



Australian Government
Australian Accounting Standards Board

Memorandum

To:	AASB members	Date:	27 March 2013
From:	Ahmad Hamidi	Agenda Item:	14.1 (M130)
Subject:	Policy Implications of SPFSs Research Report and a Road Map to Implementation	File:	P 52

Action

Consider the attached staff paper with a view to:

- (a) finalising/confirming tentative decisions made at the February 2013 AASB meeting in regard to possible policy implications of the of the results of research into accounting by lodging entities; and
- (b) directing staff to finalise a roadmap for implementation of those policy implications.

Attachments

Agenda paper 14.2: Policy Implications of SPFSs Research Report and a Road Map to Implementation

Overview

Agenda paper 14.2:

- (a) provides a summary of the Board's decisions at its February 2013 meeting in relation to possible policy implications of the research results; and
- (b) sets out a tentative road map for implementation of the policy implications of the research, including liaison with other regulators.

Background

Pursuant to constituents' comments in relation ED 192 *Revised Differential Reporting Framework* proposals for changing the focus of the application of Australian Accounting Standards from reporting entity to general purpose financial statements (GPFs), particularly the divergence of views as to the functionality of the reporting entity concept, a research project was commissioned by the AASB utilising the services of external researchers. The thrust of the research is to profile the characteristics of lodging entities and their accounting policies with a view to shedding further light on (i) whether there is a consistency in the current treatment of entities as non-reporting entities; and (ii) the nature of the accounting policy choices being made by those entities.

Progress reports on research work

At the June, September and December 2011 and April 2012 Board meetings, the research contractors informed members about the progress of the research work. At the December 2012 meeting, the Board considered a draft final research report that focused on the population of entities that lodge financial statements with the Australian Securities and Investments Commission (ASIC) under the *Corporations Act 2001*.

The draft report provided to the December 2012 meeting:

- (a) included research findings about whether there is consistency in the treatment of entities as non-reporting entities based on the criteria in the Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*;
- (b) examined the financial reporting practices of sampled entities across two primary dimensions:
 - (i) the application of recognition and measurement requirements and, where relevant, disclosure requirements of accounting standards by lodging entities; and
 - (ii) the quality of accruals made by large proprietary companies lodging with the ASIC with a view to gaining an understanding of whether accrual-based profit is being accurately measured; and
- (c) included findings in relation to the nature of financial statements lodged by Co-operatives and Associations with Consumer Affairs Victoria (CAV). (The final version of the report is expected to also include findings in relation to financial statements lodged by Associations and Co-operatives with relevant New South Wales and Queensland registries).

Policy implications of research results

At its February 2013 meeting, the Board discussed the policy implications of the research findings and made some tentative decisions as to the way forward. Paper 14.2 summarises those decisions.