



Australian Government
Australian Accounting Standards Board

Research Report 12: *Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements*

Update on Findings

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- **update** Board on final findings in Research on extent of use of special purpose financial statements (SPFS) lodged with ASIC by certain categories for-profit entities¹ (i.e. specified entities)
 - *Note that the final findings differ from the preliminary findings shared at April 2019 AASB Meeting ([Agenda Item 3.0 M170](#)) – refer to slide 4*
- **consider** how these findings might impact Board decisions for these entities in relation to:
 - Removing the ability to lodge SPFS²); and
 - Determining the appropriate GPFS- Tier 2 framework³)

1) a) Large proprietary companies (Large proprietary); b) Unlisted public companies excluding limited by guarantee and non-profit entities (Unlisted public); c) Small proprietary companies controlled by a foreign company (Small foreign).

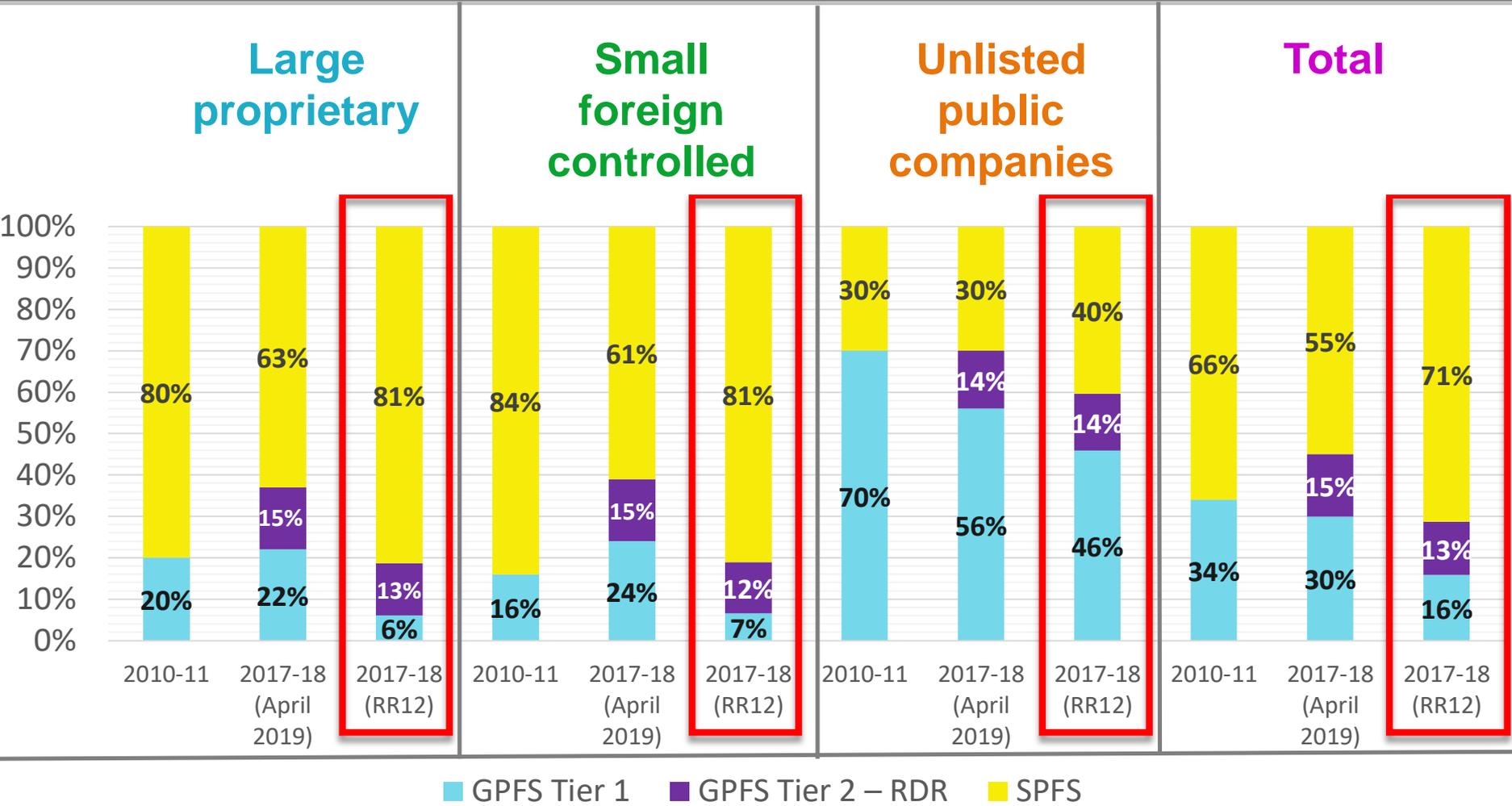
2) AASB ED 297 [Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#)

3) AASB ED 295 [General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#)



- Validation test of the initial OCR classification for types of financial statements (April 2019) to confirm the accuracy and reliability of the process determined the need to refine OCR inputs.
- Further sample checks and updating of keyword search list to:
 - Refine and improve key word recognition process for classification into GPFS, SPFS and RDR buckets; and
 - Minimise errors/bugs in the coding used by word recognition software

Summary of results: For-profit entities – GPFS versus SPFS



■ GPFS Tier 1 ■ GPFS Tier 2 – RDR ■ SPFS

- Additional sample checking for:
 - RDR and GPFS – Tier 1 populations to ensure that classifications are accurate
 - FS identified as GPFS in preliminary results and re-classified into SPFS in final results
- Statistical sample drawn to have confident interval of 90%
- Majority of FS that moved from GPFS to SPFS (from preliminary to final results) were initially misclassified as GPFS as
 - these FS referred to both GPFS and SPFS and machine coding initially classified based on first keyword identified.
 - This was rectified during improvement of key word search process – refer to slide 3



- Use of SPFS by the specified for-profit entities lodging with ASIC has increased from 66% in 2011 to 71% in 2018
- Increase in SPFS by unlisted public companies is key driver, others consistent
- Entities preparing Tier 2 GPFS (RDR) appear to have moved from Tier 1 GPFS to RDR and not from SPFS to RDR

- No change in final findings on extent of compliance with R&M requirements by the specified entities lodging SPFS with ASIC:
 - at least 76% follow R&M requirements in full, 10% required qualitative assessment of the detailed accounting policies
 - 10% did not follow R&M in full
 - 14% not clear

- Findings of RR 12 continue to support Board's work to resolve the SPFS problem in the for-profit private sector and improve consistency, comparability, transparency and enforceability FS that are required to comply with AAS
- For more details on Board's proposals refer to:
 - ED 293 [Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements](#)
 - ED 295 [Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#)
 - ED 297 [General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#)

