



Project:	Australian Financial Reporting Framework	Meeting	AASB October 2015 (M148)
Topic:	Draft Outline of Consultation Paper – corporate reporting	Agenda Item:	14.4
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		Decision-Making:	Low
		Project Status:	In progress

Objective of this paper

- 1 The objective of this paper is to obtain Board views in relation to the outline of the draft Consultation Paper addressing the corporate financial reporting framework.

Background

- 2 The revised project plan for the Board’s Australian financial reporting framework project is set out in agenda paper 14.3 for consideration by the Board at the meeting. The initial objective of phase 2 of the project plan is to develop a Treasury Consultation Paper in conjunction with Treasury, which addresses policies for company financial reporting, to raise proposals for amending the financial reporting requirements for entities subject to the *Corporations Act 2001*.
- 3 Step 2.1 in the project plan comprises discussion of the draft Consultation Paper outline with the Board, prior to discussing it with Treasury.

Draft Consultation Paper outline

- 4 Staff propose the following sections for the Consultation Paper (CP):

Section	Title	Contents
A	Introduction	<p>This section would note that the CP aims to identify reform options/proposals that would simplify the financial reporting framework for companies and result (overall) in some deregulation of requirements for public lodgement of financial statements.</p> <p>Key issue is that only entities that should prepare general purpose financial statements should be required to publicly lodge. The criteria for lodgement and what should be lodged should be objective, not subjective.</p> <p>Also note next steps.</p>

Section	Title	Contents
B	Why are changes needed?	<p>The current financial reporting framework provides a subjective basis for an entity to determine how to report:</p> <ul style="list-style-type: none"> • current size thresholds (revenue/assets/employee numbers) requiring proprietary companies to lodge financial statements on the public record are historical and should be reassessed for relevance; • each company required to lodge publicly can determine whether it is a reporting entity and elect to lodge special purpose financial statements (SPFS) rather than general purpose financial statements (GPFS). <p>Which entities (and how many) are currently required to publicly lodge? Split between GPFS and SPFS?*</p>
C	What are the options?	<p>Identification of options regarding who should report and what should be reported:</p> <ul style="list-style-type: none"> • possible criteria and thresholds – alternative bases to be considered, such as external debt, expenses, taxes, two-year calculation basis; • impact of tiers of requirements; • transition approach when higher reporting standards are appropriate; • requirements for wholly owned subsidiaries; • benchmark to requirements in other jurisdictions, and assessments of economic significance.
D	What are the implications?	<p>Revised thresholds should ensure that only those entities that should prepare general purpose financial reports are identified as public lodgers. This could mean*:</p> <ul style="list-style-type: none"> • some entities currently preparing GPFSs or SPFSs no longer required to lodge financial statements; • some entities preparing SPFSs required to lodge GPFSs instead; • wholly owned subsidiaries not required to lodge financial statements.
E	Proposals?	Recommendations or proposals (if feasible)
F	Appendix	List of consultation questions.

* Data limitations may mean that the impact of changing reporting criteria and thresholds may be difficult to identify quantitatively.

Question for the Board

Q1 Does the Board support the proposed outline for the Consultation Paper and the purpose for each section?