

20 December 2021

The Chair  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST VIC 8007

**via email:** [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Keith

## **AASB Exposure Draft ED 315 *Extending Transition Relief under AASB 1***

Deloitte is pleased to respond to the proposals in the Australian Accounting Standards Board ('AASB' or 'Board') Exposure Draft ED 315 *Extending Transition Relief under AASB 1* (ED 315).

We support the proposals in ED 315 and recommend that the AASB finalise the proposals as soon as possible, so that entities currently preparing for transition to Australian Accounting Standards – Simplified Disclosures have certainty that they will be able to take advantage of the additional transitional provisions.

Our detailed responses to the AASB matters for comment in ED 315 are outlined in the Appendix.

Please contact me at +61 3 9671 7871 or [moverton@deloitte.com.au](mailto:moverton@deloitte.com.au) if you wish to discuss any of our comments.

Yours sincerely



**Moana Overton**  
Partner

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**APPENDIX – DETAILED RESPONSES TO THE AASB MATTERS FOR COMMENT IN ED 315****Specific matters for comment****1. Do you agree with the proposed amendments to AASB 1 and AASB 1053? If you disagree, please explain why.**

We strongly agree with the proposed amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 1053 *Application of Tiers of Australian Accounting Standards*.

***Additional comments on proposed amendments to AASB 1***

In our view, the amendments to AASB 1 will better align Australian Accounting Standards with International Financial Reporting Standards (IFRS®). Whilst entities complying with AASB 1 are compliant with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the current wording in paragraph D16(a) of AASB 1 operates to effectively remove an option available to entities directly applying IFRS. We continue to support full compliance with IFRS in the Australian context and the proposed amendment is consistent with this objective.

Furthermore, we note that because Australia's transition to Australian Accounting Standards equivalent to IFRS in 2005 occurred at the same time as many other countries were also transitioning to IFRS, this difference between AASB 1 and IFRS 1 was not consequential at that time. However, due to the application of AASB 1 in the context of the transition to Australian Accounting Standards – Simplified Disclosures (Simplified Disclosures), we believe it is appropriate to make the proposed amendment at the current time so that AASB 1 is aligned with IFRS 1.

***Additional comments on proposed amendments to AASB 1053***

We strongly support the introduction of the transitional guidance in AASB 1053 for entities moving from unconsolidated general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (Reduced Disclosure Requirements) to consolidated general purpose financial statements prepared in accordance with Simplified Disclosures.

We are aware of a number of entities that have assessed they are not reporting entities when applying Reduced Disclosure Requirements and consequently prepared unconsolidated financial statements. Permitting these entities to apply AASB 1 on transition to consolidated financial statements in accordance with Simplified Disclosures will place such entities on a level playing field with:

- Entities transitioning from special purpose financial statements to Simplified Disclosures or Australian Accounting Standards (Tier 1) (where they are moving from unconsolidated to consolidated financial statements)
- Entities transitioning from Reduced Disclosure Requirements to Australian Accounting Standards (Tier 1)<sup>1</sup>
- Entities transitioning from Simplified Disclosures to Australian Accounting Standards (Tier 1).

In each of the above cases, the entities would be eligible to apply AASB 1 and application of the proposed amendments would result in consistent application and outcomes.

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<sup>1</sup> We also note that, technically, an entity preparing unconsolidated general purpose financial statements under Reduced Disclosure Requirements could elect to prepare Tier 1 financial statements for one reporting period (and so apply AASB 1), and then transition to Simplified Disclosures in a subsequent period (if eligible to do so) and would then not apply AASB 1 (in accordance with paragraph 23 of AASB 1053). This would leave the entity in the same position as applying the proposed amendment.

Furthermore, we note that the requirement for an ultimate Australian parent to present consolidated financial statements is an Australian-specific provision in AASB 10 *Consolidated Financial Statements*, specifically paragraph Aus4.2. The elimination of the reporting entity concept from Australian Accounting Standards, including its previous use to restrict the requirements in paragraph Aus4.2 of AASB 10, effectively broadens the application of this provision and creates additional transitional issues that are not contemplated under IFRS.

We also note that some not-for-profit entities currently prepare general purpose financial statements in accordance with Reduced Disclosure Requirements. It is acknowledged that not-for-profit entities currently preparing special purpose financial statements are not required to transition to Simplified Disclosures pending the finalisation of the AASB's separate project on the not-for-profit reporting framework. However, we see no reason not to extend the scope of the proposed amendments to AASB 1053 to all entities that are transitioning from Reduced Disclosure Requirements to Simplified Disclosures.

**2. Do you think any unintended consequences might arise from the proposed amendments? If yes, please explain what they are.**

We are not aware of any unintended consequences that might arise from the proposed amendments.

We note the AASB's observations in the Basis for Conclusions on ED 315 regarding the scope of the proposed amendments to AASB 1 and agree that it is appropriate for the amendments to be available to be applied by any entity applying AASB 1.

We also note that the proposed amendments to AASB 1053 would permit eligible entities to apply all of the transitional relief under AASB 1, including potentially restating recognised amounts – even though the previous unconsolidated general purpose financial statements prepared in accordance with Reduced Disclosure Requirements would have complied with all the recognition and measurement requirements of Australian Accounting Standards. However, this is consistent with the AASB's acknowledgement of this possibility for entities transitioning from special purpose financial statements to Simplified Disclosures in the Basis for Conclusions to AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit and Not-for-Profit Private Sector Entities*.

**3. Do you have any other comments on the proposals?**

We recommend that the AASB finalise the proposals as soon as possible, so that entities currently preparing for transition to Simplified Disclosures have certainty that they will be able to take advantage of the additional transitional provisions.

We also note that the existing wording of paragraph E8 of AASB 1 includes references to “first IFRS financial statements” rather than “first Australian-Accounting-Standards financial statements”. The AASB may wish to consider an editorial amendment in any amending standard resulting from ED 315 to align the wording of paragraph E8 with the remainder of the Standard.

## **General matters for comment**

**4. Whether the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-Setting Framework have been applied appropriately in developing the proposals in this Exposure Draft?**

In our view, other than noted elsewhere in this letter, the standard-setting frameworks have been appropriately applied in developing the proposals in ED 315.

As noted earlier in our responses, the proposed amendments to AASB 1 will more closely align Australian Accounting Standards with IFRS and accordingly, this is consistent with the *AASB For-Profit Entity Standard-Setting Framework*.

As noted in our response to question 1, we recommend the AASB consider extending the scope of the proposed amendments to AASB 1053 to all entities transitioning from Reduced Disclosure Requirements to Simplified Disclosures. We believe this would be more consistent with the concept of transaction neutrality and other aspects of the *AASB Not-for-Profit Entity Standard-Setting Framework*.

We note the AASB's rationale in the Basis for Conclusions to ED 315 that not-for-profit entities are not currently affected by the removal of special purpose financial statements and the reporting entity definition in Australian Accounting Standards, and accordingly, the proposals should be limited to entities within the scope of AASB 2020-2. However, in our view, AASB 2020-2 primarily deals with the removal of special purpose financial statements for private sector for-profit entities, rather than the requirements for not-for-profit entities already preparing general purpose financial statements in accordance with Reduced Disclosure Requirements. As a result, we believe a broadening of the scope of the amendments to AASB 1053 is appropriate and will avoid any unforeseen impacts on not-for-profit entities.

**5. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?**

We have not identified any regulatory or other issues that may affect the implementation of the proposals.

**6. Whether the proposals would create any auditing or assurance challenges?**

We are not aware of any auditing or assurance challenges arising from the proposals.

**7. Whether, overall, the proposals would result in financial statements that would be useful to users?**

We believe the proposals will result in financial statements that are useful to users.

**8. Whether the proposals are in the best interests of the Australian economy?**

We believe the proposals are in the best interests of the Australian economy.

**9. Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.**

We believe that the proposals should provide significant cost relief to certain entities transitioning to Simplified Disclosures, with minimal additional costs.