



Project:	Australian Financial Reporting Framework	Meeting	AASB June 2019 (M171)
Topic:	AASB 1054 – Disclosure of Compliance with recognition and measurement requirements in special purpose financial statements	Agenda Item:	12.0
		Date:	30 May 2019
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		Decision-Making:	High
		Project Status:	Pre-ballot draft Exposure Draft

Objective of this agenda item

- 1 The objective of this agenda item is for the Board to:
 - (a) **consider** the pre-ballot draft of ED 2019-XX *Amendments to Australian Accounting Standards – Disclosure of Compliance with Recognition and Measurement Requirements* (ED 2019-XX) which outlines the suggested amendments to AASB 1054 *Australian Additional Disclosures* to require entities preparing special purpose financial statements (SPFS) to disclose information regarding the extent of compliance (or otherwise) with the recognition and measurement (R&M) requirements in Australian Accounting Standards (AAS) in those SPFS;
 - (b) **decide** whether the pre-ballot-draft of ED 2019-XX appropriately reflects the decisions made by the Board at its April 2019 meeting (M170); and
 - (c) **decide** on additional matters not previously discussed with the Board which were considered by staff when drafting ED 2019-XX.

Reasons for the Board to consider this agenda item at this meeting

- 2 At its February 2019 meeting, the Board noted the importance of users of SPFS being able to determine whether such financial statements comply with the R&M requirements in AAS and also noted the challenges those users currently face in making such a determination.
- 3 At its April 2019 meeting the Board decided to issue an Exposure Draft (ED) proposing for-profit (FP) and not-for-profit (NFP) entities within the scope of AASB 1054 that prepare SPFS disclose:
 - (a) whether they have subsidiaries and prepared consolidated financial statements, and if not consolidated, why not;
 - (b) if they have investments in an associate or a joint venture, whether they have been accounted for in a manner consistent with AASB 128 *Investments in Associates and Joint Ventures*;
 - (c) whether the entity has or has not complied with all the R&M requirements in AAS in preparing the SPFS; and

- (d) if the entity did not comply with all of the R&M requirements, sufficient information so that the users of the SPFS clearly understand the accounting policies.
- 4 ED 2019-XX has been prepared based on the Board's previous decisions, however in drafting ED 2019-XX, staff determined there are a number of additional matters which have not previously been considered by the Board, and which the Board need to decide upon in order to finalise the ED.

Attachments

Agenda Item 12.1 [Pre-ballot draft] Exposure Draft ED 2019-XX *Amendments to Australian Accounting Standards – Disclosure of Compliance with Recognition and Measurement Requirements*

Overview of Exposure Draft

- 5 Staff consider that ED 2019-XX appropriately reflects the previous decisions of the Board, subject to any decisions made by the Board at this meeting.
- 6 As noted in paragraph 4 above, in drafting ED 2019-XX staff determined there are a number of additional matters which have not previously been considered by the Board, and which the Board need to decide upon, in order to finalise ED XX. ED 2019-XX has been drafted to address these additional matters (subject to any decisions of the Board at this meeting), and where relevant staff have highlighted these matters to the Board via a 'comment box' within the document.
- 7 ED 2019-XX contains:
- (a) the proposed amendments necessary to apply to FP and NFP entities that are directly (or indirectly) subject to the requirements of AASB 1054 and preparing SPFS;
 - (b) the proposed amendments necessary to require entities preparing SPFS to disclose:
 - (i) the basis on which the decision to prepare SPFS was made;¹
 - (ii) if² the entity has investments in subsidiaries:
 - (A) whether the SPFS consolidate all subsidiaries, and if not why some or all investments in subsidiaries have not been consolidated;
 - (B) whether investments in associates and joint ventures have been equity accounted in a manner consistent with AASB 128³; and
 - (C) where some or all subsidiaries are not consolidated, if consolidated financial statements of the entity's parent are available, and where they can be accessed;
 - (iii) whether the SPFS comply with all the R&M requirements in AAS or an indication⁴ of where they do not comply;
 - (c) Implementation guidance and illustrative examples (attached to AASB 1054 as non-mandatory material); and
 - (d) the draft Basis for Conclusions.

Questions to the Board

- 8 As noted in paragraphs 6 and 7 above, staff have included a number of specific questions (and other commentary) for the Board's consideration as 'comment boxes' within ED 2019-XX.

¹ This has been highlighted as a matter to be considered by the Board at this meeting.

² This has been highlighted as a matter to be considered by the Board at this meeting.

³ This has been highlighted as a matter to be considered by the Board at this meeting.

⁴ This has been highlighted as a matter to be considered by the Board at this meeting.

- 9 As such, this cover memo does not ask any specific questions of the Board in respect of the contents of ED 2019XX.
- 10 For the matters to be discussed by the Board at this meeting, ED 2019-XX has been drafted based on staff recommendations, therefore subject to any decisions made by the Board at this meeting, ED 2019-XX may need to be revised.
- 11 In this cover memo, staff ask Board to provide feedback on the proposed timeline outlined in paragraph 13 below.

Next steps, timeline and communications

- 12 Agenda Paper 4.1 of the April 2019 meeting suggested a ballot draft ED 2019-XX be circulated to the Board for out of session voting on 6 June 2019 with a two-week voting period.
- 13 Due to a number of additional matters that came to light while drafting ED 2019-XX, which require Board's decision, staff consider that it is more efficient to discuss these additional matters with the Board at the June meeting. Based on this, the timeline for this project has been updated as per below. The updated timeline, has been prepared on the assumption that staff might be required to make further changes to ED 2019-XX subsequent to the June meeting.

Task	Date
Staff to circulate ballot draft of ED 2019-XX to the Board out of session with a one-week voting period.	18 June. Comments due by 25 June.
If necessary, Staff to update the ballot draft of ED 2019-XX for minor editorials from Board.	26 June.
Issue ED 2019-XX for public comment with a 45-day comment period, along with the 7 key facts document.	27 June. Comments due by 19 August.
Communications and outreach.	Webinar planned for 18 July including messages from the AUASB. Targeted Outreach June 2019 – August 2019
Staff to present collation of feedback to ED 2019-XX and staff recommendations on next steps to the Board (this might include working draft of Standard incorporating the proposals or changes to the proposals of ED 2019-XX for Board consideration).	September Board meeting <i>(To ensure staff have sufficient time to appropriately consider all responses, the proposed timing is subject to the nature and number of comments received from respondents)</i>
Staff to update the draft amending standard based on the Board's feedback.	20 September – 30 September.
Staff to circulate pre-ballot draft of the proposed amending standard to the Board out of session with a two-week voting period.	1 October. Comments due by 15 October.
Staff to update the pre-ballot draft of amending standard for comments received from Board and circulate ballot draft to Board with a one-week voting period.	16 – 24 October.
Update ballot draft (if needed) for minor editorial changes after voting period ends and issue final Amending Standard.	4 November 2019

Question for the Board:

Q1. Does the Board have any comments on the revised timeline?