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Via email: standards@asb.gov.au

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

Dear Madam

**INVITATION TO COMMENT ITC 39 APPLYING THE IASB'S REVISED CONCEPTUAL FRAMEWORK,  
SOLVING THE REPORTING ENTITY AND SPECIAL PURPOSE FINANCIAL STATEMENT PROBLEMS  
(PHASE 1)**

Thank you for the opportunity to comment on the proposals to resolve the clash in definitions of 'reporting entity' in SAC 1 *Definition of the Reporting Entity*, and the IASB's revised Conceptual Framework. Our comments included in this letter refer only to the Phase 1 proposals (resolving the clash for Tier 1 publicly accountable entities). We will submit comments on the Phase 2 proposals at a later date.

In order uphold the Financial Reporting Council's directive that Australian entities should apply International Financial Reporting Standards (IFRS), and to maintain IFRS compliance for publicly accountable entities in the short-term when the IASB's revised Conceptual Framework becomes effective, we agree with the proposals set out in ITC 39 to operate two Conceptual Frameworks for years commencing on or after 1 January 2020.

Please refer to Appendix 1 for our detailed comments.

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

Yours faithfully

Aletta Boshoff  
Partner  
National Leader, IFRS Advisory

## SPECIFIC MATTERS FOR COMMENT

**Question 1: Do you agree with the short-term approach to maintain IFRS compliance by introducing the RCF in Australia?**

That is, do you agree that the RCF should be applicable for **publicly accountable for-profit entities** that are required to prepare Tier 1 GPFS and other entities that are voluntarily reporting compliance with IFRS, and the existing Framework should continue to be applicable to other entities in the short term until the medium term solution is implemented? Please indicate reasons for your response and if you disagree, please provide suggestions for an alternative approach for the AASB to consider.

**BDO comment:**

We agree with this approach in order to maintain IFRS compliance for Tier 1 publicly accountable entities. Failing to apply the RCF from 1 January 2020 will result in Australian publicly accountable entities not being able to claim compliance with International Financial Reporting Standards (IFRS).

**Question 2: Do you agree that the short-term approach should be made applicable to both publicly accountable for-profit private sector and public sector entities?**

That is, do you agree that the RCF should be applicable for **publicly accountable public sector entities** that are required to prepare GPFS in accordance with Tier 1 reporting requirements (who are currently claiming compliance with IFRS) as well? Please indicate reasons for your response and if you disagree please provide suggestions for an alternative approach for the AASB to consider.

**BDO comment:**

As noted in our response to Question 1 above, we agree with the proposed short-term approach of making the RCF applicable to **all Tier 1 publicly accountable entities** under AASB 1053 *Application of Tiers of Australian Accounting Standards*. Failing to require compliance with the revised RCF for **all publicly accountable entities** would result in some Tier 1 entities (public sector publicly accountable entities) not being able to claim compliance with IFRS. Further, excluding one type of publicly accountable entity from these proposals would, in our opinion, result in an undesirable two-tiered accounting approach for publicly accountable entities that are all 'for-profit'.

We understand that in practice, there would be no change for-profit public sector entities, these entities currently being required to prepare Tier 1 general purpose financial statements under AASB 1053 anyway.

**Question 3: Are you aware of publicly accountable for-profit entities currently self-assessing as non-reporting entities and preparing SPFS that would have implications under the AASB's short-term approach?**

If so, please provide specific examples including why these entities are not currently applying AASB 1053 and preparing Tier 1 GPFS although they would otherwise meet the definition of public accountability.

**BDO comment:**

We are not aware of any publicly accountable for-profit entities self-assessing as non-reporting entities and preparing special purpose financial statements.

**Question 4: Do you agree with the AASB’s amendments to the definition of ‘public accountability’ in AASB 1053 per IFRS for SMEs Standard (refer to Appendix A)? Please indicate reasons for your response and if you disagree, please provide suggestions for the AASB to consider.**

**BDO comment:**

We agree with the proposed amendments to the definition of ‘public accountability’ as it will ensure consistency with IFRS for SMEs and avoid confusion.

We agree with the proposal to remove of the introductory wording ‘...means accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs..’ because these words have the hallmark of concepts outlined in the existing definition of ‘reporting entity’ in SAC 1, which is not relevant in assessing whether an entity is publicly accountable or not.

We also agree with the deletion of the examples given in subsection (b) because we believe it could lead readers to think that these are the only types of entities acting in a fiduciary capacity for a broad range of outsiders as one of its primary business. We also note the proposed addition to the Basis of Conclusions to AASB 1053, paragraphs B3 and B4, which we believe better articulate the difference between entities holding assets in a fiduciary capacity on trust for reasons **incidental to its primary business** (paragraph B3), as opposed to entities holding assets in a fiduciary capacity as **one of its primary businesses**.

**Question 5: Do you agree with the proposed amendments to SAC 1 Definition of the Reporting Entity and the following Australian Accounting Standards, as set out in Appendix A.**

**BDO comment:**

Yes, we agree with these proposals.



## **GENERAL MATTERS FOR COMMENT**

**Question 6: Whether The AASB's Standard-Setting Frameworks for For-Profit and Not-for-Profit Entities has been applied appropriately in developing the proposals in Phase 1.**

**BDO comment:**

Yes, we agree.

**Question 7: Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals.**

**BDO comment:**

We are not aware of any issues.

**Question 8: Whether, overall, the proposals would result in financial statements that would be useful to users.**

**BDO comment:**

Yes, we agree that overall these proposals would result in financial statements that would be useful to users because IFRS compliance would be maintained for for-profit publicly accountable entities.

**Question 9: Whether the proposals are in the best interests of the Australian economy.**

**BDO comment:**

Yes, we agree.

**Question 10: 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.**

**BDO comment:**

We are not aware of any additional costs that would arise from these proposals given that all for-profit publicly accountable entities, both in the private sector and public sector, should be preparing Tier general purpose financial statements now anyway.