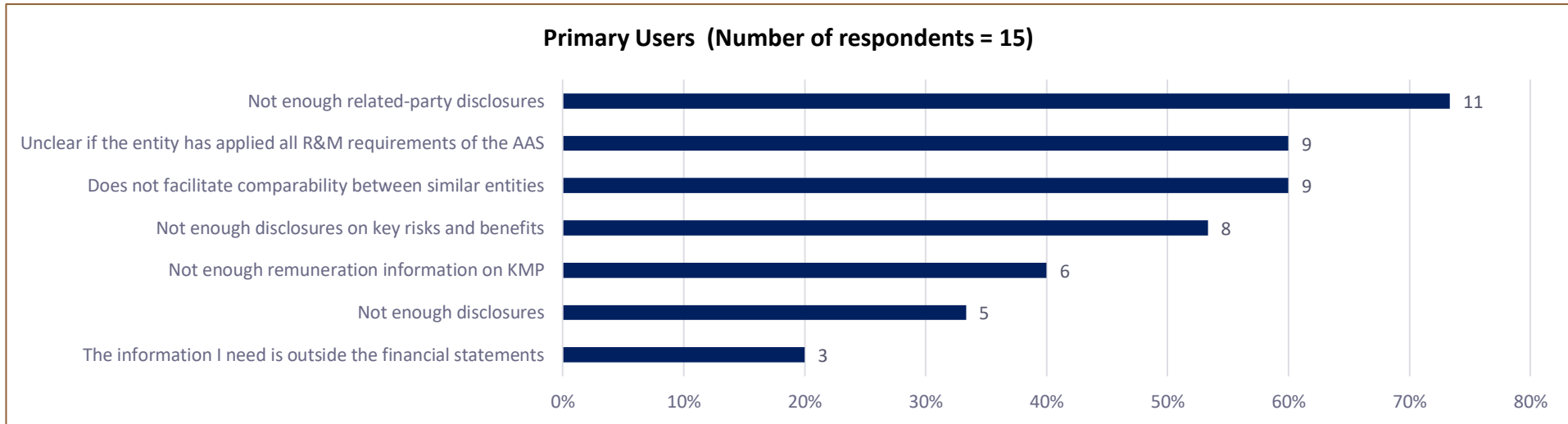


**Other users**





17. If you answered 'no' to the options presented in the previous question, please select the following reasons as to why you are not satisfied.



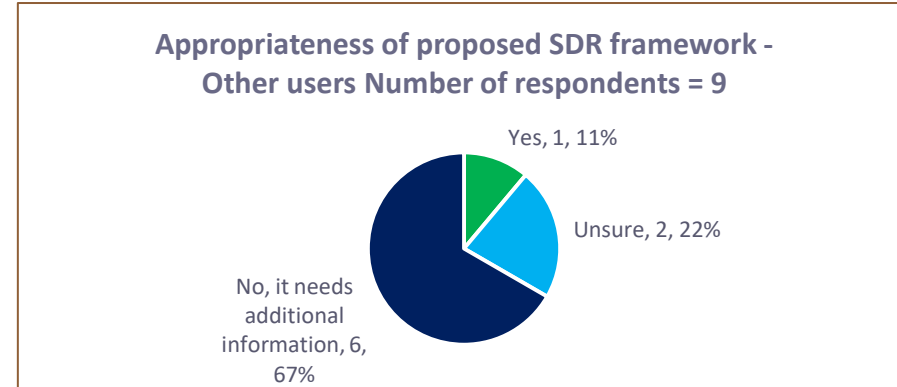
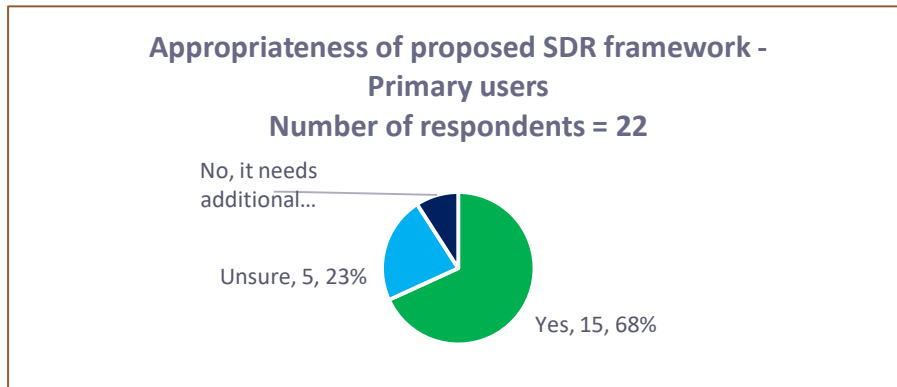
**Other comments by ‘primary users’**

- I find investor reporting more useful than financial statements.
- SPFS too often seen as an excuse to abandon recognition and measurement criteria - let alone inadequacy of disclosure.
- Complete ambiguity of most reports. Clearly not designed for users but for specialists.

**Other comments by ‘other users’**

- Too much unnecessary information, like sustainability and diversity quotas. Give us real quantitative information to read.
- The calculations of impairment and other subjective major adjustments or calculations distort the underlying business results and make it more difficult to compare results from year to year and to other entities.

**Q18. Do you think the proposed Tier 2 GPFS-SDR framework would provide sufficient and appropriate financial reporting information for your needs?**



**Q19. Please rank the extent you would use the following disclosures**

	Primary users			Other users		
	Number of respondents = 22			Number of respondents = 9		
	Always/Often used	Sometimes used	Seldom used	Always/Often used	Sometimes used	Seldom used
Related party disclosures.	68%	18%	14%	44%	44%	12%
Revenue disclosures.	55%	9%	36%	67%	11%	22%
Income tax disclosures.	41%	14%	45%	22%	33%	45%
Impairment of asset disclosures.	36%	59%	5%	67%	11%	22%

## Q20. Please specify any other disclosures (if any) not listed in the question above that you would find very useful

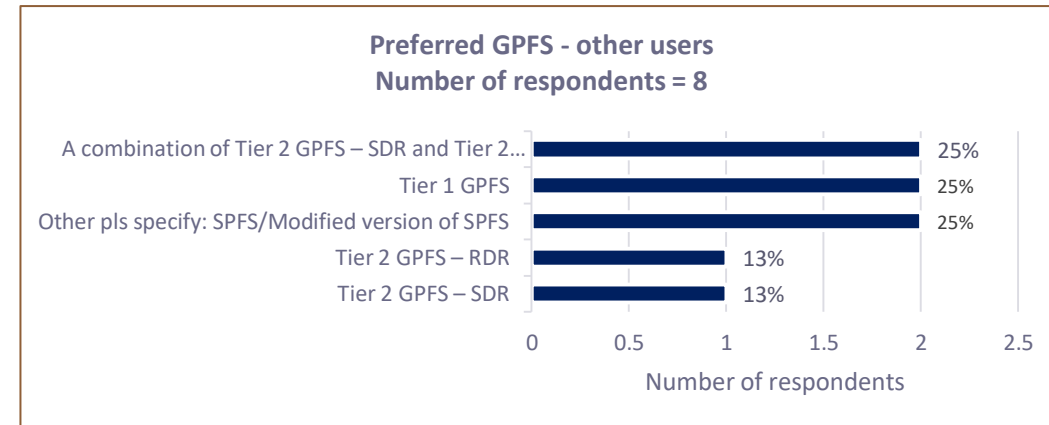
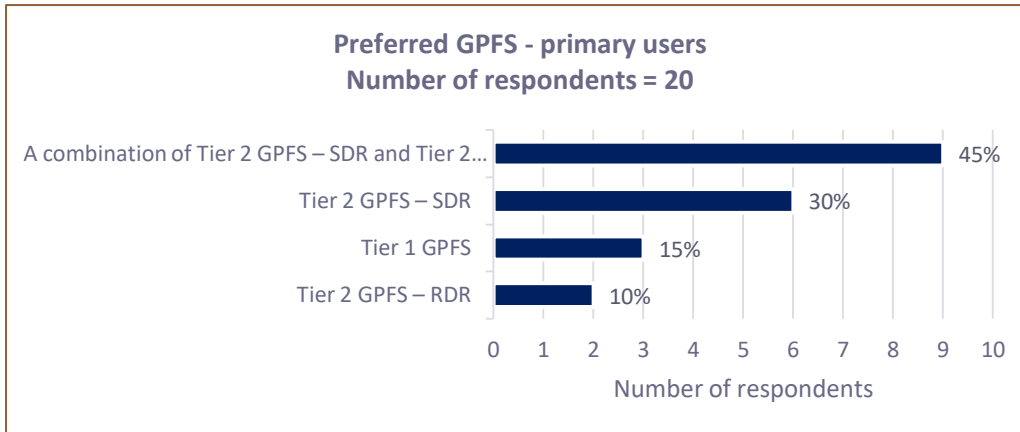
### *Comments from 'primary users'*

- Conflict of interest disclosures.
- Significantly more detail around finance and leasing liabilities (i.e. the interest rate applied, scheduled amortisation, voluntary amortisation, drawdowns etc.). Information on how do we get from opening to closing debt figures because there is rarely enough information to calculate this. Also, matching between finance/leasing assets and liabilities, where applicable. Also, a 1, 1-5, and 5+ year bucket is seldom enough granularity to be useful.
- Measurement disclosures.
- Whether the entity is meeting debt covenants.
- Key management personnel disclosures and clear disclosures on how revenue is recognised.
- Contingent liabilities.
- If the entity has, say investment properties, then AASB 140 *Investment Property* disclosures should be made.
- Greater description should be included in disclosures.
- Clarity of items included in disclosures rather than ambiguous items which allows a variety of interpretation.

### *Comments from 'other users'*

- Disclosures on all balances that are significant to the financial statements. Special purpose financial statements often have very significant balances that usually have insufficient disclosures for their size.
- Country-by-country revenue, tax, profit data for all its subsidiaries in Australia and abroad.
- Simple reconciliation of profit before adjustments to cash flow and also to taxable income.
- Liquidity and solvency risk disclosures.

## Q21. Preferred GPFS for all for-profit entities (that are not publicly accountable) required by legislation or otherwise to prepare financial statements in accordance with AAS?



## Q22. Please add any additional comments here

### Comments from 'primary users'

- I don't think consolidation should be mandated.
- My preference would be to use the existing GPFS-RDR but with related party disclosures added.
- I can't see the value of changing the current RDR to SDR.
- There are certain "Public-sector entity" disclosure relief provisions for impairment of assets that would be useful to retain for public sector reporting (e.g. AASB 13 *Fair Value Measurement* paragraph 97).

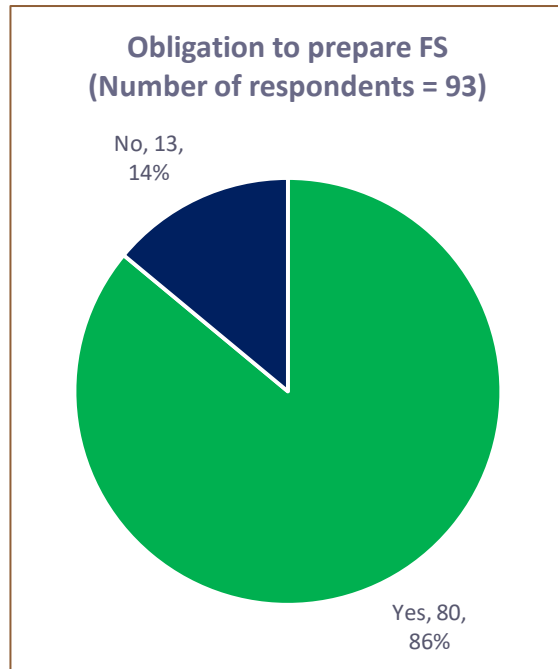
### Comments from 'other users'

- Will improve comparability.
- RDR too much, SDR not enough.
- The Standards are too subjective with many figures impacted by interest rates chosen for discounting and assumptions about future cash flow resulting in swings in profit and balance sheet items where there is actually little change in performance or market value.
- The new Accounting Standards are fundamental and need to be complied with in full.
- Unable to make judgement on preferred GPFS for not publicly accountable for-profit entities

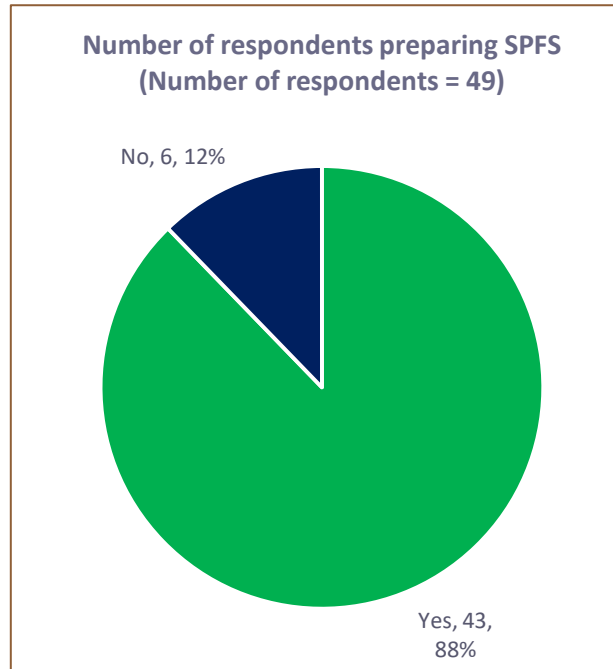
# Appendix B: Detailed responses of preparer survey results

Feedback from for-profit entity preparers who are required by legislation or otherwise to prepare financial statements are per AAS

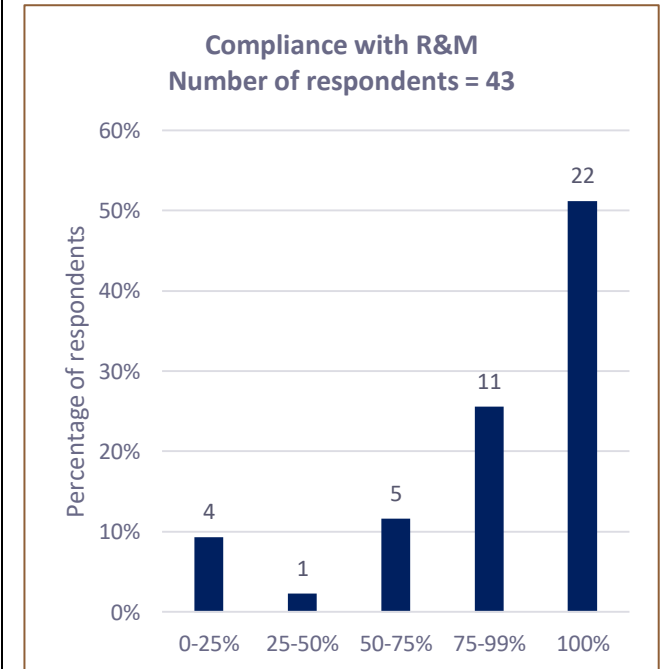
**Q1. Are you required by legislation or otherwise (e.g. constitutional documents) to prepare financial statements in accordance with the Australian Accounting Standards (AAS)?**



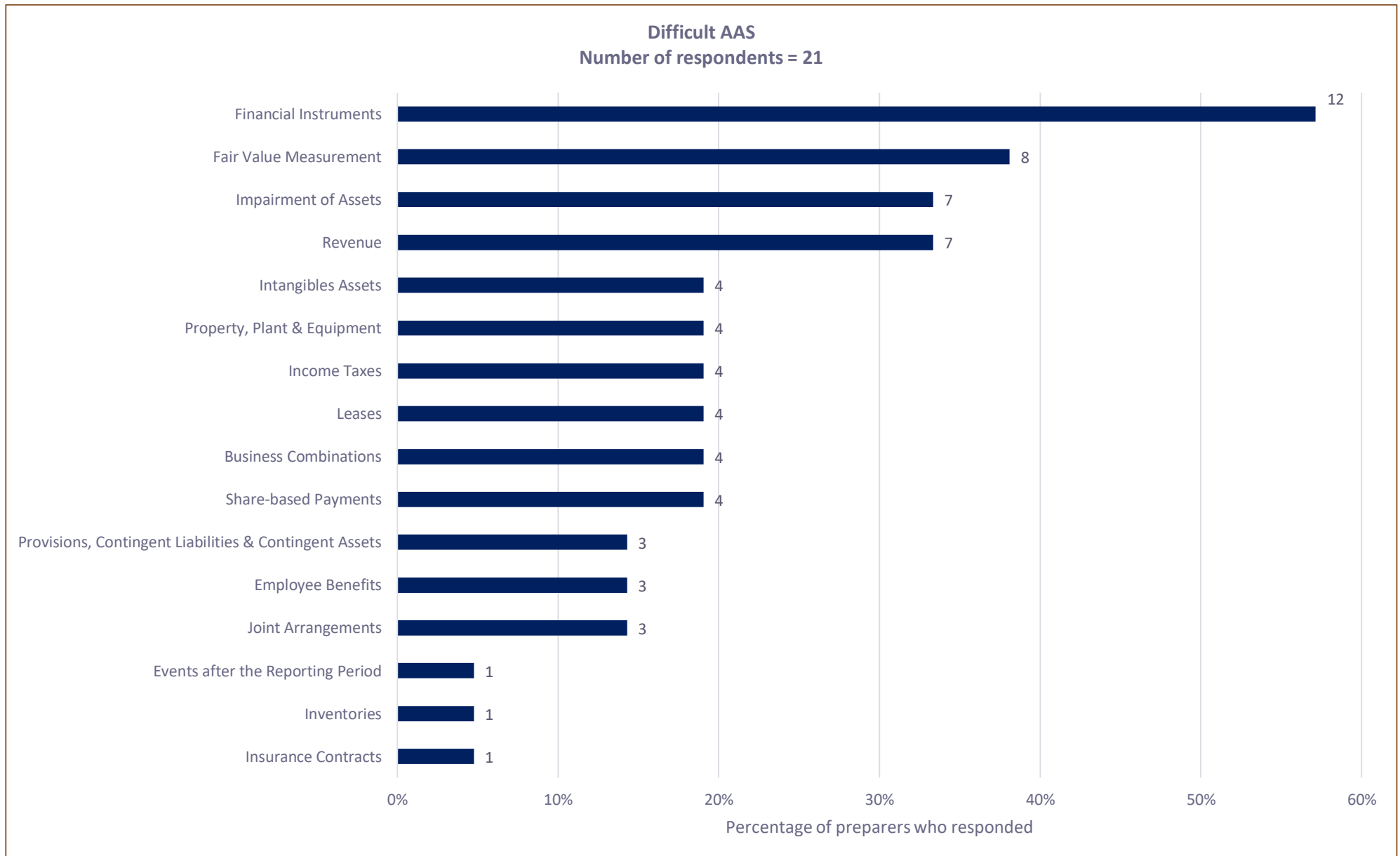
**Q2. Do you prepare Special Purpose Financial Statements (SPFS)?**



**Q3. Of the SPFS you prepare, what percentage currently comply with the recognition and measurement requirements of AAS?**



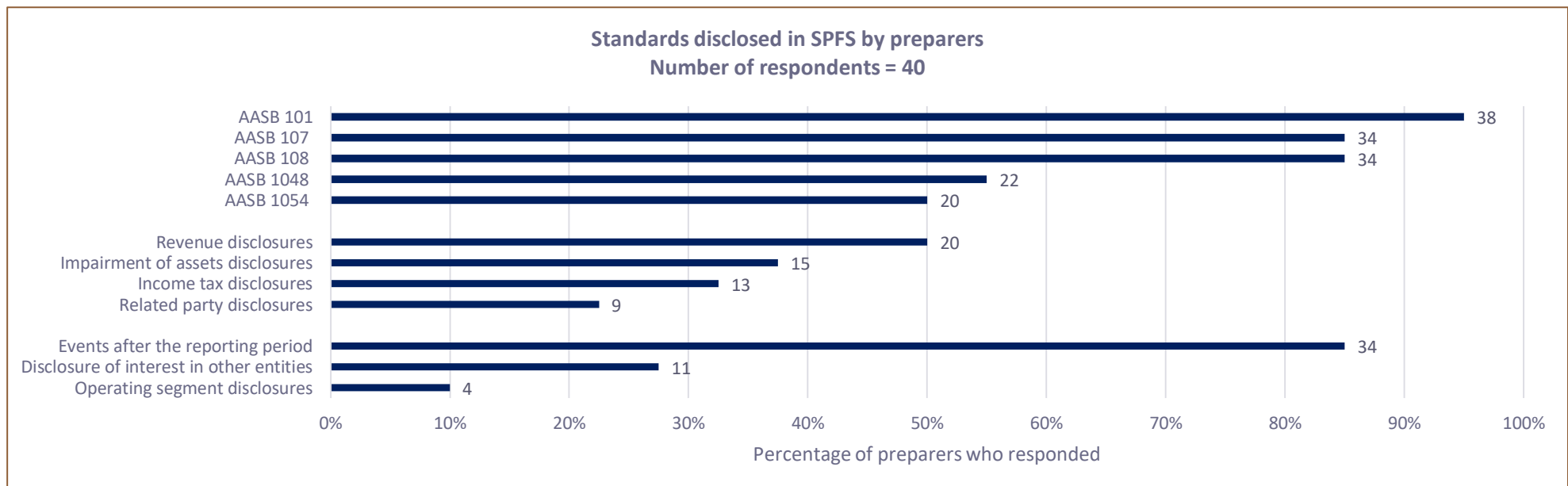
## Q4. Which of the following Standard(s) do you find more difficult to comply with?



## Q5. Please explain why you find it difficult to comply with those Standards

- The client finds them too difficult to apply.
- Cost of obtaining valuations, lack of in-house expertise, too much judgement. Pick a number out of the air.
- Because entities tend not to comply with those Standards.
- Complexity, the number of possible choices and lack of familiarity with Standards.
- Generally not well understood by bookkeepers and other staff in the organisation.
- The availability of information, assumptions, determination of interest rates and FX rates, and aligning outcomes to operational position and intent.
- Agreeing on inputs into valuations for items that are not directly saleable through Level 2 and Level 3. Accounting for embedded leases. Accounting for plainly operating leases that now need an expert in financial analysis to determine implied purchase costs, implied interest rates, and implied residuals. Looking for impairments where this data is clearly reflected in condition ratings and remaining useful lives. Inability to have a residual value where there is clear continuing economic benefits at the end of a useful life but is not saleable.
- Financial instruments can be rather complex and an impairment assessment can be rather judgmental and biased.
- Doesn't meet my entity's internal user needs.
- Practical application for those organisations that are not as clear cut as per the examples provided in the Standards. Some Standards are difficult to interpret.
- Information gaps in client records.
- Generally SPFS are prepared for funds that have private equity/infrastructure. Details are more difficult to acquire from the underlying assets.

## Q6. When preparing SPFS, what do you disclose?



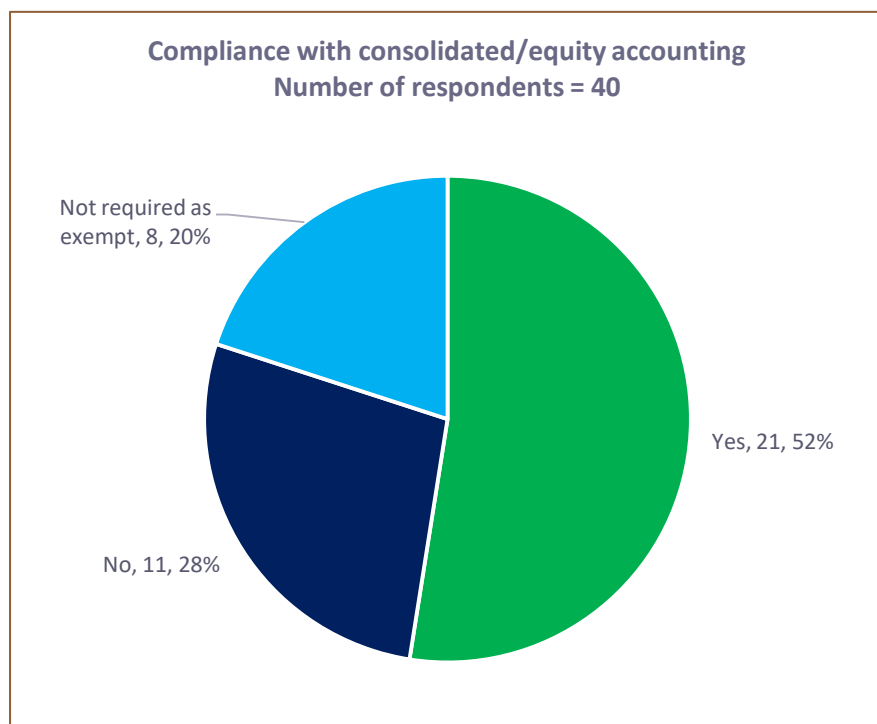
## Q7. Please outline other disclosures you think are necessary to understand financials?

Disclosures	Responses
Related party transactions / Key Management Personnel	5
Income tax	2
Commitments (including lease commitments)	2
Contingencies	2
Consolidation	1
AASB 7 – credit and liquidity risk	1
Property, plant & Equipment / Intangible assets (esp. for infrastructure companies)	1
Revenue	1
Operating Segments	1
Details of borrowing and security	1

- I think related party disclosures are necessary because they assist to provide users with transparency of relationships and transactions which may not be at an arm's length.
- Key management personnel compensation disclosures allow more transparency.
- Reconciliation of accounting profit to the tax expense and an analysis of tax expense between current and deferred tax are useful
- Contingencies and commitments disclosures as they reflect potential outflows arising from events during the reporting period.
- Consolidation - if applicable for the company, and unless the exemption for publically available consolidated parent accounts is met. Consolidation provides key information about the key results and position of the entity that may not be available with subsidiaries presented at cost.
- Selected disclosures from *AASB 7 Financial Instruments: Disclosures*, particularly those around credit and liquidity risk. For some entities, this provides a key indication of the financial position of the company that users need to make informed decisions.
- Property, Plant & Equipment and intangible assets disclosures for infrastructure companies.
- Revenue, income tax and operating segments disclosures - if the number of users are large, these three would be the key focus for most users.
- Disclosures will vary according to the user and the entity itself and what assets it holds e.g. trusts will vary significantly to companies. If it is an investment entity, other relevant disclosures may be important to understand the results.
- It depends on the user, but the user generally would not require any more.



**Q8. If you are preparing financial statements for an entity with investments in subsidiaries and/or investments in associates/joint ventures, do you prepare consolidated and/or equity accounted financial statements?**



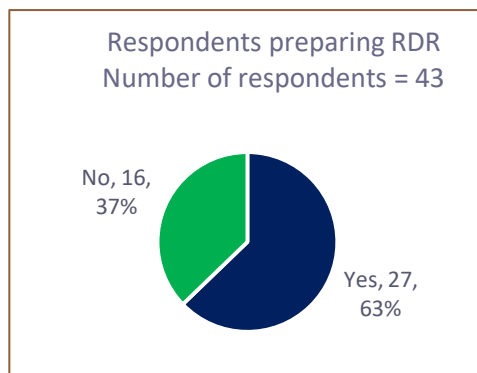
**Q9. What concerns would you have on consolidating subsidiaries and/or equity accounting associates and joint ventures**

- Time and effort and cost of preparation for intermediate holding companies, where there are no known users.
- Ascertaining the information to correctly do consolidation (e.g. purchase price allocation for prior business combinations, pre- and post-acquisition reserves). Providing consolidated accounts give competitors too much information.
- Cost of preparing consolidated financial statements versus the perceived benefits to users. Costs include additional internal reporting systems required to capture consolidated information, additional external reporting costs in preparing consolidated financial reports and additional external audit costs in auditing consolidated reports.
- For some entities consolidation and equity accounting would be meaningless and a cost burden for no value. We see the associate standard as a complete waste of time.
- Not required for tax return. Questionable value. Parent wants to see individual entity results.
- The additional work/cost required in preparing such documents for reporting purposes is a concern. Also, the users are not interested in a consolidated view (we prepare financial statements for the investors of Trusts/Funds).

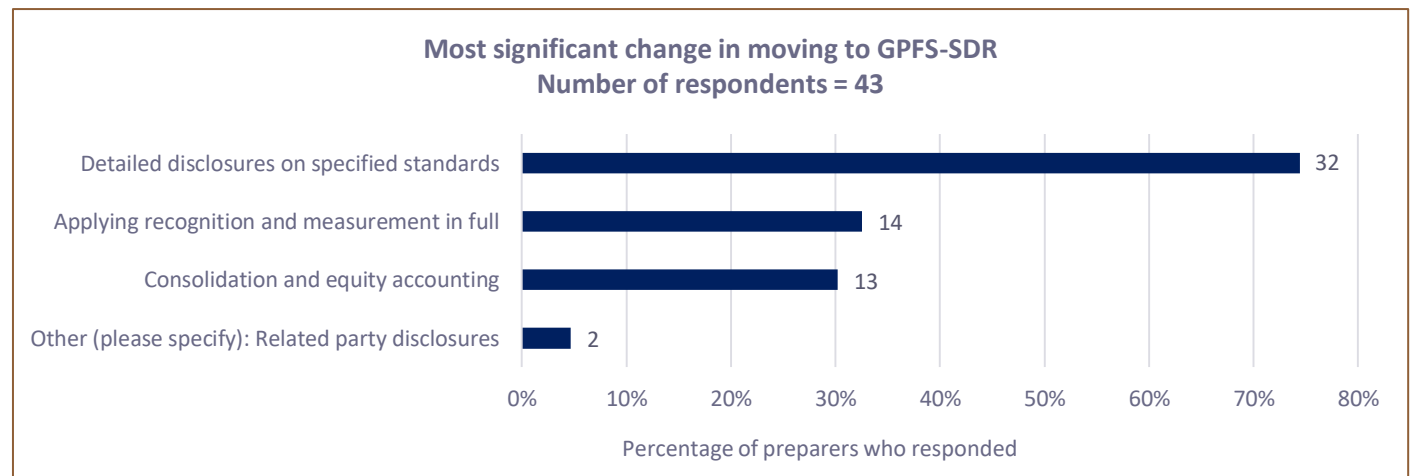
## Q10. What transitional relief do you think the AASB should apply to those entities currently not preparing consolidated/equity accounted financial statements?

- No need to put comparative information in.
- Entities which are not currently preparing consolidated reports should not be required to do so under a "grandfathering" of the changes. Entities which are newly established should apply consolidation as they will have the benefit of accepting or avoiding these additional costs as part of their business structuring conversations with advisers.
- Exemption from disclosing comparatives in the year of transition for any new disclosures.
- Modified business combination e.g. allowing difference in the investment in subsidiary and the equity in the subsidiary on transition date to be allowed to be goodwill rather than trying to establish purchase price adjustments and retrospectively establishing separable intangibles.
- To continue to prepare stand-alone financial statements over transition.
- Clarify whether consolidation of intermediate holding company accounts is required in situation where ultimate Australian parent is preparing Tier 1 GPFS. No deed of cross guarantee.
- If no users want it, you shouldn't have to consolidate

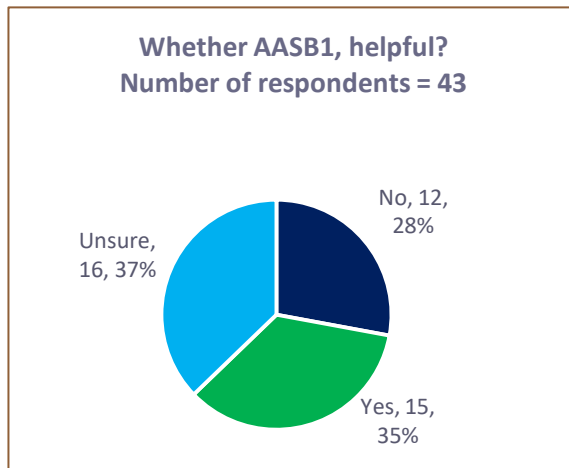
## Q11. Do you prepare Tier 2 General Purpose Financial Statements – Reduced Disclosure Requirements (Tier 2 GPFS – RDR)?



## Q12. If you are preparing GPFS – RDR and/or SPFS, what would be the most significant change/s for you in moving to GPFS – SDR?



### Q13. Would you find the transitional relief in AASB 1 First-time Adoption of Australian Accounting Standards helpful to transition to Tier 2 GPFS?



### Q14. Why do you think AASB 1 is not helpful?

- In my view, AASB 1 should not be applied where the financial statements have already been following all of the recognition and measurement requirements of AAS, just not presenting all the disclosures. I realise that the generally accepted interpretation is that AASB 1 should be applied any time financial statements first make an unreserved statement of compliance with AAS, however I do not think it should, nor should some of the transition exemptions apply, when it is only disclosures that prevented the statements being in compliance with AAS, not recognition or measurement.
- Highly lengthy and (mostly) obscure transitional requirements. For most companies, the practical approach would be to elect not to take up the "optional" transition adjustments. Furthermore, it appears most companies apply the recognition and measurement of Australian Accounting Standards, even with SPFS, such that the myriad of transition options in AASB 1 would not be helpful.
- It has little relevance to clients in small to medium enterprise who simply want to use financial statements to support business operations and decision making.
- There is limited external use of SPFS as banks could demand any information that they needed.
- We already have all information available, so may as well disclose.
- At the moment special purpose financial statements works for those who choose to adopt them and are a useful presentation of the accounts when there is limited external use. Most banks command monthly or quarterly reporting therefore to require consolidated accounts is nonsense. Any transition provisions just means a stepped approach that again adds costs to companies who will see little value to them as they are historical documents that by the time they are read is old news.
- Most clients do not understand the Standard and its implications.
- No relevant as have already transitioned to AAS.
- There is no assistance or exemptions for disclosure requirements.
- Is not sufficiently specific in providing transitional relief.
- Would still need to provide the information in the periods following transition. Causes a mismatch of expectations and procedures, which are not consistent.

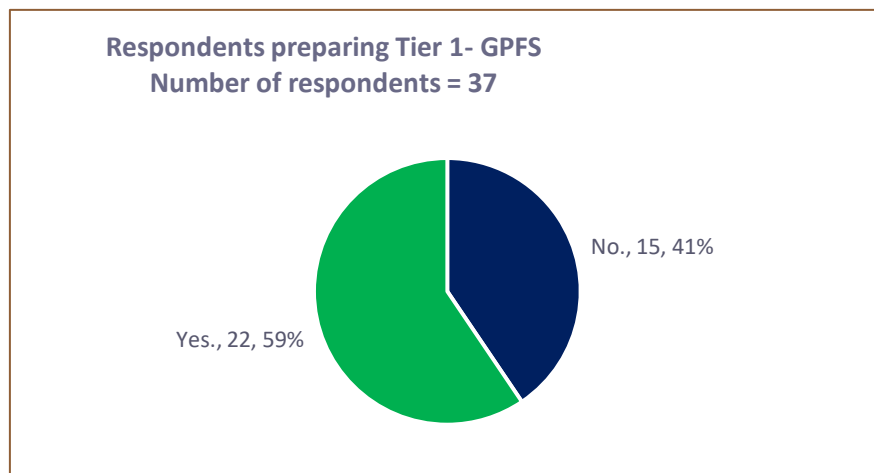
### Q15. What transitional relief other than AASB 1 would be helpful to move to GPFS – SDR?

- No comparative disclosures.
- Transition over two years.
- To continue with some reduced disclosure requirements, without a straight move into SDR.
- Consolidation relief from purchase price acquisition adjustments and requirements to separable intangibles.
- Exemption from restating prior periods.

### Q17A. What types of benefits do you think would be associated in moving to GPFS–SDR?

- Benefit is the user does not require extra disclosures.
- Easier to prepare than GPFS - RDR as SDR is a more focused approach.
- Simplified discloses relieving the burden and cost on entities.
- More disclosure of useful information but obviously a greater cost associated with it (compared to SPFS).
- Greater transparency around tax transactions and balances and better information on intercompany transactions.
- Not much. Maybe a small saving in preparing some disclosures.
- Greater consistency and transparency with GPFS Tier 1.

### Q16. Do you also prepare Tier 1 -GPFS?



## Q17B. What types of costs do you think would be associated in moving to GPFS–SDR?

- I work for a foreign owned entity and it is 100% owned by a parent entity. Moreover, disclosing more will risk giving away our confidential commercial information to our competitors
- Time taken to alter current financials to be compliant and time taken to source information for additional disclosures.
- Initially additional costs, overtime hopefully more standardisation - over long term not expecting any cost reductions (based on past/history).
- It will take time to revise the financial statements as we comply with all measurement and classification and most disclosure (except AASB 7 and related parties)
- Not much. Don't see benefit in providing full impairment disclosures or full revenue disclosures.
- Extra prep costs, time in explaining to boards, audit fees, preparation and review time and effort.
- Additional time to collate data for disclosures and prepare disclosures.
- No benefit at all. The users of our financial statements are well served by the existing disclosures. The proliferation of disclosure information gets in the way of understanding what's going for all users that are not highly financially literate, and adding more disclosure only makes them more opaque.
- Would not expect any benefits. Financials for which we already prepare Tier 1 GPFS would not change, and expanding or changing the existing RDR and SPFS financial statements would incur additional preparation costs in the first year at a minimum, without providing any real benefit.
- Application to prior year balances would be time consuming. Furthermore, some companies do not have skilled / knowledgeable finance function to be able to prepare (or even review and take responsibility for the preparation of) GPFS - SDR, particularly not-for-profit entities. There is lack of identifiable "general" users of the financial statements. For example, financial statements for an intermediate holding company that primarily holds investments in other subsidiaries and has AASB 10 exemption (but not ASIC wholly-owned company relief) would not be useful to users other than regulatory bodies (such as ASIC).
- It would be a significant cost to transition to this new regime without any real or significant benefits to small business clients.
- The process for consolidation or equity accounting would certainly increase costs at no benefit to anyone.
- Increase in cost to prepare and adding information even though users of previous SPFS would not need this information.
- Not Applicable - The Fair Work (Registered Organisations) Act does not allow for the preparation of GPFS-SDR.
- At the moment, leases are shown as an operating expense, and a clear cash outflow. I find there would be additional costs in artificially increasing assets by the same amount as liabilities with little change to the operating expenditure that is now shown in two places (finance costs and depreciation) rather than the one line, that is then reversed out in a cash flow statement back to what the initial operating leases payments were, combined with the additional disclosures that were so simply described and accounted for before.
- I agree with having the one reporting entity definition but to simplify it. Otherwise difficult application of this will make it hard for organisations to comply and hence create an even bigger disparity in our financial statements across all the varying types of entities.
- Large private companies currently using SPFS would be forced to disclose more.

## Q18. If you have any other alternatives for the AASB to consider as a GPFS Tier 2, please suggest them here?

- I think the GPFS Tier 2 is the best outcome that can be managed given the need to move away from SPFS.
- Just allow plenty of time for transition
- None - I think that SDR is a good alternative
- Using the existing RDR framework, but using the opportunity to reassess the RDR disclosures and whether to remove or add particular requirements.
- Less disclosures compared to the full GPFS, clear Tier 2 entities that can fall under this category
- Either keep RDR and special purpose, or keep RDR and have third 'tier' that's like ASIC's guide. A lot of time goes into preparing disclosures for no real benefit, especially for proprietary companies
- Not to allow SDR. There is already enough problem remembering what needs to disclose in GPFS Tier 1 compared to Tier 2 RDR. To add another Tier 2 framework (i.e. SDR) would add confusion. If scrapping SPFS then suggest going directly to RDR and not introduce a 3rd level of disclosure. Also consider limited measurement exemptions e.g. investments being allowed to be at cost rather than fair value when cost exceed benefit.
- IFRS for SMEs
- Remain with SPFS, but insist that the numbers must comply with IFRS in terms of recognition, measurements and classification, even though the disclosure requirements are not fully complied with.
- Allow SPFS, but stipulate certain generic Standards which must be complied with such as AASB 101 *Presentation of Financial Statements*. Remembering that organisations which produce SPFS do not have users who rely on them to make investment decisions. The concept of true and fair must still be adhered to.
- The current reporting regime should remain.
- Extend exemptions to wholly owned groups that don't have a deed of cross-guarantee but do prepare Tier 1 GPFS for the ultimate Australian parent.
- Consider application and adaption of UK company law and associated regulations (e.g. "micro-sized" and "small" and "medium" company financial statement / filing exemptions), or NZ's new differential reporting regime.

## 19. Additional comments

- Advice as to the timing of the changes would be appreciated by those in the sector.
- It appears that the detailed disclosures being suggested for SDR align with ASIC's current focus areas. If ASIC has a new focus in years to come, will SDR be expanded to cover that? What is to stop ASIC declaring that all financial statement areas currently covered by Tier 1 GPFS are focus areas, resulting in Tier 2 effectively mirroring Tier 1 GPFS?
- It's time that accounting standards and requirements fit the purpose of preparers and users. We need accounts that make sense rather than theoretical nonsense.
- I can only see costs but no benefits in increasing any disclosures, since my numbers are already complying with all the recognition, measurement and classification requirements of IFRS.
- No SDR. Get everyone to do RDR with a transitional first year exemption on comparative disclosures.
- There is such great variety of practice in preparing SPFS, that some clarity and consistency is needed. However, it needs to be done in a way that the costs don't outweigh the benefits, and comes with a good amount of education.
- We are happy with the current reporting framework. SPFS do not impair accountability and transparency. User needs are more important than compliance.

# Appendix C: User Survey questionnaire

## Survey: Understanding the requirements of readers of for-profit entities' financial statements

This AASB survey forms part of the **AASB's Consultation Paper Invitation to Comment [ITC 39](#) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems***. It will assist the AASB identify users of financial statements and how best to meet the financial information needs of those users.

Your responses will contribute to the Revised Conceptual Framework.

This survey will take approximately 10-15 minutes to complete and consists of multiple choice questions and rating/ranking questions on a scale in the boxes provided. Commentary boxes are provided where further explanations may be useful.

The results of this survey will be published on the website of the AASB. However, respondents' details will be kept anonymous. We will provide preliminary findings from this survey in our upcoming September 2018 roundtables and a final report will be issued later this year.

### Section A: Your profile

**\*Q1 Have you - or do you intend to - read financial statements?**

- Y  
 N

**\*Q2 What type of user are you? *Select all that apply***

- Academic/Researcher  
 Analyst (go to q3)  
 Competitor (of another entity) (go to q3)  
 Creditor/Lender/Banker (go to q3)  
 Employee (go to q3)  
 Insurer (go to q3)  
 Investor (go to q3)  
 Journalist /Reporter  
 Rating Agency (go to q3)  
 Regulator/Government Agency (go to q3)  
 Venture Capital Provider (go to q3)  
 Other (please specify) (go to q3)
- 

**\*Q3 For the purpose of this survey, what organisation do you represent (if any)?  
*Please specify***

---

**\*Q4 What level of experience do you have with respect to reading financial statements?**

- Basic awareness  
 Novice  
 Intermediate  
 Advanced  
 Expert



**\*Q5 Tell us which of the following entities' financial statements you read? Select all that apply**

- Large proprietary companies
- Limited partnerships
- Listed companies
- Public companies limited by guarantee
- Registered managed investment schemes
- Small foreign controlled proprietary companies
- Unlisted public companies
- Other (specify)

**Section B: Your current experience with financial statements**

**\*Q6 What is most important to you as a user of financial statements (rank 5=most useful, 4=useful, 3=neutral, 2=not useful and 1=least useful)?**

- Comparability of recognition and measurement
- Comparability of disclosures
- Transparency (e.g. material and key transactions/issues are disclosed)
- Comprehensibility of information presented (i.e. simple, unambiguous, easy to understand etc)
- Consistency from period to period
- Audited or reviewed by external auditors

**\*Q7 What do you generally use financial statements for? Select all that apply**

- To assess whether an entity is meeting its obligations in contributing to society
- To assess whether an entity is paying the appropriate amount of tax
- To assist in making equity/debt investment decisions
- To assist in making lending decisions
- To ensure that an entity has audited financial statements that comply with their regulatory requirements
- To extract data for research, decision-making and/or on-selling information (e.g. credit agencies)
- To make decisions on whether to provide/supply goods or services
- To obtain information on a competitor's performance
- To understand the security of my job as an employee
- To monitor/assess those responsible for governance/management
- Other (please specify)

**\*Q8 How useful do you find the following items in making decisions? Rank in order 1-6 where 6=most useful; 1 being least useful**

- Advisors' reports
- Management commentary and analysis including the Directors' Report
- Other Reporting (including strategy, risk, non-financial performance measures, integrated reporting, sustainability reporting etc)
- Primary financial statements (Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows) and the Notes to the Financial Statements
- Results Announcements and Investor Presentations
- The media

### Section C: Your current experience with specific types of financial statements

This section of the survey explores participants' use of the following types of financial statements:

Type of financial statement	Complies with:
Tier 1 General Purpose Financial Statements (Tier 1 GPFS)	<ul style="list-style-type: none"> <li>• Recognition and measurement with all applicable Australian Accounting Standards (AAS)</li> <li>• All applicable disclosure requirements</li> </ul>
Tier 2 General Purpose Financial Statements – Reduced Disclosure Requirements (Tier 2 GPFS - RDR)	<ul style="list-style-type: none"> <li>• Recognition and measurement with all applicable AAS</li> <li>• Reduced disclosure requirements</li> </ul>
Special Purpose Financial Statements (SPFS)	<ul style="list-style-type: none"> <li>• Minimum requirements set out in ASIC's Regulatory Guide RG 85 Reporting requirements for non-reporting entities:                             <ul style="list-style-type: none"> <li>○ Recognition and measurement with all applicable AAS</li> <li>○ Five mandatory AASB 101 <i>Presentation of Financial Statements</i>, AASB 107 <i>Statement of Cash Flows</i>, AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, AASB 1048 <i>Interpretation of Standards</i>, AASB 1054 <i>Australian Additional Disclosures</i></li> </ul> </li> </ul>

**\*Q9 What percentage of the financial statements you read are Tier 1 General purpose financial statements (Tier 1 GPFS)?**

- 0%  
 0-25%  
 25-50%  
 50-75%  
 75-100%

**\*Q10 What percentage of the financial statements you read are Tier 2 General purpose financial statements – Reduced Disclosure Requirements (Tier 2 GPFS - RDR)?**

- 0%  
 0-25%  
 25-50%  
 50-75%  
 75-100%

**\*Q11 What percentage of the financial statements you read are special purpose financial statements (SPFS)?**

- 0% (if selected go to x)  
 0-25%  
 25-50%  
 50-75%  
 75-100%

In Australia, Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* - and some of the Australian Accounting Standards (AAS) - define the term reporting entity.

Using SAC 1, entities self-assess what type of financial reporting is required when legislation or otherwise (ie such as a constitutional document) requires the preparation of financial statements in accordance with AAS. Entities that have self-assessed as reporting entities prepare general purpose financial statements (GPFS) and entities that have self-assessed that they are not reporting entities may elect to prepare special purpose financial statements (SPFS).

Based on [AASB Research Report 1 Application of the Reporting Entity Concept and Lodgement of Special Purpose Financial Statements](#) (June 2014), of the entities sampled that prepared SPFS roughly:

- 60% stated compliance with recognition and measurement of AAS;
- 19% stated recognition and measurement of AAS had not been applied; and
- it was not clear what the remaining 21% had done.

The AASB is currently undertaking further research using the latest financial statements submitted to the Australian Securities and Investment Commission (ASIC) and the Australian Charities and Not-for-profits Commission to assess the application of recognition and measurement and disclosure of AAS.

**\*Q12 You've indicated that you read SPFS. In these, how often were the recognition and measurement requirements of AAS applied?**

- Always
- Usually
- About half the time
- Seldom
- Never

**\*Q13 Do you think that entities preparing SPFS are applying the recognition and measurement requirements of AAS consistently?**

- Yes
- No (if selected go to 14)
- Unsure

**\*Q14 If not all entities preparing SPFS are consistently applying the recognition and measurement requirements of AAS – is it an issue that needs to be addressed?**

- Yes
- No (if no go to 15)

**\*Q15 Why don't you think this issue needs to be addressed?**

**\*Q16 Are you satisfied with the information presented in the following financial statements?**

- Tier 1 GPFS (Yes / No/ N/A)
- Tier 2 GPFS-RDR (Yes / No/ N/A)
- SPFS (Yes / No/ N/A)

**Q17 If you answered ‘no’ to the options presented in the previous question, please select the following reasons as to why you are not satisfied? (Select all that apply)**

- It is unclear if the entity has applied recognition and measurement requirements of the Australian Accounting Standards
- The information I need is outside financial statements (e.g. integrated reporting)
- The information presented in financial statements does not facilitate comparability between similar entities
- There are not enough disclosures
- There are not enough disclosures on key risk and benefits
- There are not enough related party disclosures
- There is not enough remuneration information on key management personnel (e.g. Senior Executives)
- N/A – I am satisfied with the information presented in financial statements
- Other (Please specify)

**Section D: AASB proposed solution to the options of removing SPFS**

The AASB’s two-phased approach to applying the IASB’s revised *Conceptual Framework* in Australia would result in the end of the ability for entities required to prepare financial statements in accordance with AAS from preparing SPFS. It will result in two robust tiers of GPFS:

- Tier 1 GPFS for all publicly accountable entities and those that voluntarily prepare Tier 1 GPFS. This framework is IFRS-compliant.
- Tier 2 GPFS for all other entities. This tier will consist of either the existing Tier 2 GPFS Reduced Disclosure Requirements (GPFS – RDR) or a new Tier 2 GPFS Specified Disclosure Requirements (GPFS –SDR) depending on the outcome of the Consultation Paper.

The following table illustrates the difference between the existing Tier 2 GPFS - RDR framework and the proposed new Tier 2 GPFS – SDR:

Tier 2 GPFS – RDR	Tier 2 GPFS - SDR
Full recognition and measurement requirements of Australian Accounting Standards	Full recognition and measurement requirements of Australian Accounting Standards
Consolidation of subsidiaries (and equity accounting) if applicable under Australian Accounting Standards	Consolidation of subsidiaries (and equity accounting) if applicable under Australian Accounting Standards
Reduced disclosure requirements (reduced disclosures specified within all Australian Accounting Standard)	<p>Disclosures in full from the following Australian Accounting Standards currently required by ASIC’s Regulatory Guide RG 85 <i>Reporting requirements for non-reporting entities</i></p> <ul style="list-style-type: none"> <li>• AASB 101 <i>Presentation on Financial Statement</i></li> <li>• AASB 107 <i>Statement of Cash Flows</i></li> <li>• AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i></li> <li>• AASB 1048 <i>Interpretation of Standards</i></li> <li>• AASB 1054 <i>Australian Additional Disclosures</i></li> </ul> <p>Disclosures in full from the following Australian Accounting Standards:</p> <ul style="list-style-type: none"> <li>• Related Party Disclosures</li> <li>• Impairment of Assets</li> <li>• Revenue</li> <li>• Income Taxes</li> </ul>

**\*Q18 Do you think the proposed Tier 2 GPFS-SDR framework would provide sufficient and appropriate financial reporting information for your needs?**

- Yes
- No, it needs additional information
- Unsure

**\*Q19 Please rank the extent you would use the following. (Where 1 = seldom, 4 = always)**

- Impairment of asset disclosures
- Income tax disclosures
- Related party disclosures
- Revenue Disclosures

**\*Q20 Please specify any other disclosures (if any) not listed in the question above that you would find very useful**

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**\*Q21 Which of the following GPFS would you prefer for all entities (that are not publicly accountable for-profit entities) required by legislation or otherwise to prepare financial statements in accordance with AAS?**

- Tier 1 GPFS
- Tier 2 GPFS-RDR (as specified)
- Tier 2 GPFS-SDR (as specified)
- A combination of Tier 2 GPFS- RDR and Tier 2-SDR.
- Other (please specify)

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**\*Q22 Please add any additional comments here.**

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**\*Q23 Are you happy for us to contact you in the future to gain further information?**

- Yes (if yes go to Q24)
- No (if no end survey)

**\* Q24 Please provide the following contact information?**

Name \_\_\_\_\_  
Position/s: \_\_\_\_\_  
Email \_\_\_\_\_  
Telephone number \_\_\_\_\_

# Appendix D: Preparer Survey questionnaire

## Survey: Exploring financial statements prepared in Australia

This AASB survey forms part of the AASB's Consultation Paper Invitation to Comment [ITC 39](#) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*. It will assist the AASB to better understand the financial statements currently being prepared in Australia to feed into the analyses put forward in ITC 39.

This survey aims to explore:

- what is currently being prepared for Special Purpose Financial Statements (SPFS)
- the impact the proposals may have on preparers of both SPFS *and* General Purpose Financial Statements – Reduced Disclosure Requirements.

This survey will take approximately 10-15 minutes to complete and consists of multiple choice questions and rating/ranking questions on a scale in the boxes provided. Commentary boxes are provided where further explanations may be required.

Your response will contribute to the Revised Conceptual Framework project with the survey results to be published on the AASB website. Respondents' details will be kept anonymous. Preliminary findings will be shared at roundtables in September 2018, with a final report to be published later this year.

### Section A:

#### \*Question 1

**Are you required by legislation or otherwise (eg constitutional documents) to prepare financial statements in accordance with the Australian Accounting Standards (AAS)?**

Yes (Next Question)

No (If selected end of survey)

#### \*Question 2

**Do you prepare Special Purpose Financial Statements (SPFS)?**

Yes (Next question)

No (If selected go to Q11)

### Section B: This section of the survey relates to the SPFS you are currently preparing.

#### \*Question 3

**Of the SPFS you prepare, what percentage currently comply with the recognition and measurement requirements of AAS?**

0-25%

25-50%

50-75%

75-99%

100% (If selected go to Q6)

**\*Question 4**

**Which of the following Standard/s do you find more difficult to comply with? (Select all that apply.)**

**(Select all that apply.)**

- Share-based Payments
- Business Combinations
- Financial Instruments
- Joint Arrangements
- Fair Value Measurement
- Revenue/Contributions (where applicable)
- Leases
- Insurance Contracts
- Inventories
- Events after the Reporting Period
- Income Taxes
- Property, Plant & Equipment
- Employee Benefits
- Impairment of Assets
- Provisions, Contingent Liabilities & Contingent Assets
- Intangibles Assets

**Question 5**

**Please explain why you find it difficult to comply with those standards.**

\_\_\_\_\_

**\*Question 6**

**When preparing SPFS, do you disclose the following? (Select all that apply.)**

**(Select all that apply.)**

- AASB 101 Presentation of Financial Statements
- AASB 107 Statement of Cash Flows
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 1048 Interpretation of Standards
- AASB 1054 Australian Additional Disclosures
- Related party disclosures
- Income tax disclosures
- Impairment of assets disclosures
- Revenue disclosures
- Operating segment disclosures
- Disclosure of interest in other entities
- Events after the reporting period

**Question 7**

**Please outline any other disclosure/s you think are necessary for users to understand and why? \_\_\_\_\_**

**\*Question 8**

**If you are preparing financial statements for an entity with investments in subsidiaries and/or investments in associates/joint ventures, do you prepare consolidated and/or equity accounted financial statements?**

(Unless exempted from AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*, eg if your ultimate Australian parent prepares consolidated and/or equity accounted financial statements.)

- Yes (If selected go to Q11)
- No (If selected go to the next question)
- Not required as exempt under AASB 10 and/or AASB 128. (If selected go to Q11)



**\*Question 9**

What concerns would you have on consolidating subsidiaries and/or equity accounting associates and joint ventures? \_\_\_\_\_

**\*Question 10**

**What transitional relief do you think the AASB should apply to those entities currently not preparing consolidated/equity accounted financial statements? (Please provide examples/explanation where possible.)**\_\_\_\_\_

The AASB's two-phased approach to applying the IASB's revised *Conceptual Framework* in Australia would result in the removal of the ability for entities required to prepare financial statements in accordance with AAS from preparing SPFS.

It will result in two robust tiers of GPFS (General Purpose Financial Statements):

- **Tier 1 GPFS** for all publicly accountable entities and those that voluntarily prepare Tier 1 GPFS. This framework is IFRS-compliant.
- **Tier 2 GPFS** for all other entities. This tier will consist of either the existing Tier 2 GPFS Reduced Disclosure Requirements (GPFS – RDR) or a new Tier 2 GPFS Specified Disclosure Requirements (GPFS –SDR) depending on the outcome of the Consultation Paper.

The following table illustrates the difference between the existing Tier 2 GPFS - RDR framework and the proposed new Tier 2 GPFS - SDR.

Tier 2 GPFS – RDR	Tier 2 GPFS – SDR
Full recognition and measurement requirements of Australian Accounting Standards.	Full recognition and measurement requirements of Australian Accounting Standards.
Consolidation of subsidiaries (and equity accounting) if applicable under Australian Accounting Standards.	Consolidation of subsidiaries (and equity accounting) if applicable under Australian Accounting Standards.
Reduced disclosure requirements (reduced disclosures specified in all Australian Accounting Standards).	Disclosures in full for the following AAS currently required by ASIC's Regulatory Guide RG 85 Reporting requirements for non-reporting entities and s60.30 of the ACNC Regulations: <ul style="list-style-type: none"> <li>• AASB 101 <i>Presentation on Financial Statement</i></li> <li>• AASB 107 <i>Statement of Cash Flows</i></li> <li>• AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i></li> <li>• AASB 1048 <i>Interpretation of Standards</i></li> <li>• AASB 1054 <i>Australian Additional Disclosures</i></li> </ul> And disclosures in full for the following Australian Accounting Standards: <ul style="list-style-type: none"> <li>• Related Party Disclosures</li> <li>• Impairment of Assets</li> <li>• Revenue</li> <li>• Income Taxes.</li> </ul>

**\*Question 11**

**Do you prepare Tier 2 General Purpose Financial Statements – Reduced Disclosure Requirements (Tier 2 GPFS – RDR)?**

Yes

No



**Section C: This section of the survey relates to the impact the proposals may have on entities and what transitional relief may be useful.**

**\*Question 12**

**If you are preparing GPFS – RDR and/or SPFS, what would be the most significant change/s for you in moving to GPFS – SDR?**

*(Please provide answers specific to each type of report you prepare.)*

- Detailed disclosures on specified standards.  
 Applying recognition and measurement in full.  
 Consolidation and equity accounting.  
 Other (please specify): \_\_\_\_\_

AASB 1 *First-time Adoption of Australian Accounting Standards* applies when an entity first adopts AAS. The standard contains transitional relief to ensure an entity's first Australian-Accounting-Standards financial statements:

- is transparent for users and comparable over all periods presented;
- provides a suitable starting point for accounting in accordance with AAS; and
- can be generated at a cost that does not exceed the benefits.

**\*Question 13**

**Would you find the transitional relief in AASB 1 *First-time Adoption of Australian Accounting Standards* helpful?**

*(When moving from GPFS – RDR to GPFS – SDR and/or when moving from SPFS to Tier 2 GPFS.)*

- Yes (If selected go to Q15)  
 No (If selected go to the Next Question)  
 Unsure (If selected go to Q15)

**Question 14**

**Why do you think AASB 1 is not helpful? (Please provide examples/explanation where possible.)** \_\_\_\_\_

**\*Question 15**

**What transitional relief other than AASB 1 would be helpful to move to GPFS – SDR?**

*(Please provide examples/explanation where possible.)* \_\_\_\_\_

**\*Question 16**

**Do you also prepare Tier 1 GPFS?**

- Yes  
 No

**\*Question 17**

**What types of costs/benefits do you think would be associated in moving to GPFS –SDR?**

*(Please provide examples/explanation specific to the types of reports you prepare.)* \_\_\_\_\_

**\*Question 18**

**If you have any other alternatives for the AASB to consider as a GPFS Tier 2, please suggest them here** \_\_\_\_\_

**Question 19**

**Please add any comments here** \_\_\_\_\_