



<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	24 May 2011
<b>From:</b>	<b>Ahmad Hamidi</b>	<b>Agenda Item:</b>	5.1
<b>Subject:</b>	<b>Progress report on the Differential Reporting Research Project</b>	<b>File:</b>	P 52

## Action

Consider a progress report on the differential reporting research project from staff and project consultants.

## Background

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

- (a) establishing a second tier for general purpose financial statements (GPFs); and
- (b) changing the focus of application of Standards from reporting entity to GPFs and clarifying the meaning of GPFs in an Australian context.

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

The comments from constituents on proposals in (b) 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.

The research issues were identified in consultation with the Differential Reporting Subcommittee members. 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.

Through extensive liaison work with other regulators, arrangements were made for consultants' access to lodged financial statements. These included contacts with:

- (i) staff from the ASIC and state registrars of cooperatives and associations in regard to financial statements lodged and the access to those financial statements by researchers; and

- (ii) staff of Commonwealth and State and Territory Treasuries regarding the existence and types of special purpose financial statements in the public sector.

After securing preliminary data on lodging entities, sampling was made by project consultants and designated samples were conveyed to relevant regulators. The consultants are currently working on lodged financial statements received from the ASIC and one state regulator.

At the time of writing this memo, sampled financial statements are expected from other state regulators.

## **Update by consultants**

Project consultants would inform members about the progress of the project at this meeting. This update is of an indicative nature, where the focus will be on how and the manner in which, the research work is being carried out. The update may include a brief report on initial findings.

The session will also provide an opportunity for Board members and consultants to exchange views, which would be of help in fine-tuning the research strategy/methods.

## **Attachment**

Agenda Paper 5.2: Brief report by consultants (to be tabled)