



AASB For-Profit Entity Standard-Setting Framework

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Introduction

What is the purpose of this Framework?

- 1 The *AASB For-Profit Entity Standard-Setting Framework* sets out the principles used by the Australian Accounting Standards Board (AASB) to determine the content of Australian Accounting Standards (including Interpretations), including how the AASB uses International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) to develop, issue and maintain Australian Accounting Standards for the for-profit sector.
- 2 This Framework operates in conjunction with the *AASB and AUASB Board Charter*, the AASB Strategy, the *AASB Due Process Framework for Setting Standards* and the *AASB Not-for-Profit Entity Standard-Setting Framework*.
- 3 In accordance with the Financial Reporting Council's broad strategic directions to the AASB, the AASB sets Standards that:
 - (a) enable 'publicly accountable' private sector entities to maintain IFRS compliance;
 - (b) for other entities, use IFRS Standards (where they exist) and the principle of transaction neutrality (modified as necessary), or develop Australian-specific Standards and guidance; and
 - (c) harmonise to the extent feasible with Government Finance Statistics requirements – the AASB applies this approach to requirements for Whole of Government and General Government Sector financial statements.
- 4 This Framework sets out how the AASB assesses the appropriateness of IFRS Standards in the Australian context and outlines criteria for when the AASB may consider making modifications to IFRS Standards for for-profit entities or developing Australian-specific Standards, amendments, guidance or examples. This Framework provides transparency to this process and facilitates consistency in the AASB's future decision-making, including the form and extent of any modifications to IFRS Standards.
- 5 This Framework complements the *AASB Not-for-Profit Entity Standard-Setting Framework* (October 2020), which sets out how the AASB uses IFRS Standards to develop, issue and maintain Australian Accounting Standards for not-for-profit entities.



What are for-profit entities?

- 6 For-profit entities are those entities whose principal objective is the generation of profit.¹ A for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls.
- 7 For-profit entities exist in both the private and the public sectors. For-profit entities include, but are not limited to:
 - (a) listed companies;
 - (b) disclosing entities;
 - (c) some large and small proprietary companies;
 - (d) government business enterprises (GBEs); and
 - (e) some subsidiaries of not-for-profit entities.

What role does the AASB play in setting Accounting Standards for for-profit entities?

- 8 The AASB establishes the type and nature of financial statements to be prepared by entities required to report in accordance with Australian Accounting Standards.
- 9 The AASB is required, under section 229 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), to consider the suitability of a proposed standard for different types of entities and to ensure there are appropriate accounting standards for each type of entity that must comply with Australian Accounting Standards.² For-profit entities can be treated as a type of entity, when appropriate.
- 10 The extent of compliance required with Standards and Interpretations issued by the AASB is determined by the legislative or regulatory requirements of other regulators (eg Commonwealth and State governments) and/or an entity's constituting or other documents, in conjunction with the application paragraphs of Standards and Interpretations set by the AASB. Other guidance issued by the AASB is generally not authoritative (eg Illustrative Examples and Practice Statements).

1 A not-for-profit (NFP) entity is defined in various AASB Standards, including AASB 102 *Inventories*, paragraph Aus6.1 as "an entity whose principal objective is not the generation of profit". An NFP entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls. The AASB is currently undertaking a project proposing to replace the definition of an NFP entity. Depending on the outcome of this project, the definition of an NFP entity and its location in the Standards may change.

2 For the text of section 229, see the Appendix.



General purpose financial statements

- 11 The AASB sets Standards for general purpose financial statements (GPFS). The objective of GPFS is to provide financial information about the entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.³
- 12 Users of GPFS are not in a position to require an entity to prepare reports tailored to their particular information needs.⁴ The AASB has established a differential reporting framework currently consisting of two tiers of reporting requirements for preparing GPFS.⁵
- 13 For entities not required by legislation to prepare financial statements, if the individuals involved in the preparation and/or presentation of the financial statements are members of Chartered Accountants Australia and New Zealand (CAANZ), CPA Australia or the Institute of Public Accountants, the professional standard APES 205 *Conformity with Accounting Standards* requires them to take all reasonable steps to ensure an entity that has general purpose users is preparing GPFS.

Special purpose financial statements

- 14 For-profit entities can prepare special purpose financial statements (SPFS)⁶ where they are not required by legislation, a constituting document or another document to prepare financial statements that comply with Australian Accounting Standards. In addition, for historical reasons, the AASB also specifically permits the preparation of SPFS by for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or last amended before 1 July 2021.⁷
- 15 The AASB currently does not set recognition and measurement requirements for SPFS. This is because SPFS should only be prepared where users can tailor the SPFS to their own information needs and therefore do not need a standard-setter or regulator to specify the accounting policies or require disclosure of the information for them. Accordingly, those responsible for the preparation of SPFS, such as directors or those charged with governance, determine the extent to which SPFS comply with Australian Accounting Standards.
- 16 The AASB has specified in AASB 1057 *Application of Australian Accounting Standards*⁸ that some individual disclosure-focused Accounting Standards must be

3 AASB *Conceptual Framework for Financial Reporting* (the Conceptual Framework), paragraph 1.2.

4 AASB 101 *Presentation of Financial Statements* defines general purpose financial statements as "... those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs".

5 See AASB 1053 *Application of Tiers of Australian Accounting Standards*.

6 AASB 1054 *Australian Additional Disclosures* defines SPFS as financial statements other than GPFS.

7 See AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

8 See AASB 1057 paragraph 7.



complied with by each entity that is required to prepare financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*. Consequently, these entities are required to apply the specified Standards regardless of whether GPFS or SPFS (for annual periods beginning before 1 July 2021) are prepared. The AASB included this requirement in AASB 1057 as part of moving legacy regulations out of legislation and into Australian Accounting Standards and formed no view as to the suitability or otherwise of these requirements for users of SPFS.⁹

- 17 Regulators may also require or recommend compliance with recognition and measurement requirements of Standards.¹⁰

Enforcement

- 18 Enforcement of the preparation of financial statements and compliance with Accounting Standards is the responsibility of other regulators (eg the Australian Securities and Investments Commission). It is not the responsibility of the AASB.

What assumptions underpin the for-profit entity standard-setting framework?

- 19 To maintain confidence in the Australian economy (including its capital markets), obtain the benefits of international competitiveness and comparability within and across sectors, facilitate movement of professionals across sectors and ensure the costs of complying with Australian Accounting Standards do not outweigh the benefits, this Framework is predicated on the assumptions in paragraphs 21-26.
- 20 When there is evidence these assumptions are no longer appropriate for the Australian context, this Framework will be reconsidered. The AASB and/or its oversight body, the Financial Reporting Council, periodically consult to determine whether these assumptions remain appropriate.

Publicly accountable entities

- 21 Publicly accountable entities must be able to claim compliance with IFRS Standards (including Interpretations) and must prepare Tier 1 GPFS.¹¹

9 For periods beginning on or after 1 July 2021, the preparation of SPFS by for-profit private sector entities will be limited. For example, entities preparing financial reports under Part 2M.3 of the *Corporations Act* will no longer be able to prepare SPFS. The AASB is also currently undertaking a project to consider setting minimum disclosure requirements for SPFS, where a for-profit entity is required to prepare financial statements in compliance with Australian Accounting Standards and is permitted to prepare SPFS.

10 For example, see ASIC Regulatory Guide 85 *Reporting requirements for non-reporting entities*.

11 AASB 1053 requires Tier 1 GPFS to comply with all recognition, measurement, presentation and disclosure requirements of Australian Accounting Standards.



- 22 These entities include those:
- (a) with debt or equity instruments (eg bonds or shares) traded in a public market (eg the Australian Securities Exchange); or
 - (b) holding assets in a fiduciary capacity (eg banks and insurance entities).¹²
- 23 These entities have the most significant individual and collective impact on the Australian economy. Accordingly, they are subject to the highest level of accountability for, and transparency of, their financial information.
- 24 The benefits of IFRS compliance for these types of entities are set out in AASB Research Report No 4 *Review of Adoption of International Financial Reporting Standards in Australia* (March 2017).¹³

IFRS Standards are appropriate as a base

- 25 IFRS Standards (including Interpretations) are appropriate as a base for the following reasons:
- (a) they are developed by an expert standard-setting board, the IASB, and its views represent international consensus on best practice for publicly accountable for-profit entities;
 - (b) they are developed following a stringent due process which encourages parties interested in financial reporting to express their views; and
 - (c) the AASB is able to participate in the development of the IASB's proposals to the extent it considers appropriate.¹⁴

Transaction neutrality

- 26 Transaction neutrality means that like transactions and events are accounted for in a like manner by all types of entities, reflecting their economic substance, unless there is a justifiable reason not to do so. The *AASB Not-for-Profit Entity Standard-Setting Framework* sets out circumstances where it may be appropriate to use a different approach for not-for-profit entities versus for-profit entities.

12 See AASB 1053, Appendix A, Defined Terms. The AASB has a project on its work program to consider the Australian-specific matter of entities being deemed to have public accountability and related guidance.

13 AASB Research Report No 4 identifies the following benefits of using IFRS Standards:

- cost savings for entities with a foreign parent or with foreign-based subsidiaries that previously required multiple national GAAPs to be applied across the group;
- for larger private entities, adoption facilitated access to international capital markets;
- for listed entities, adoption facilitated the activities of analysts by enhancing comparability of financial statements across borders; and
- the ability to readily assist subsidiaries in jurisdictions that have adopted IFRS Standards in recent years.

14 The AASB's typical involvement in the IASB standard-setting process is set out in the *AASB Due Process Framework for Setting Standards* (September 2019).



Australia/New Zealand convergence

- 27 Differences between Accounting Standards issued in Australia and New Zealand for for-profit entities should be minimised wherever possible to reduce the costs for entities operating trans-Tasman.¹⁵

What is the for-profit entity standard-setting framework?

- 28 The AASB develops, issues and maintains Accounting Standards for the for-profit sector as follows.

Publicly accountable entities

- 29 When developing Accounting Standards for publicly accountable entities, the AASB's objectives are to:
- (a) define 'publicly accountable' to include those meeting the IASB's *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs Standard)* definition of 'publicly accountable' and those deemed by the AASB to have public accountability (see the separate section below);¹⁶
 - (b) ensure such entities can make an unreserved statement of compliance with IFRS Standards and prepare Tier 1 GPFS in compliance with Australian Accounting Standards;
 - (c) in rare and exceptional circumstances, subject to (b), make recognition and measurement interpretations or requirements additional to IFRS Standards to address Australian-specific legislation, user needs or public interest issues relevant to financial reporting or other external reporting (eg Interpretation 1003 *Australian Petroleum Resource Rent Tax* and AASB 10 *Consolidated Financial Statements*, paragraph Aus4.2); and
 - (d) make justified additional disclosure requirements via 'Aus' paragraphs, additional Standards or Interpretations, or add specific examples (eg AASB 1054).

Other for-profit entities

- 30 When developing Accounting Standards for other for-profit entities, the AASB's objectives are to:

15 See *Protocol for Co-operation between the Australian Accounting Standards Board, the Australian Auditing and Assurance Standards Board, the Australian Financial Reporting Council and the New Zealand External Reporting Board* (November 2019).

16 See AASB 1053. The AASB has a project on its work program to consider the Australian-specific matter of entities being deemed to have public accountability and related guidance.



- (a) use IFRS Standards and transaction neutrality as a starting point, however, when justified, make modifications to IFRS Standards or develop Australian-specific guidance to address:
 - (i) Australian-specific legislation, user needs or public interest issues relevant to financial reporting or other external reporting;
 - (ii) issues specific to the public sector of such prevalence and magnitude that the objectives and qualitative characteristics of financial reporting as set out in the Conceptual Framework would not be met;¹⁷ and/or
 - (iii) undue cost or effort considerations;
- (b) make justified modifications to IFRS Standards via:
 - (i) ‘Aus’ paragraphs changing an IFRS Standard’s scoping, recognition, measurement, presentation or disclosure requirements (eg AASB 10, paragraph Aus4.1); and/or
 - (ii) Australian-specific guidance in additional appendices or accompanying material, such as illustrative examples;
- (c) address in Australian-specific Standards, Interpretations or guidance, for-profit issues that have not been comprehensively or appropriately dealt with in existing IFRS Standards, including where no relevant IFRS Standard exists (eg AASB 1054, AASB 1056 *Superannuation Entities* and AASB 1059 *Service Concession Arrangements: Grantors*); and
- (d) permit GPFS to be prepared using either Tier 1 (compliance with Australian Accounting Standards) or Tier 2 (compliance with Australian Accounting Standards – Reduced Disclosure Requirements or AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, as appropriate¹⁸).

When will entities be deemed publicly accountable?

- 31 The AASB will deem categories of entities as publicly accountable in order to provide clarity regarding those entities required to prepare Tier 1 GPFS.

¹⁷ See Chapters 1 and 2 in the Conceptual Framework.

¹⁸ AASB 1060 applies to annual periods beginning on or after 1 July 2021, with earlier application permitted.



- 32 Factors considered by the AASB include:
- (a) similarity with entities captured by the *IFRS for SMEs* Standard definition;¹⁹
 - (b) similarity with entities already deemed publicly accountable by the AASB;
 - (c) widespread ownership with widespread changes in ownership of the entity's equity or debt instruments, regardless of whether listed (ie a user's most realistic recourse if not satisfied with management is to sell the investment rather than influence management to change); and
 - (d) the fiduciary nature of the business.
- 33 Given the objective of minimising differences with New Zealand for for-profit entities, any proposals for additional deeming of entities as publicly accountable are discussed with the New Zealand Accounting Standards Board (NZASB) and require a justifiable Australian-specific legislative or other rationale for any difference.

What triggers the AASB to consider Australian-specific for-profit Standards or guidance?

- 34 The AASB considers the need for Australian-specific Standards, amendments, guidance or examples when:
- (a) a new IFRS Standard or pronouncement – or amendments to an existing IFRS Standard or pronouncement – is issued;
 - (b) a post-implementation review (PIR) of an IFRS Standard or Australian Accounting Standard gives a compelling reason to do so;
 - (c) Australian constituents raise the need with the AASB (via agenda consultation, outreach activities, or written or verbal submissions);
 - (d) a new International Public Sector Accounting Standards Board (IPSASB) Standard or pronouncement – or amendments to an existing IPSASB Standard or pronouncement – is issued (for public sector for-profit entities);
 - (e) Australian-specific legislation with financial reporting implications is issued;

19 The *IFRS for SMEs* Standard, Appendix B, defines public accountability as follows:

An entity has public accountability if:

- (a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or
 - (b) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.
- The AASB has a project on its work program to consider the Australian-specific matter of entities being deemed to have public accountability and related guidance.



- (f) parliamentary or other legislative enquiries contain recommendations for external reporting within the AASB's remit; and/or
- (g) evidence of undue widespread and significant diversity in accounting practices exists (eg the results of AASB research or the ASIC surveillance program results).

When might Australian-specific for-profit Standards or guidance be justified?

- 35 The AASB uses professional judgement in reaching its conclusions about for-profit-specific Standards, amendments, guidance or examples.
- 36 As part of its normal standard-setting due process, reasons for conclusions are documented in the related Basis for Conclusions and the extent of differences to IFRS Standards and IPSASB Standards (where applicable) are documented in the material accompanying the Australian Accounting Standard.

Publicly accountable entities

- 37 Only in rare and exceptional circumstances will additions to IFRS Standards be justified. The AASB disagreeing with the IASB's treatment is unlikely to provide a good reason, in and of itself, for changing the requirement in an IFRS Standard.
- 38 Justifiable circumstances for Australian-specific Standards, amendments, guidance or examples may include:
 - (a) Australian-specific legislation is not adequately addressed by the IFRS Standard and there has been, or is likely to be, diversity in practice warranting specific guidance (eg the Australian petroleum resource rent tax);
 - (b) an existing optional treatment in the IFRS Standard is not consistent with Australian-specific legislation, not relevant or inappropriate and should therefore be eliminated;
 - (c) users requiring additional disclosures regarding Australian-specific issues that are not likely to be provided voluntarily (eg franking credits);
 - (d) Australian public interest issues relevant to financial reporting require additional disclosures (eg audit fees and remuneration reporting). Such disclosures must:
 - (i) meet the objectives and qualitative characteristics of financial reporting as set out in the Conceptual Framework;
 - (ii) have strong user support;



- (iii) deliver user benefits that outweigh any undue cost or effort for preparers, including impacts on international competitiveness; and
- (iv) represent the most appropriate avenue to obtaining the information (eg no other existing legislative or voluntary reporting frameworks provide the information); and
- (e) current Australian practices will impose additional costs and/or time to transition to a new IFRS Standard when compared with international counterparts, warranting deferral of the application date.

Other for-profit entities

- 39 For other for-profit entities, in addition to the justifiable circumstances outlined for adding to IFRS Standards for publicly accountable entities, other justifiable circumstances for Australian-specific Standards, amendments, guidance or examples include:
- (a) issues specific to the public sector are of such prevalence and magnitude that public sector entities' financial statements do not reflect economic reality. Consistency across the public sector, rather than consistency with other for-profit entities, is more important to users. The *AASB Not-for-Profit Entity Standard-Setting Framework* provides more details; and
 - (b) an assessment indicates that the costs of preparing and disclosing information outweigh the benefits to users. Such considerations may arise from application issues due to unfamiliar terminology, current practice issues or replicating disclosures required by other existing legislation.

New Zealand convergence – for-profit entities

- 40 Given the objective of minimising differences with New Zealand, any proposals for modifying IFRS Standards – or providing additional Australian-specific Standards, amendments, guidance or examples – requires discussion with the NZASB and a justifiable specific legislative or other rationale for any difference.

Are the identified issues sufficiently significant to warrant Australian-specific for-profit Standards and/or guidance?

- 41 The AASB employs the *AASB Evidence-Informed Standard-Setting Framework* to gather evidence related to any issues that are identified. The AASB also considers the following when deciding whether an identified for-profit issue is so significant that Australian-specific Standards, amendments, guidance or examples are warranted:
- (a) the quantitative and qualitative significance of a transaction, event or circumstance for an entity's financial statements taken as a whole and the likely effect on users' decision-making ability;



- (b) the quantitative and qualitative significance of a transaction, event or circumstance for relevant sectors and the Australian economy as a whole and the likely effect on users' decision-making ability;
- (c) whether a modification would increase or decrease internal consistency within IFRS Standards, Australian Accounting Standards and the Conceptual Framework;
- (d) the costs of the specific change relative to the benefits; and
- (e) the qualitative and quantitative effect on publicly accountable entities, including comparability with international competitors and competitive disadvantage.

Publicly accountable entities

- 42 In addition to the matters outlined in paragraph 42, for publicly accountable entities the AASB also assesses the likely effect of an IFRS Standard on confidence in the Australian economy:
- (a) at both the individual IFRS Standard level and at the level of IFRS Standards as a whole; and
 - (b) before adopting the IFRS Standard as an Australian Accounting Standard.
- 43 For publicly accountable for-profit entities to gain the benefits of international credibility and for users to gain the benefits of international comparability, IFRS Standards issued by the IASB have to be applied in full.
- 44 The consequences of not adopting an IFRS Standard or modifying an IFRS Standard (such that publicly accountable for-profit entities are not IFRS-compliant) would detrimentally affect international competitiveness and likely impose additional costs of capital for all Australian entities.
- 45 The highly unlikely and exceptional circumstances in which the AASB contemplates non-compliance with IFRS Standards as a whole for publicly accountable for-profit entities would require all of the following criteria to be present:
- (a) substantive evidence, including a detailed cost/benefit analysis that IFRS Standards as a whole framework would result in a loss of investor confidence in the Australian economy (assessing financial stability, economic growth, cost of capital implications, investment of international capital and change in behaviour of investors and other key stakeholders);
 - (b) the objectives and qualitative characteristics of financial reporting as set out in the Conceptual Framework²⁰ are no longer adequately met;

²⁰ See Chapters 1 and 2 in the Conceptual Framework.



- (c) significant and consistent feedback from investors, preparers and accounting professionals that IFRS Standards are no longer appropriate in the Australian context;
 - (d) the NZASB is making a similar assessment;
 - (e) a significant number of major countries currently applying IFRS Standards decide to no longer apply IFRS Standards; and
 - (f) a demonstrably more appropriate alternative is available.
- 46 Before any decision affecting IFRS compliance is made, the AASB would conduct specific and widespread consultation, including with parties such as the Financial Reporting Council, Treasury, relevant ministers and the NZASB.

How are Australian-specific for-profit Standards and/or guidance developed?

- 47 Having determined that an Australian-specific Standard, amendments, guidance or examples are required, the AASB:
- (a) in the case of an interpretive issue for publicly accountable for-profit entities, consults with the IFRS Interpretations Committee and proceeds only if the Committee has declined to consider the issue, and then consults with IASB Staff to ensure that IFRS compliance is maintained; and
 - (b) considers whether to:
 - (i) modify the existing IFRS Standard through ‘Aus’ paragraphs, additional implementation or application guidance, or other additional guidance, such as illustrative examples; or
 - (ii) develop an additional Australian-specific Standard or Interpretation.
- 48 In making this determination, the AASB considers:
- (a) the extent and importance of Australian-specific legislation, user needs or public interest issues in maintaining confidence in the Australian economy;
 - (b) the impact on international perceptions of Australian Accounting Standards complying with IFRS Standards;
 - (c) the inadvertent or inappropriate use of additional guidance by publicly accountable for-profit entities that may result in IFRS non-compliance; and
 - (d) the extent of modifications required.



- 49 In developing proposals for new Standards or guidance, the AASB considers:
- (a) consistency with the Conceptual Framework;
 - (b) consistency with existing Australian Accounting Standards (including Interpretations); and
 - (c) other authoritative material that is relevant, such as:
 - (i) pronouncements of other national standard-setters, including the NZASB; and
 - (ii) for public sector issues, IPSASB Standards, Conceptual Framework and guidance.
- 50 The AASB follows its normal due process for setting new Standards and guidance, as outlined in the *AASB Due Process Framework for Setting Standards*.

What principles are applied in determining Tier 2 disclosure requirements?

Simplified disclosures

- 51 The Simplified Disclosures framework for Tier 2 GPFS:
- (a) can be applied only by entities that are not publicly accountable; and
 - (b) comprises the recognition and measurement requirements of Australian Accounting Standards (the same as for Tier 1) but substantially reduced disclosure requirements, as set out in AASB 1060.
- 52 The simplified disclosures are determined by using a bottom-up approach, starting with the disclosures in the IASB's *IFRS for SMEs* Standard, based on the premise that:
- (a) the disclosures in the *IFRS for SMEs* Standard should be retained where the recognition and measurement requirements and options are the same or similar in the *IFRS for SMEs* Standard and full IFRS Standards (and therefore Tier 1);
 - (b) where recognition and measurement requirements or options in the *IFRS for SMEs* Standard are not available in full IFRS Standards (and therefore Tier 1), the related disclosures will be removed; and
 - (c) where the recognition and measurement principles in full IFRS Standards (and therefore Tier 1) are significantly different from those in the *IFRS for SMEs* Standard or certain topics are not addressed in the *IFRS for SMEs* Standard, disclosures may be added.
- 53 When determining whether to add disclosures to the Simplified Disclosures framework for Tier 2 GPFS through AASB 1060, the AASB uses the principles



applied by the IASB in developing the disclosures in the *IFRS for SMEs* Standard. These principles are based on the view that users of the financial statements of for-profit entities that are not publicly accountable are particularly interested in information about:

- (a) short-term cash flows and obligations, commitments or contingencies, whether or not recognised as liabilities;
- (b) liquidity and solvency;
- (c) measurement uncertainties;
- (d) accounting policy choices; and
- (e) disaggregations of amounts presented in the financial statements.

The IASB's principles further note that some disclosures in full IFRS Standards are more relevant to investment decisions in public capital markets than to transactions and other events and conditions encountered by entities without public accountability.

- 54 Although the *IFRS for SMEs* Standard has been developed by the IASB to apply to for-profit private sector entities, broadly the AASB considers that it is reasonable to rely on the judgements made in developing the *IFRS for SMEs* Standard in respect of for-profit public sector entities in Australia, given that IFRS Standards are generally applied to all types of Australian entities. The AASB considers that the IASB's principles also reflect matters of particular interest to users of the financial statements of public sector entities.
- 55 In addition to applying those principles, the AASB considers whether to add disclosures to address matters of public policy or to reflect Australian-specific issues.
- 56 Based on the principles in paragraph 52, the AASB uses the following approach when considering whether to add to or amend disclosure requirements in AASB 1060 in relation to amendments made by the IASB to full IFRS Standards:
- (a) if the amendments introduce significant recognition and measurement differences between full IFRS Standards and the *IFRS for SMEs* Standard, apply the principles applied by the IASB in developing the *IFRS for SMEs* Standard, as summarised in paragraph 53; and
 - (b) if the amendments do not introduce significant recognition and measurement differences, no further action is required unless the disclosures address a matter of public policy or are of particular relevance in the Australian environment.



Reduced disclosure requirements²¹

- 57 The Reduced Disclosure Requirements (RDR) framework for Tier 2 GPFS:
- (a) can be applied only by entities that are not publicly accountable; and
 - (b) comprises the recognition and measurement requirements of Australian Accounting Standards (the same as for Tier 1) but substantially reduced disclosure requirements, as set out in Australian Accounting Standards – Reduced Disclosure Requirements.
- 58 When considering whether disclosures should be retained or reduced for entities reporting under the RDR framework, the AASB refers to the ‘user need’ and ‘cost-benefit’ principles set out in the ‘Tier 2 Disclosure Principles’ document of the RDR decision-making framework. These principles are also based on the principles applied by the IASB in developing the disclosures in the *IFRS for SMEs* Standard, as summarised in paragraph 53.

21 The Reduced Disclosure Requirements framework for Tier 2 GPFS has been superseded by AASB 1060 for annual periods beginning on or after 1 July 2021, with earlier application permitted.



Appendix

Extracts from the *Australian Securities and Investments Commission Act 2001*

s227 AASB's function and powers

- (1) The functions of the AASB are:
 - (a) to develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards; and
 - (b) to make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions); and
 - (c) to formulate accounting standards for other purposes; and
 - (d) to participate in and contribute to the development of a single set of accounting standards for world-wide use; and
 - (e) to advance and promote the main objects of this Part.

...

s229 Generic and specific standards

- (1) Accounting standards made or formulated by the AASB may:
 - (a) be of general or limited application (including a limitation to specified bodies or undertakings); and
 - (b) differ according to differences in time, place or circumstance.
- (2) In making and formulating accounting standards, the AASB:
 - (a) must have regard to the suitability of a proposed standard for different types of entities; and
 - (b) may apply different accounting requirements to different types of entities; and
 - (c) must ensure that there are appropriate accounting standards for each type of entity that must comply with accounting standards.