



Project:	Australian Financial Reporting Framework	Meeting	AASB October 2015 (M148)
Topic:	Project Plan	Agenda Item:	14.3
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		Decision-Making:	Medium
		Project Status:	Project Plan

Objective of this paper

- 1 The objective of this paper is to obtain Board decisions in relation to the updated project plan for the Australian Financial Reporting Framework project.

Background

- 2 The overall objective of the project is to clarify and simplify the Australian financial reporting framework, so that objective criteria determine which entities would be required to prepare general purpose financial statements and the level of the reporting requirements. The criteria should ensure that only those entities that should prepare general purpose financial reports are identified as public lodgers. The project aims to cover both corporate and non-corporate entities, in conjunction with policymakers and regulators. Simple and clear legislative wording that could be used by all regulators would be one outcome.
- 3 There is considerable variation in the thresholds for financial reporting and the reporting requirements set by different regulators across the private sector in Australia, e.g. large proprietary companies, charities, incorporated associations, co-operatives, trade unions, etc. The complexity of the variations and thresholds makes it confusing for entities to determine their reporting requirements. Where entities determine that they are not a reporting entity, they may elect to prepare special purpose financial reports even if lodgement on the public record is required. These reports vary significantly in quality.
- 4 The AASB aims to encourage policymakers and regulators to revisit reporting thresholds to ensure that the benefits of financial reporting requirements exceed the costs. For example, a third tier of reporting requirements may be appropriate for smaller entities required to report, particularly in the not-for-profit private sector but possibly also in the public sector.

Outline of project plan and timetable

- 5 The principal steps and potential timing for progressing the phases of the project are as follows:

Phase 1 – Research Reporting Criteria		
	Project step	Estimated timing
1.1	<p>Benchmark reporting requirements and thresholds to other jurisdictions, identifying potential alternative thresholds for public lodgement of financial statements. Develop comparison research reports to inform debate:</p> <p>(a) for-profit private sector</p> <ul style="list-style-type: none"> • discuss findings with AASB • publish report <p>(b) not-for-profit private and public sectors</p> <ul style="list-style-type: none"> • discuss findings with AASB • publish report 	<p>Oct. and Dec. 2015 February 2016</p> <p>February 2016 March 2016</p>
1.2	<p>Research ‘economic significance’ and other reporting criteria for public financial reporting (and, with AUASB, auditing requirements)</p> <p>(a) discuss with constituent groups:</p> <ul style="list-style-type: none"> • preparers – AICD, BCA, G100, HoTARAC • accountants and auditors – Big 4 and medium-sized firms, CAANZ, CPAA, IPA, ACAG • users – lenders, credit reporting agencies • insolvency experts – CAANZ, ARITA <p>(b) discuss with regulators:</p> <ul style="list-style-type: none"> • Commonwealth – Treasury, Finance, ASIC, ACNC, APRA, ATO, RBA, AUASB • State/Territory – treasury and finance departments, consumer affairs departments (non-corporate entities) <p>(c) academic research:</p> <ul style="list-style-type: none"> • University of Melbourne – research paper on operationalising tests for economic significance • Other research? 	to December 2015
1.3	Discuss findings to date with the AASB	December 2015

Phase 2 – Corporate Financial Reporting Framework		
	Project step	Estimated timing
	The initial objective of this phase is to develop a Treasury Consultation Paper in conjunction with Treasury, which addresses policies for company financial reporting.	
2.1	<p>Draft consultation paper outline to be discussed:</p> <ul style="list-style-type: none"> • with AASB (see agenda paper 14.4) • with Treasury 	October 2015

Phase 2 – Corporate Financial Reporting Framework		
	Project step	Estimated timing
2.2	Drafting of the consultation paper to proceed, with discussion with AASB (Dec. meeting) and Treasury	Nov. 2015 – Jan. 2016
2.3	Treasury issues consultation paper for public comment	February 2016
2.4	Contribute to analysis of submissions as basis for Treasury recommendations	Q2, 2016
2.5	Further steps to be determined	

Phase 3 – Reduced Disclosure Requirements (Tier 2)		
	Project step	Estimated timing
	This phase to be carried out in conjunction with the NZASB to retain Trans-Tasman equivalence of requirements.	
3.1	Develop alternative principles for determining the reduction in disclosure requirements for Tier 2 entities as the present basis is difficult to apply in practice: <ul style="list-style-type: none"> • basis for determining RDR; • method of presenting RDR in Standards; • process for updating RDR re IASB EDs or Standards. 	to October 2015
3.2	Develop Exposure Draft: <ul style="list-style-type: none"> • proposed principles; • proposed RDR across all pronouncements; • proposed application date and transition. 	November 2015 to Q1, 2016
3.3	Issue Exposure Draft for 90-day comment period.	Q1 – Q2, 2016
3.4	Consider the submissions received and reassess the proposals for RDR. Determine revised approach (if any) to RDR. Issue any amendments to Standards and Interpretations.	Q2 – Q3, 2016

Phase 4 – Non-Corporate Financial Reporting Framework		
	Project step	Estimated timing
	This phase is to address policies for financial reporting by not-for-profit entities in the private and public sectors.	
	<i>Private Sector</i>	
4.1	Ongoing consultation with charities regulator (ACNC) and with consumer affairs departments re state/territory-regulated entities in light of concurrent work in phases 1 – 3: <ul style="list-style-type: none"> • reporting thresholds • reporting levels – possibility of new, simplified 	

Phase 4 – Non-Corporate Financial Reporting Framework		
	Project step	Estimated timing
	requirements (Tier 3) replacing special purpose financial reporting for small entities	
4.2	Conduct focus group discussions with sector participants	Jan./Feb. 2016
4.3	Follow-up with regulators on responses	(continuing)
	<i>Public Sector</i>	
4.4	<p>Ongoing consultation with treasury and finance department regulators of public sector reporting in light of concurrent work in phases 1 – 3:</p> <ul style="list-style-type: none"> • reporting levels – application of Tier 2; possibility of new, simplified requirements (Tier 3) for small entities • departments – reporting entities or disaggregated disclosures? • administered and controlled items 	
4.5	Conduct focus group discussions with sector participants	November 2015
4.6	Follow-up with regulators on responses	(continuing)

Question for the Board

Q1 Does the Board support the project plan and have suggestions for its amendment?