

10 September 2020

Dr Keith Kendall  
Chair  
Australian Accounting Standards Board  
Podium Level,  
Level 14, 530 Collins Street,  
Melbourne VIC 3000

*By email: [standard@aab.gov.au](mailto:standard@aab.gov.au)*

Dear Dr Kendall,

## **Response to AASB ED 302 - Disclosure in Special Purpose Financial Statements**

We welcome the opportunity to provide the Australian Accounting Standards Board ("AASB", "the Board") with our views on Exposure Draft ED 302 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*.

Nexia Australia Pty Ltd represents the seven Australian firms comprising the Nexia Australia network with over 60 partners servicing clients from small to medium enterprises, large private companies, not-for-profit entities, subsidiaries of international companies and listed public companies. Our position within the SME market qualifies us to share our views on the Board's proposals.

We are not convinced there is an imperative for the Board to address the matters described in ED 302 and therefore issue the proposed Accounting Standard.

The Board issued AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* in March 2020 which requires certain for-profit entities to prepare general purpose financial statements from 1 July 2021.

Amendments to the large proprietary company threshold effective 1 July 2019 have reduced the number of proprietary companies required to lodge financial reports with ASIC and, therefore, the population of non-disclosing entities lodging SPFS, thereby largely eliminating the 'problem' the Board is trying so hard to find and solve.

AASB Research Report 12 Financial Reporting Practices of For-Profit Entities Lodging SPFSs (August 2019) relies on data that predates the change in proprietary company reporting thresholds. The Board has not provided any current analysis to determine the extent to which the increase in the proprietary company reporting thresholds reduces the 'problem' described in ED 302.

Notwithstanding this deficiency, Table 3.1 of AASB Research Report 12 identifies only 199 entities in the sample where compliance with recognition and measurement requirements were either not applied or unclear. Furthermore, the AASB acknowledges in the Report that "with the doubled threshold, approximately one-third of the large proprietary companies which lodged audited financial statements (with at least 1,541 entities lodging SPFSs) in the 2018 financial year with ASIC no longer need to lodge their financial statements".

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In our opinion, the proposals add additional cost on companies for no discernable benefit. There are no financial benefits or cost savings associated with the proposals. On the other hand, the AASB is unnecessarily imposing additional time and cost on affected entities at a time SMEs are being severely impacted by COVID-19-induced business disruptions.

In our opinion, the financial cost of the Board's proposals outweighs any perceived short-term non-financial benefits to potential users of those financial statements and therefore is not in the best interest of the Australian economy.

As a result, we disagree with the premise that the amendments are necessary and, therefore, are not supportive of any of the proposals contained in ED 302.

In our opinion, the Australian financial reporting community would be better served by the AASB prioritising more pressing interpretative matters rather than allocating time and resources to these proposals which will be redundant in the immediately following financial year.

Should you wish to discuss any aspects of our submission, please contact the undersigned.

Sincerely

**Nexia Australia Pty Ltd**



**Martin Olde**

National Technical Director