



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

The Chair
Australian Accounting Standards Board
PO BOX 204
Collins Street West
Melbourne VIC 8007

22 January 2026

Dear Sir

ITC 56 POST-IMPLEMENTATION REVIEW OF TIER 2 AND THE REMOVAL OF SPECIAL PURPOSE FINANCIAL STATEMENTS FOR CERTAIN FOR-PROFIT PRIVATE SECTOR ENTITIES AND FURTHER UPDATE OF TIER 2

Thank you for the opportunity to comment on the Board's post-implementation review of AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities Income* and AASB 2020-2 *Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

In summary, we think that AASB 1060 is working well in practice as a Tier 2 general purpose financial reporting framework. Therefore, and having regard to the extent of the additional disclosures in IFRS 19 *Subsidiaries Without Public Accountability*, we would prefer to retain AASB 1060 as the Tier 2 standard, without introducing new disclosure requirements unless these address the needs of Australian stakeholders. If it is considered necessary to adopt IFRS 19 in Australia, our preference is for the eligible entities be given an option to apply an Australian equivalent of IFRS 19 as an alternative to AASB 1060. We would also like to see amendments arising from AASB 18 *Presentation and Disclosure in Financial Statements* being incorporated into AASB 1060 as soon as possible. We understand that the Board is aiming to have amendments issued by 1 January 2027 with mandatory application at a later date to give entities time to prepare for implementation of the changes related to AASB 18. We note that this date is critical to facilitate Tier 2 subsidiaries of Tier 1 entities being able to early adopt and follow consistent presentation in Tier 2 financial statements.

Please refer to Appendices 1 and 2 for our detailed comments on your specific matters for comment.

If you have any comments regarding this request, please do not hesitate to contact me.

Yours faithfully

DocuSigned by:

BFD8AF0FDCC94BA...

Aletta Boshoff

Partner, Advisory

National Leader, IFRS & Corporate Reporting

National Leader, Sustainability Reporting



APPENDIX 1 - Section 1: Post-implementation review of AASB 1060 and AASB 2020-2

Topic 1: Overall objective and assessment of AASB 2020-2

Question 1

Regarding AASB 2020-2 and the removal of SPFS for certain FP private sector entities, please provide your views on the following matters:

- (a) Has the overall objective to improve the consistency, comparability, transparency and enforceability of the financial statements of affected entities been achieved?
- (b) Were the costs of preparing GPFS for the first time broadly in line with expectations?
- (c) Are the ongoing costs of preparing GPFS broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful

BDO Comment - Question 1

In our view, the overall objective of AASB 2020-2 and the removal of SPFS for certain for-profit private sector entities has been met. The burden for auditors has been significantly reduced with for-profit private sector entities no longer being able to self-assess which financial reporting framework is appropriate, and we believe that GPFS are more consistent and comparable across similar types of entities.

While entities transitioning from SPFS to GPFS Tier 2 would no doubt have incurred additional costs in the first year, the ongoing costs for entities preparing GPFS Tier 2 are broadly in line with expectations.

Topic 2: Overall objective and assessment of AASB 1060

Question 2

Regarding AASB 1060, please provide your views on the following matters:

- (a) Overall, has the Standard met its objective of achieving an appropriate balance between meeting user needs and minimising the costs for entities preparing Tier 2 GPFS?
- (b) Were the costs of applying the Standard for the first time broadly in line with expectations?
- (c) Are the ongoing costs of applying the Standard broadly in line with expectations?

In addition to explaining the reasons for your views, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

BDO Comment - Question 2

Overall, we believe that AASB 1060 meets the objective of balancing user needs and minimising costs for preparers of GPFS Tier 2. Entities transitioning from RDR to AASB 1060 would have incurred once-off set up costs to redraft disclosure templates but to a lesser extent than entities transitioning from SPFS. However, ongoing, the costs of applying AASB 1060 are broadly in line with expectations.



Topic 3: Transition relief for FP private sector entities transitioning from SPFS to AASB 1060

Question 3

In respect of FP private sector entities that transitioned from SPFS to AASB 1060:

- (a) Was any of the optional transition relief used?
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

BDO Comment - Question 3

We observed entities transitioning from SPFS to Tier 2 GPFS before the mandatory start date of 1 July 2021 using all three of the optional transitional reliefs, i.e. not having to distinguish between errors and changes in accounting policies on first-time adoption of AASB 1060, not having to include comparative disclosures which were not required under the previous SPFS framework, and not having to restate comparative information (i.e. being able to use a modified retrospective approach).

These transition reliefs significantly reduced the effort required on first-time adoption of AASB 1060.

Topic 4: Transition relief for entities transitioning from GPFS to AASB 1060

Question 4

In respect of entities that transitioned from GPFS (Tier 1 or Tier 2 (RDR)) to AASB 1060:

- (a) Was the optional transition relief used?
- (b) Did the optional transition relief achieve its objective of reducing the effort required during the transition? If not, what additional forms of transition relief should the AASB consider providing when developing transition requirements in future standard-setting projects?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

BDO Comment - Question 4

Yes. We observed the transitional relief for for-profit private sector entities transitioning from GPFS Tier 1 or RDR to AASB 1060 (contained in AASB 1060, paragraphs B1(b) and B1(c) and AASB 1053, Appendix E) being used. However, given that there were no changes to the recognition and measurements for these entities, the most common relief was not having to include comparative disclosures which were not required under the previous framework (noting that some AASB 1060 disclosures are different to GPFS Tier 1 or RDR). This applied for both for-profit and not-for-profit entities transitioning from GPFS Tier 1 or RDR to AASB 1060.



Topic 5: Educational materials

Question 5

In relation to the removal of SPFS for certain FP private sector entities, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

BDO Comment - Question 5

We found the educational materials helpful.

Question 6

In relation to AASB 1060, were the educational initiatives, including webinars and publications, prepared by AASB staff helpful?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

BDO Comment - Question 6

We found the educational materials helpful.

Question 7

Were there any other activities or resources that would have been helpful that the AASB could consider in future standard-setting projects?

Please explain the reasons for your views on the above matters. Examples to illustrate your responses are also most helpful.

BDO Comment - Question 7

N/A

Topic 6: Disclosure of individually material items

Question 8

Do you consider the absence of a specific disclosure requirement for individually material items of income and expense in AASB 1060 has led to any problems in either preparing or using Tier 2 financial statements?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.



BDO Comment - Question 8

AASB 1060, paragraph 21 already deals with disclosure of material items via the disaggregation requirements. However, making it an explicit requirement makes it easier for enforceability by auditors. Although we recommend for AASB 18-related amendments to deal with this issue.

Question 9

Do you think the AASB should add an explicit disclosure requirement to AASB 1060 that requires the disclosure of individually material items of income and expense?

In addition to explaining the reasons for your views on the above matters, information about the relevant circumstances, their significance and examples to illustrate your responses are also most helpful.

BDO Comment - Question 9

See our response to Question 8 above.

Topic 7: Adequacy of disclosure requirements

Question 10

Do you have any comments about the disclosure requirements of AASB 1060, including their adequacy or practicality in application?

Please provide your views on the requirements, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

Please also consider whether the potential amendments to AASB 1060 outlined in Section 2 of this ITC regarding the current project to update AASB 1060 would address any concerns you may have. In particular, you may wish to look at the following tables in Section 2:

- Table 2.1.1 - Substantive amendments to the *IFRS for SMEs* Accounting Standard - recommendations for amending AASB 1060
- Table 2.2.A - New AASB 18 classification and presentation paragraphs proposed for inclusion in AASB 1060
- Table 2.2.B - New AASB 18 disclosure paragraphs to be considered for inclusion in AASB 1060.

BDO Comment - Question 10

Our main areas of concern where we consider AASB 1060 falls short are:

- Where debt funding is material to the entity, AASB 1060 does not require the reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. We note that this will be addressed as proposed in Table 2.1.1 (see *IFRS for SMEs*, paragraph 7.19A).



- Where debt funding is material, and the entity has more than one debt facility, we don't believe that the general requirement to disclose repayment schedules in paragraph 114 is sufficient to require a comprehensive maturity analysis for all debt funding, lease liabilities, payables, etc. We note that this will be addressed as proposed in Table 2.1.1 (see *IFRS for SMEs*, paragraphs 11.43A and 11.43B 7.19A)
- Where expected credit losses (ECL) are material, or potentially material, AASB 1060 does not require any specific disclosures. We note that this will be partially addressed with the ageing analysis proposed in Table 2.1.1 (see *IFRS for SMEs*, paragraph 11.43).

Topic 8: Maintaining AASB 1060

Question 11

Do you have any comments about the AASB's current approach to maintaining AASB 1060, including the frequency and timing of updates?

Please explain the reasons for your view.

BDO Comment - Question 11

We think the AASB's preferred approach of updating AASB 1060 each time there is a new or amending standard works well to ensure that Tier 1 and Tier 2 financial statements are aligned. Maintaining AASB 1060 in line with the five-year IFRS for SMEs maintenance cycle is too infrequent.

Topic 9: Other matters

Question 12

Are there any regulatory issues or other issues arising in the Australian environment that adversely affect the application of AASB 1060 and AASB 2020-2?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

BDO Comment - Question 12

Some for-profit private sector entities may not have financial reporting obligations under legislation (such as the *Corporations Act 2001*), but their constitution, trust deed or a banking agreement may require financial statements to be prepared applying Australian Accounting Standards.

Provided these constitutions, trust deeds, banking agreements, etc have not been created or amended since 1 July 2021, such entities are grandfathered and may choose to prepare special purpose financial statements.

This creates a 'two tier' system, where some entities are grandfathered and others not, which may result in additional complexity for practitioners, however, we don't consider that any changes are needed at this stage.



Question 13

Does the application of the requirements in AASB 1060 and AASB 2020-2 result in major auditing or assurance challenges?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

BDO Comment - Question 13

See our comments to Question 12 above.

Question 14

Are the requirements in the best interests of the Australian economy?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

BDO Comment - Question 14

Yes.

Question 15

Are there any other matters that the AASB should be aware of as it undertakes this PIR of AASB 1060 and AASB 2020-2?

If so, considering the objective of a PIR as described in the introduction on page 6, please provide your views on those issues or matters, relevant circumstances and their significance, and areas where you consider changes are needed. Examples to illustrate your responses are also most helpful.

BDO Comment - Question 15

None to note.



APPENDIX 2 - Section 2: AASB 1060 update

Topic 1: Potential amendments to AASB 1060 based on the third edition of the IFRS for SMEs Accounting Standard

Question 1.1

Do you agree with the AASB's proposed approach for assessing whether to amend AASB1060 in relation to amendments made by the IASB to the IFRS for SMEs Accounting Standard (see page 36)?

If you disagree, with which aspects of the proposed approach do you disagree and what alternatives would you suggest instead?

BDO Comment - Question 1.1

We agree.

Question 1.2

Do you agree with the AASB's recommendations for amendments to AASB 1060, as listed in Table 2.1.1 (which starts on page 38)?

If you disagree, with which recommendations do you disagree and what would you suggest instead?

BDO Comment - Question 1.2

We agree.

Question 1.3

Do you agree with the AASB's recommendations not to amend AASB 1060 for the changes presented in Table 2.1.2 (which starts on page 52)?

If you disagree, with which recommendations do you disagree and what would you suggest instead?

BDO Comment - Question 1.3

We agree.

Topic 2: Potential effects of AASB 18 on AASB 1060

Question 2.1

Should the AASB consider the impact of AASB 18 on AASB 1060 in advance of the IASB considering the suitability of the IFRS 18 requirements for the IFRS for SMEs Accounting Standard?

If you think the AASB should consider the impact of AASB 18 on AASB 1060 now, please consider the following questions for Topic 2.

If you think the AASB should wait for the IASB's next edition of the IFRS for SMEs Accounting Standard, please explain your reasons.



BDO Comment - Question 2.1

To ensure comparability and consistency between Tier 1 and Tier 2 financial statements, we agree that the AASB should consider the impact of AASB 18 on AASB 1060. This is also in recognition of the fact that the role and setting of AASB 1060 within the suite of accounting standards is different to the role of the IFRS for SMEs Accounting Standard.

Question 2.2

Do you agree with replacing the AASB 101 presentation requirements in AASB 1060 with the AASB 18 classification and presentation requirements, to retain consistency in the classification and presentation of items in the primary financial statements of both Tier 1 and Tier 2 entities?

If you disagree, with which aspects do you disagree and what would you suggest instead?

BDO Comment - Question 2.2

Yes, we agree.

Question 2.3

If you agree that the classification and presentation of items in the primary financial statements should remain consistent for Tier 1 and Tier 2 entities (see question 2.2), which of the following approaches do you prefer?

Option A: Include in AASB 1060 all of the relevant classification and presentation requirements that are in the main body of AASB 18 (see Appendix 2.2.A in this ITC), update the relevant defined terms in Appendix A of AASB 1060 and add references to additional guidance in Appendix B of AASB 18 where applicable. Applying this approach would result in including all relevant classification and presentation requirements from AASB 18 in AASB 1060. Therefore, Tier 2 entities would not be required to comply with AASB 18 (although AASB 1060 would reference to Appendix B of AASB 18 for additional guidance).

Option B: Specify in AASB 1060 that Tier 2 entities should refer to AASB 18 for the classification and presentation requirements for primary financial statements. Under this approach, a new Appendix would be added to AASB 18 to list the disclosure paragraphs that do not apply to Tier 2 entities, consistent with the approach for other Australian Accounting Standards that continue to apply to Tier 2 entities.

Please provide the reasons for your preference

BDO Comment - Question 2.3

We prefer Option A, even though this approach may make AASB 1060 a significantly longer document. In practice, few preparers and auditors (other than technical specialists) explicitly distinguish between classification, presentation and disclosure requirements, and in our view, it is best to keep classification, presentation and disclosure requirements together in one standard as this approach is consistent with the approach applied when developing AASB 1060 in respect of the AASB 101 requirements.



Question 2.4

When operating expenses are presented by function in the statement of profit or loss, should AASB 1060 include a requirement to disclose:

- (a) specified expenses by nature in a single note (as required by paragraphs 83-85 of AASB 18 for Tier 1 entities); and
- (b) a qualitative description of the nature of expenses in each function line item (paragraph 82(b) of AASB 18)?

Please provide the reasons for your view.

BDO Comment - Question 2.4

Yes, we believe that this disclosure should be included.

Question 2.5

For management-defined performance measures (MPMs), should AASB 1060 include:

- (a) a reference to the disclosure requirements in AASB 18 for Tier 2 entities that use MPMs as defined in AASB 18 (i.e. similar to the way that Tier 2 entities that disclose operating segments are required to apply AASB 8 Operating Segments);
- (b) the full text of paragraphs 117-125 of AASB 18 (i.e. the same requirements as for Tier 1 entities);
- (c) only some disclosure requirements about its MPMs (e.g. only qualitative information or a reconciliation of each MPM to the most directly comparable subtotal or total specified by the Australian Accounting Standards); or
- (d) no disclosure requirements for MPMs?

Please provide the reasons for your view.

If you support only some disclosure requirements, please identify which disclosures should be required and why.

BDO Comment - Question 2.5

We don't believe disclosure regarding MPMs would apply for many Tier 2 entities. However, a cross-reference to the relevant sections in AASB 18 may be a practical solution to ensure useful information is provided where some Tier 2 entities, for example some unlisted public companies, may make use of MPMs.

Question 2.6

Should AASB 1060 require disclosure of further information regarding:

- (a) the aggregation and disaggregation of line items in the financial statements and/or notes; and
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

Please provide the reasons for your view.



BDO Comment - Question 2.6

Yes, we believe the disclosures from AASB 18, paragraph 114 should be required for Tier 2 entities.

Question 2.7

Please provide comments on the suitability of applying AASB 18 to Tier 2 GPFS of NFP private sector entities, including:

- (a) requirements for classifying income and expenses in five categories, their presentation in the statement of profit or loss and the additional disclosures for operating expenses classified by function;
- (b) disclosure requirements regarding MPMs; and
- (c) aggregation and disaggregation principles.

BDO Comment - Question 2.7

Whilst acknowledging the ongoing consultation on possible amendments to AASB 18 for NFP private sector entities (ED 338), in order to retain sector neutrality in Australian Accounting Standards, we believe that the same requirements should apply for both for-profit entities and not-for-profit private sector entities (refer (a) and (c) above) in the absence of justified reasons for NFP-specific requirements. However, we note that the Board has received limited feedback from the NFP sector to date and it remains to be seen whether the information provided by, for example, the AASB 18 income and expense classification requirements results in more useful information, and that the effort of providing such information to the users of general purpose financial statements does not outweigh the cost involved for the preparers.

Regarding the cost and effort consideration, we note that the Board acknowledged in ED 338 that there will be a degree of cost and effort needed to apply the requirements (e.g. to categorise income and expenses into the relevant categories). These would seem to be commensurate with the added benefits for a clearer and more structured income statement for NFP private sector entities preparing Tier 1 GPFS as these entities are likely to be relatively large, or be subject to a high level of public interest and accountability. It may be the case, however, that this evaluation does not apply in the same manner to Tier 2 entities and, therefore, we recommend the Board engages specifically with NFP private sector entities on this.

Regarding providing more useful information in GPFS, while not-for-profit private sector entities may have different types of income streams such as capital grants and donations, the principles and guidance in AASB 18 should be generally sufficient to facilitate, in particular, classification of income and expenses into the five categories, and additional subtotals if needed within the operating category. However, careful consideration should be given to specific outcomes that may transpire at least for some NFP entities, where for example the majority of expenses may be classified as operating under AASB 18, whilst a significant portion of income could be classified as investing if arising from investments, unless the entity's main business activity is investing in assets.

We also recommend that the Board consider whether the reasons for not proposing AASB 18 requirements for NFP public sector entities would also apply NFP entities preparing Tier 2 GPFS.



Regarding (b) above, we noted in our response to Question 2.5 that we do not believe disclosure regarding MPMs would be required to be commonly applied for Tier 2 entities because not many entities would use MPMs as defined in AASB 18. However, some not-for-profit entities may do so, and a cross-reference to the relevant sections in AASB 18 could facilitate application of the respective AASB 18 requirement that we consider appropriate for Tier 2 entities, without making AASB 1060 unnecessarily long or complex.

Question 2.8

Please provide comments on the suitability of requiring NFP private sector entities to classify in their Tier 2 GPFS dividend and interest cash flows as follows (consistent with the revised AASB 107):

- (a) dividends and interest received - investing cash flows; and
- (b) dividends and interest paid - financing cash flows.

BDO Comment - Question 2.8

Not-for-profit private sector entities ordinarily don't pay dividends. However, they typically invest surplus funds in assets that generate a return individually and largely independently of the entity's other resources, earning interest income and dividends. They may also have financing arrangements and incur interest costs. Subject to our more general comments in Question 2.7 including applicability of the reasons for NFP public sector carve outs for NFP private sector such as interest receipts funding NFP service delivery, we agree that classification of interest and dividend cash flows by not-for-profit private sector entities should be consistent with the requirements for for-profit entities.

Question 2.9

Are there any NFP-specific reasons for modifying the requirements in AASB 18 or the revised AASB 107 for NFP private sector entities preparing Tier 2 GPFS? If so, please identify the modifications you suggest and explain those reasons.

BDO Comment - Question 2.9

Whilst we have not identified any specific reasons for modification, we have noted some comments to further consider in our response to Question 2.7.

Question 2.10

A forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose the following reliefs related to the new AASB 18 classification and presentation requirements for primary financial statements:

- (a) for the statement of profit or loss, these entities would not be required to:
 - (i) apply paragraphs 47(a)-(c) of AASB 18 to categorise income and expenses into the operating, investing and financing categories;
 - (ii) present the two subtotals operating profit or loss and profit or loss before financing and income taxes, which are set out in paragraphs 69(a) and (b) of AASB 18; or



- (iii) apply paragraphs 78, B80 and B81 of AASB 18 regarding the classification and presentation of expenses in order to present the most useful structured summary of the expenses; and
- (b) for the statement of cash flows, these entities would be able to elect how to classify dividends received and interest paid and received.

If NFP public sector entities preparing Tier 1 GPFS are granted certain reliefs, should NFP public sector entities preparing Tier 2 GPFS be provided with the same reliefs?

Please provide the reasons for your view.

BDO Comment - Question 2.10

Yes, we agree that not-for-profit public sector entities preparing Tier 2 GPFS should be granted the same AASB 18 reliefs available if they were preparing Tier 1 GPFS if such relief is determined appropriate for public sector-specific reasons. However, we note that at least some factors noted in ED 388 and in ITC 56 supporting the NFP public sector modification could be applicable to NFP private sector (for example, that users of GPFS focus on the costs of service delivery and how these costs are funded). Therefore, consideration should be given to whether the solution proposed for NFP private sector Tier 2 entities should not be also adopted for Tier 2 NFP public sector entities or alternatively, whether modifications proposed for NFP public sector entities should be applicable, at least to some extent, to NFP private sector entities as noted in our response to Question 2.7.

Question 2.11

The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief from the requirement to disclose information about MPMs under paragraph 122 of AASB 18.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?

Please provide the reasons for your view.

BDO Comment - Question 2.11

See our response to Question 2.5 above. We don't believe disclosure regarding MPMs would be required to be commonly applied by many Tier 2 entities, and a cross-reference to the relevant sections in AASB 18 may be a practical solution where entities make use of MPMs. Similarly, we note that some of the factors considered for Tier 1 GPFS relief in ED388 and ITC 56 are not NFP public sector specific, for example regarding the cost/benefit considerations.

Question 2.12

The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose relief that would permit the continued use of the 'profit or loss' total as the starting point for the indirect method of reporting cash flows from operating activities.

If NFP public sector entities preparing Tier 1 GPFS are granted this relief, should NFP public sector entities preparing Tier 2 GPFS be provided with the same relief?



Please provide the reasons for your view.

BDO Comment - Question 2.12

Yes, similar to our responses to the questions above, NFP public sector entities preparing Tier 2 GPFS should also be provided this relief if it is provided to NFP public sector entities preparing Tier 1 GPFS (i.e. if such relief is determined appropriate for public sector-specific reasons). However, as noted above, we consider at least some of the reasons provided in ED 388 may also apply to some extent to NFP private sector entities. Therefore, the Board should carefully consider whether different reporting requirements for NFP private and public sector Tier 2 entities is warranted.

Question 2.13

The forthcoming Exposure Draft for NFP public sector entities preparing Tier 1 GPFS is expected to propose that the aggregation and disaggregation requirements in AASB 18 apply without modification, which means NFP public sector entities preparing Tier 1 GPFS would be subject to disclosure requirements regarding:

- (a) the aggregation and disaggregation of items in the primary financial statements and notes (paragraphs 43 and B24-B26 of AASB 18); and
- (b) the relevant line item(s) in the primary financial statements when amounts disclosed in the notes are included in one or more line items (paragraph 114 of AASB 18)?

Should NFP public sector entities preparing Tier 2 GPFS be aligned with NFP public sector entities preparing Tier 1 GPFS in relation to the aggregation and disaggregation requirements in AASB 18 and so also be required to provide those disclosures?

Please provide the reasons for your view.

BDO Comment - Question 2.8

Yes, NFP public sector entities preparing Tier 2 GPFS should be subject to the same aggregation and disaggregation requirements as Tier 1 GPFS as we agree there are no NFP-specific reasons for departure from AASB 18 requirements.



Topic 3: Disclosure requirements in IFRS 19

Question 3.1

Is it important for Tier 2 entities to be able to claim compliance with IFRS 19?

Please explain your view.

BDO Comment - Question 3.1

We have not encountered any situations in practice where Australian Tier 2 entities have been prejudiced for not being able to claim compliance with IFRS Accounting Standards (that going forward include IFRS 19 as an optional standard for the entities within its scope). We therefore do not believe it is important for Australian entities to be able to claim compliance.

In order for Australian entities to be able to claim compliance with IFRS Accounting Standards in Tier 1 GPFS, Australia undertook a project a number of years ago to remove the Australian-specific recognition and measurement options. However, it is a regulatory question as to whether Tier 2 entities need to claim compliance with IFRS Accounting Standards.

Section 296(1) of the *Corporations Act 2001* requires financial statements to be prepared in accordance with 'accounting standards'. Section 9 defines 'accounting standard' as an instrument in force under section 334, which in turn refers to 'accounting standards' as legislative instruments made by the Australian Accounting Standards Board (AASB) for the purposes of this Act (the *Corporations Act 2001*).

Therefore, under the *Corporations Act 2001*, entities must comply with Australian Accounting Standards, but not IFRS Accounting Standards or IFRS 19.

If IFRS 19 was adopted as an Australian Accounting Standard (AASB 19), it would allow subsidiaries without public accountability to claim compliance with IFRS and simultaneously claim compliance with Australian Accounting Standards if they have an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards (and there may be some entities wishing to do so). However, there are many Tier 2 Australian entities that would never be able to claim compliance because the scope of entities under AASB 1060 is much wider than IFRS 19, for example:

- **Large Australian parent entities preparing consolidated financial statements as Tier 2** - they are not subsidiaries themselves so would not meet the scope criteria in IFRS 19
- **Large Australian subsidiaries of Australian groups preparing individual Tier 2 financial statements** - while they are subsidiaries without public accountability, they do not have an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards, so would not meet the eligibility criteria.
- **Entities preparing financial statements under section 292 of the *Corporations Act 2001* as standalone entities** - they are not subsidiaries themselves so would not meet the scope criteria in IFRS 19.



Question 3.2

Which of the following options would you prefer:

- (a) replace AASB 1060 with IFRS 19 and expand the scope from subsidiaries without public accountability to all Tier 2 entities;
- (b) amend AASB 1060 to include the additional disclosures required by IFRS 19 to achieve compliance with IFRS 19;
- (c) retain AASB 1060 and do not adopt IFRS 19 at all;
- (d) adopt IFRS 19 as an alternative Tier 2 framework for subsidiaries without public accountability, so that these entities would have the option to prepare GPFS under either AASB 1060 or an AASB Standard incorporating IFRS 19; or
- (e) adopt IFRS 19 as an alternative Tier 2 framework under which subsidiaries without public accountability would apply an AASB Standard incorporating IFRS 19 (without the option to apply AASB 1060 instead) and other Tier 2 entities would apply AASB 1060.

Please provide the reasons for your preference.

BDO Comment - Question 3.2

Our preference is for Option (c) although we would accept Option (d).

We prefer Option (c) because it does not appear that there are many entities that would benefit from the availability of IFRS 19 in Australian Accounting Standards and:

- Having more than one framework compromises comparability between entities.
- Having more than one framework results in increased compliance costs for preparers and auditors having to be across two standards rather than one. This will have a flow-on effect and increase compliance costs for businesses.
- We don't believe businesses will have a tolerance for changing frameworks so soon after implementing the Simplified Disclosures in AASB 1060, which is only in its third year of implementation.
- If AASB 18 is incorporated into AASB 1060 as described in Section 2 - Topic 2 of this Invitation to Comment, practitioners and preparers only need to be familiar with one set of presentation requirements because IFRS 19 will be different.

Due to the reasons outlined above, we would not favour either options (a) or (b).

However, we acknowledge that some entities may prefer to claim compliance with IFRS 19, and having this as an optional Australian Accounting Standard incorporating IFRS 19 will ensure that these entities can still claim compliance with Australian Accounting Standards (as required by section 296(1) and section 334), noting they can choose to prepare Tier 1 GPFS to achieve that outcome. In other words, IFRS 19 requirements would need to be incorporated into Australian Accounting Standards as AASB 19 because an option to apply IFRS 19 itself would be contrary to the requirements for Australian entities to comply with Australian Accounting Standards. In line with the Board's standard-setting policy, it would need to be determined that the benefits of the optional standard outweigh the cost of its



introduction and maintenance across the Australia economy and range of stakeholders, including preparers, advisors, auditors and users of Tier 2 GPFS.

Question 3.3

If you think only parts of IFRS 19 should be adopted in Australia, please identify the disclosure requirements currently not required under AASB 1060 that you consider appropriate for Tier 2 entities and/or subsidiaries without public accountability.

BDO Comment - Question 3.3

See our response to Question 3.2 above.