



<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	16 November 2011
<b>From:</b>	<b>Ahmad Hamidi</b>	<b>Agenda Item:</b>	16.1
<b>Subject:</b>	<b>Progress report on the Differential Reporting Research Project</b>	<b>File:</b>	P 52

## Action

Note a third progress report on the differential reporting research project from the research contractors.

## Background

ED 192 *Revised Differential Reporting Framework* included proposals for:

- establishing a second tier for general purpose financial statements (GPFs) comprising Reduced Disclosure Requirements; and
- changing the focus of application of Standards from reporting entity to GPFs and clarifying the meaning of GPFs in an Australian context, including that financial statements that are made publicly available and held out to be prepared in accordance with Australian Accounting Standards are GPFs.

The proposals in (a) gave rise to AASB 1053 *Application of Tiers of Australian Accounting Standards*.

The comments from constituents on the proposals in (b), particularly the divergence of views as to the functionality of the reporting entity concept, led to the Board's decision to defer a decision on those proposals pending further research into the incidence and nature of special purpose financial reporting.

A research project was actioned utilising the services of independent research contractors. The thrust of the research is to profile the characteristics of lodging entities and their accounting policies with a view to shedding some light on (i) whether there is a consistency in the population of entities currently being treated as non-reporting entities; and (ii) the nature of the accounting policy choices being made by those entities.

## Previous updates

At the June 2011 Board meeting, the research contractors informed members about the progress of the project. The update focused on the manner in which the research work is being carried out.

At the September 2011 meeting, the update focused on preliminary findings about the consistency in the population of large proprietary entities currently being treated as non-reporting entities. It was noted that the criteria in the Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* were considered by the research contractors in assessing whether an entity should, in their view, have been classified as a reporting entity or not.

## **Further update**

At this meeting, the research contractors will provide a further verbal update on the progress of the project. The update is of an indicative nature and will provide further information on findings to date. The focus would continue to be on the population of large proprietary companies.