Australian Government
Australian Accounting Standards Board

7 KEY FACTS: Applying the revised Conceptual Framework (RCF) in Australia

1. Making the RCF applicable in Australia is essential in accordance with the AASB's strategy and Financial Reporting Council's directive:

- to maintain IFRS compliance for publicly accountable for-profit entities & those voluntarily doing so
- to use IFRS as a base for determining reporting requirements for all other entities, modified as appropriate, in accordance with AASB's Standard-Setting Frameworks for For-Profit and Not-For-Profit Entities.

2. Two Australian-specific problems to be solved by applying the RCF:

Problem 1: The Australian reporting entity concept in SAC 1 *Definition of the Reporting Entity* is different to how the concept is used in the RCF. To apply the RCF, we need to remove SAC 1 and the 'reporting entity' concept, which removes the ability for entities to prepare SPFSs.

Problem 2: Australia is the only country in the world that allows entities to choose the type of financial reporting when required to prepare financial statements by legislation or otherwise. This has resulted in a lack of comparability amongst similar entities of similar economic circumstances and undermines the fundamentals of trust and transparency.

3. AASB's preferred option replaces SPFS with an alternative Tier 2 GPFS – SDR:

- *Option 1: Two-phased approach to applying IASB's RCF* removes SPFS but offers an alternative option with specified disclosure requirements (SDR). This alternative provides a robust framework that is comparable and consistent & has significant reduction of disclosure requirements compared with IFRS. It will only require full recognition and measurement requirements of IFRS, disclosures currently required by RG 85, specified disclosures for significant matters (ie related party transactions, impairment, revenue and tax) and consolidation of subsidiaries (and equity accounting) if required.
- By applying the RCF and replacing SPFS with GPFS, it will improve comparability, trust and transparency within financial reporting to meet user needs, whilst mitigating, where appropriate, the increased reporting burden for some entities who are required to prepare financial statements in accordance with AAS.

4. Change will not happen overnight (there will be extensive consultation):

Briefing sessions will begin in May 2018 around Australia. Under the AASB's preferred option:

- **Phase 1 consultation** will be for three months. This is for publicly accountable for profit entities and those voluntarily preparing Tier 1 GPFS, with amendments issued by December 2018 and effective from 1 January 2020.
- **Phase 2 consultation** will be for six months. This is for all other entities, and further consultation and research would be conducted before amendments are issued by 2020 and effective after 2021.

5. Transitional relief will be provided to better understand the effects of the proposals:

AASB intends to provide transitional relief for entities moving from SPFS to GPFS to alleviate the additional reporting burden for those entities required to step-up their reporting requirements. Constituents are encouraged to provide details of the sort of relief needed under the AASB's preferred option.

6. No impact to the relief granted to 'grandfathered proprietary companies':

The 'public lodgement relief' granted to 'grandfathered proprietary companies' under s 1408 of the *Corporations Act* will not be impacted, nor the reporting requirements of trust and other entities not required by legislation or otherwise to prepare financial statements in accordance with AAS.

7. Constituents are encouraged to provide feedback:

Constituents are encouraged to provide feedback at the AASB's outreach sessions, provide written submissions to the Consultation Paper, and participate in any future consultation processes.