



Australian Financial Reporting Framework

Project summary

The objective of the project is to clarify and simplify the Australian financial reporting framework, in conjunction with government policymakers and regulators. The aim is to develop objective criteria to determine which entities should be required to prepare and lodge financial statements and the financial reporting requirements that would apply to the financial statements (perhaps even a simplified Tier 3). The criteria should ensure that only those entities that should prepare general purpose financial reports are identified as public lodgers.

The focus of this project has been on charities with the publication of the Discussion Paper, Research Report No 5 and extensive outreach in late-2017. The project resources going forward will now be focused on the public and private sector aspect of this Project. The public sector research paper and consultation will be finalised by April 2018. The Research Paper on for-profit private sector has commenced in preparation for the Consultation Paper on the forthcoming revised *Conceptual Framework*. The AASB will continue charity outreach throughout 2018.

Project contacts

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Project priority: High

Issued documents

- Research Report No.5 *Financial Reporting Requirements Applicable to Charities*
- AASB Discussion Paper: *Improving Financial Reporting for Australian Charities*

AASB outreach

- AASB Outreach: Australian Reporting Framework – Charities
- Roundtable sessions (NFP private)
- Roundtable sessions (NFP public)

Other

- Link to FRC Taskforce Report

Board deliberations

- AASB Action Alert Update and AASB Board papers

AASB communications

- Differential Reporting Project Update (January 2015)
- RDR Project Summary
- Conceptual Framework
- Differential Reporting Project Update (January 2015)

Project status

- Finalising Research Report for the public sector
- Drafting Discussion Paper for the public sector
- Drafting Research Paper for the for-profit private sector
- Finalising Staff Paper on Comparison of Accounting Standards for Smaller Entities
- Drafting Research Paper on Consolidation and Individual Financial Statements

Latest project news

Date	News
23 March 2018	March 2018 Action Alert
14 February 2018	February 2018 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **09 April 2018**

AASB Action Alert Update and Board Papers

Meeting Date	Update
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March 2018	Australian Financial Reporting Framework – Public Sector
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The Board decided that the range of options for improving the financial reporting framework applicable to public sector entities for inclusion in its forthcoming Discussion Paper should include another option that would not require all local governments to prepare Tier 1 general purpose financial statements.

The Board also review a near-final draft Research Report that sets out the current financial reporting requirements for public sector entities in Australia and other major jurisdictions overseas. The Research Report will provide context for the Discussion Paper and will be published shortly.

6.0 Cover Memo – Financial Reporting Framework – Public Sector Entities

6.1 AASB Staff Research Report No.X *Financial Reporting Requirements for Public Sector Entities*

6.2 Discussion Paper – *Possible options for Improving the Financial Reporting Requirements for Australian Public Sector Entities*

February 2018	Australian Financial Reporting Framework – Public Sector
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The Board approved the scope and overall approach of the Research Report and the Discussion Paper addressing financial reporting requirements for public sector entities. The Board discussed the options to be presented in the Discussion Paper for revised public sector reporting requirements. The draft publications will be further considered by the Board before they are finalised for publication.

3.0 Cover Memo – Financial Reporting Framework

3.1 Draft Research Report No.X *Financial Reporting Requirements for Public Sector Entities*

December 2017	Financial Reporting Framework
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The Board will provide the summary of the feedback from the outreach sessions held in November regarding the financial reporting framework for charities to the ACNC legislative review.

8.0 Cover Memo – Financial Reporting Framework

8.1 Staff Collation of Feedback from Outreach Sessions – Improving the financial reporting framework for Australian charities

The Board approved the project plan for considering the financial reporting framework for public sector entities, with minor amendments. The Board also supported a field work proposal from an academic research group as the research may help inform decisions about the reporting framework.

8.2 Project plan for the Financial Reporting Framework for public sector entities

8.3 Staff Paper – Research Project Facilitation

AASB Action Alert Update and Board Papers

Meeting Date	Update
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October 2017	Australian Financial Reporting Framework – Draft Consultation Paper on Charities
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The Board provided feedback on a draft Consultation Paper to improve the financial reporting framework for charities. The Board noted the Consultation Paper is to assist charities to provide input to the legislative review of the ACNC, commencing 3 December 2017. Accordingly regulators including the ACNC and relevant State regulators will be engaged to participate in the consultation process. The Board is particularly interested in consulting with users of charity financial statements.

7.0 Cover Memo Australian Financial Reporting Framework

7.1 AASB Research Report No X Financial Reporting Requirements for Charities – an Intranational and International Comparison [WORKING DRAFT]

August 2017	Australian Financial Reporting Framework – Draft Research Report on Charities
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Staff provided a progress report on the AASB Research Report on financial reporting requirements for charities. The Board decided the research to date was sufficient as a basis for identifying (a) issues with the current reporting framework in Australia for charities and (b) the findings and implications from the research relevant to improving the reporting framework. Accordingly, the Board decided the Research Report (together with an executive summary) should be published as soon as possible. The Research Report will provide a context for the subsequent Consultation Paper on possible options for improving the financial reporting framework applicable to charities registered with the Australian Charities and Not-for-profits Commission (ACNC), an early draft of which was also discussed by the Board (see below).

Australian Financial Reporting Framework – Draft Consultation Paper on Charities

In relation to the Consultation Paper referred to above, the Board decided:

- (a) the Paper should clearly explain the basis for considering changing the current financial reporting framework for charities and the respective roles of the AASB and regulators in developing a revised framework;
- (b) to issue the Paper to enable adequate input into the legislative review of the ACNC, which is due to commence in December; and
- (c) key stakeholders should be engaged early in the process, with outreach planned jointly with the ACNC to discuss possible options for improving the framework.

The Board and the ACNC Commissioner, Susan Pascoe, agreed the ACNC should have significant input into the Paper.

4.0 Cover Memo Australian Financial Reporting Framework

4.1 WORKING DRAFT AASB Research Report No. X Financial Reporting Requirements for Charities – an Intranational and International Comparison

June 2017	
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The Board noted progress on the staff's NFP benchmarking report "Reporting Requirements for Not-for-Profit Entities – An International Comparison" as well as a revised plan for this part of the project. A consultative document will also be developed to facilitate discussions on reporting thresholds and requirements for not-for-profit entities.

AASB Action Alert Update and Board Papers

Meeting Date	Update
	<u>6.0</u> Staff Paper: Not-for-profit private sector benchmarking report
May 2017	The Board considered an updated project plan. In particular, staff will work in conjunction with other key regulatory bodies and stakeholders to determine user needs for information and to consider the costs and benefits of the financial reporting requirements for all Australian entities. Extensive research work, including comparing the existing reporting requirements with other jurisdictions, and consultation activities are underway to better understand and assess the criteria for determining (a) which entities are required to prepare general purpose financial reports and (b) the reporting requirements applicable to entities.
	<u>7.1</u> Staff Paper: Australian Financial Reporting Framework
June 2016	Staff outlined the continuing development of benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will provide a basis for further consultation with regulators and other stakeholders. No decisions were made.
	<u>7.0</u> Cover memo – Australian Financial Reporting Framework
	<u>7.2</u> Updated project plan
April 2016	Staff outlined the continuing work to develop benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will support further consultation with regulators and other stakeholders. No decisions were made.
February 2016	The Board supported the general view expressed at roundtables held in January that there is scope for improving the application of financial reporting requirements for not-for-profit entities in the private and public sectors. The roundtables discussed many aspects, including reporting thresholds and the possibility of adding a third tier of reporting requirements. Summaries of the roundtable discussions will be published on the AASB website. The Board noted the importance of ongoing consultation with a broad range of stakeholders as the project progresses. No decisions were made.
	<u>9.0</u> Memorandum – Financial Reporting Framework
	<u>9.3</u> Extracts from the Final Report of the Royal Commission into Trade Union Governance and Corruption relating to financial reporting by trade unions
December 2015	The Board received an update on the project addressing the Australian financial reporting framework in terms of which entities should prepare and lodge general purpose financial statements and the content of such financial statements. No decisions were made.
	<u>7.1</u> Staff Paper – Financial Reporting Framework
October 2015	<i>Project Plan</i> The Board noted an updated plan for the project to reconsider the Australian financial reporting framework in terms of which entities should prepare financial statements and the content of those financial statements. <i>Benchmarking Research Report</i> The Board suggested that the draft benchmarking report on thresholds for public lodgement of financial statements (for for-profit private sector entities) better identify how it fits into the broader financial reporting framework project. The Board also requested staff to

AASB Action Alert Update and Board Papers

Meeting Date

Update

investigate the feasibility of including non-corporate for-profit entities within the scope of the report.

Consultation Paper Outline

The Board also commented on a draft outline for a consultation paper on the corporate reporting framework that is to be developed in conjunction with the Commonwealth Treasury.

14.0 Memorandum – Financial Reporting Framework

14.1 Staff Paper – Benchmarking Thresholds, For-Profit Entities

14.2 Draft Benchmarking Report: private sector, for-profit entities

14.3 Project Plan

14.4 Staff Paper – Corporate Consultation Paper Outline

May 2015

The Board supported the project to reconsider the Australian financial reporting framework in terms of which entities should prepare financial statements and the content of those financial statements. The overall aim of the project is to clarify and simplify the financial reporting framework, so that objective criteria determine the entities required to prepare general purpose financial statements. The project will cover both corporate and non-corporate entities, in conjunction with government policymakers and regulators.

The Board noted the project plan, which encompasses the work to reconsider the reduced disclosure requirements for Tier 2 entities (see separate item) and raises the possibility of a third tier of reporting requirements.

11.1 Memorandum – Financial Reporting Framework

11.2 Project Plan
