

30 November 2019  
Ms Kris Peach  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007  
Via website: [www.aasb.gov.au](http://www.aasb.gov.au)

Dear Kris

**AASB Exposure Draft 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (ED 297)**

Thank you for the opportunity to comment on AASB Exposure Draft 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (ED 297).

The provided comments have been prepared after considering ED 297, participating in sessions held by the Australian Accounting Standards Board (AASB) and my reconsideration of previously articulated positions on reporting framework reform.

My submission to AASB Invitation to Comment 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* (Phase 2) (ITC 39) called on the AASB to provide more comprehensive data and information about for-profit entities and user needs. My submission noted that without data and information the AASB was not well placed to develop further its proposals and for-profit constituents were not well placed to make the necessary assessment.

I commend the AASB for publishing the research report that analyses lodgements made to ASIC. With this report the AASB has made available significant evidence to progress its ED297 proposals as they apply to for-profit entities required by the Corporations Act to prepare and lodge financial statements. However, the evidence for other for-profit entities is not demonstrated to the same level.

The AASB is also developing a new definition of the term "not-for-profit" as part of its project to develop a new financial reporting framework for private and public sector NFP entities. It is my view that the revised NFP definition should be in place before the changes proposed in ED 297 come into effect for the private sector. Absent the finalised definition, entities including cooperatives do not have certainty as to whether their current status as a for-profit entity or a not-for-profit entity will continue and are therefore not well placed to make an informed assessment about the ED 297 proposals.

In the absence of more comprehensive data about other for-profit entities and finalisation of a new definition of the term "not-for-profit" and were the AASB to remain committed to the application date of 1 July 2020, I suggest the scope of the standard emanating from ED 297 be restricted to for-profit entities required by the Corporations Act to prepare and lodge financial statements. Alternatively, the application date be extended to give the AASB time to address these issues.

The attachment contains responses to some of the questions asked by ED 297.

If you have any queries on the provided comments, please contact me at [mshying@swin.edu.au](mailto:mshying@swin.edu.au).

Yours sincerely

Dr Mark Shying CA  
Swinburne Business School

Attachment

Specific matters for comment

**1. The proposed amendments identify the for-profit entities required to comply with Australian Accounting Standards (or accounting standards) that would no longer have the ability to prepare SPFS. Do you agree that:**

- a. **the amendments set out in this ED effectively remove the ability to prepare SPFS for the for-profit entities identified in AASB 1057 Application of Australian Accounting Standards as entities for which the reporting entity definition is not relevant (also identified in paragraph Aus1.1 of the Conceptual Framework for Financial Reporting)? If not, please provide your reasons.**

Yes, I agree that the proposed amendments in ED 297 are effective in removing the ability for those identified for-profit entities to apply SAC 1 Definition of the Reporting Entity when preparing financial statements in accordance with AAS.

- b. **as an exception, other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with AAS should retain the ability to prepare SPFS, provided that the relevant document was not created or amended on or after 1 July 2020? If not, please provide your reasons (see paragraphs BC73-BC83).**

Yes, I agree with the exception.

- c. **for-profit public sector entities should also retain the ability to prepare SPFS as discussions about the public sector reporting framework are continuing? If not, please provide your reasons.**

Yes, I agree with the AASB proposal.

**2. Have you identified any arguments additional to those addressed in the Basis for Conclusions or unintended consequences that should be considered by the AASB in determining whether the ability to prepare SPFS should be removed from certain for-profit private sector entities as set out in this ED?**

The proposed application date of 1 July 2020 is suitable for for-profit entities required by the Corporations Act to prepare and lodge financial statements. However, in the absence of more comprehensive data about other for-profit entities and finalisation of a new definition of the term “not-for-profit”, it is too soon for other for-profit entities.

**3. Do you agree that:**

- a. **for-profit private sector entities that are neither required by legislation to prepare financial statements that comply with AAS or accounting standards nor required by a document (created or amended on or after 1 July 2020) to prepare financial statements that comply with AAS.**

Yes, I agree.

- b. **for-profit public sector entities; should be able to voluntarily prepare GPFS and in doing so apply either the Conceptual Framework for Financial Reporting or the Framework for the Preparation and Presentation of Financial Statements? Please provide your reasons, including whether there are any adverse or unintended consequences that should be considered by the AASB in determining whether the**

**Framework for the Preparation and Presentation of Financial Statements should not be permitted to be applied in these circumstances.**

Yes, I agree.

**4. Do you agree that entities that are not explicitly required to comply with accounting standards, but are required by legislation or otherwise to provide financial statements or financial information that gives a true and fair view, should not be covered by these proposals? If not, please provide your reasons (see paragraphs BC68-BC69).**

Yes, I agree with the proposal.

**5. Do you agree with the proposal to amend AASB 1 to provide optional relief from the restatement of comparative information in the year of transition from SPFS to GPFS Tier 2 (see paragraphs BC112-BC122)? If not, please provide reasons. If yes, do you agree with the proposed disclosures in relation to the comparative period (see paragraph AusE8.4 for AASB 1 on page 20)? If not, please provide your reasons. Please consider these matters in conjunction with the AASB's proposals regarding a revised Tier 2 disclosure framework as set out in ED 295.**

Yes, I agree with the proposal.

**6. Do you agree that additional transition relief is not required (see paragraphs BC112-BC122)? If not, what transition relief should be provided and what are your reasons?**

Yes, I agree.

**7. Do you agree with the proposal to amend AASB 1053 requirements for the first-time adoption of Tier 2 reporting requirements relating to whether a parent entity has complied with AASB 10 Consolidated Financial Statements in its previous SPFS (see paragraphs BC123-BC125)? If not, please provide your reasons. If non-compliance with AASB 10 was the only departure from AAS in the previous SPFS, should an entity be permitted to apply AASB 1, which could allow the restatement of amounts under various transition relief options?**

I agree that amendments to AASB 1053 are necessary to clarify that consolidation is a recognition and measurement requirement for entities within the proposed scope of the revised Tier 2. I have no comment on the application of AASB 1.

**8. Do you agree with the proposed effective date of annual reporting periods beginning on or after 1 July 2020 (see paragraphs BC126-BC129), with earlier application permitted? If not, please provide your reasons.**

AASB Research Report 12 Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements provides an adequate basis for the suitability of an application date of 1 July 2020 for for-profit entities required by the Corporations Act to prepare and lodge financial statements. However, in the absence of more comprehensive data about other for-profit entities and finalisation of a new definition of the term "not-for-profit", that date it is too soon for other for-profit entities.

The AASB is developing a new definition of the term “not-for-profit” as part of its project to develop a new financial reporting framework for private and public sector NFP entities. It is my view that the revised NFP definition should be in place before the changes proposed in ED 297 come into effect for the private sector. Absent the finalised definition, entities including cooperatives do not have certainty as to whether their current status as a for-profit entity or a not-for-profit entity will continue and are therefore not well placed to make an informed assessment about the ED 297 proposals.

In the absence of more comprehensive data about other for-profit entities and finalisation of a new definition of the term “not-for-profit” and were the AASB to remain committed to the application date of 1 July 2020, I suggest the scope of the standard emanating from ED 297 be restricted to for-profit entities required by the Corporations Act to prepare and lodge financial statements. Alternatively, the application date be extended to give the AASB time to address these issues.