



For-Profit Phase 1: Adopt RCF for Publicly Accountable Entities

Project summary

The objective of this project is to apply the IASB's revised Conceptual Framework for Financial Reporting (RCF) in Australia and improve the consistency, comparability and transparency of financial reports prepared in accordance with Australian Accounting Standards (AAS).

The aim of this project is to:

- (a) replace the existing AASB Framework for the Preparation and Presentation of Financial Statements with the RCF;
- (b) update other AAS for consequential changes that arise from the revised Conceptual Framework; and
- (c) solve the reporting entity concept and special purpose financial statement (SPFS) problems.

Phase 1 of the project will implement the RCF for publicly accountable for-profit entities in order for them to maintain IFRS compliance.

Project contacts

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Project priority: High

Issued Documents

- [Consultation Paper](#) (ITC 39) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*

AASB Outreach

- Briefings – [slide pack & summary](#) [May 2018]
- Webinar – [slide pack & recording](#) [June 2018]
- [ITC 39 Phase 1 Submissions](#)

Project status

- Fatal Flaw review draft was issued in January 2019
- The Phase 1 submissions paper was considered at the 2018 November Board meeting.

Board deliberations

- AASB Action Alert Update and Board Papers
- For-Profit Phase 1: Public Accountability Definition and Guidance

Other

- [7 Key Facts Sheet](#) [May 2018]
- [AASB Staff FAQ](#) [June 2018]
- [Hot Topic](#) [December 2018]
- [AASB Research Report No 7](#)

AASB Communications

- AASB Submission to Treasury on *Reducing the financial reporting burden by increasing the thresholds for large proprietary companies*

Latest project news

Date

News

14 November 2018

November 2018 Action Alert

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

Last updated: **13 February 2019**

AASB Action Alert Update and Board Papers

Meeting Date	Update
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November 2018	Conceptual Framework – For-Profit Entities (ITC 39 Phase 1)
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The Board decided to proceed with Phase 1 of ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*, as follows:

(a) Phase 1 will be limited to for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards, and to other for-profit entities that elect to apply the revised Conceptual Framework for Financial Reporting (RCF). The intention of Phase 1 is to allow entities to maintain compliance with IFRS Standards, not to extend requirements for entities to prepare general purpose financial statements (GPFS). For example, Phase 1 will permit for-profit public sector entities to continue to state compliance with IFRS Standards where they elect to do so, but will not otherwise require public sector entities to adopt the RCF at this stage.

(b) The limited scope of Phase 1 also means that the existing requirements continue in place for entities such as trusts that are required by their constitutional documents (rather than legislation) to comply with Standards. The Financial Reporting Framework project will reconsider the requirements for other for-profit entities not covered by Phase 1, after further research and outreach.

(c) Some other types of entities were identified in submissions as potentially affected by Phase 1, such as internal registered managed investment schemes, unlisted entities that may be operating in over-the-counter markets and entities undertaking crowd-sourced funding. The Board decided that these entities should be considered through a public accountability sub-project, which will consider in accordance with The AASB's For-Profit Standard Setting Framework whether there should be any changes to who is deemed to have public accountability (an Australian decision), whether exemptions from the public accountability definition would be in the Australian public interest and whether additional guidance should be included to assist in interpreting the public accountability definition in an Australian context.

(d) Some respondents to ITC 39 Phase 1 were concerned about having two conceptual frameworks in place at the same time. The Board noted the majority of respondents who expressed a view agreed with the short term approach, and reconfirmed its previous decision to have two conceptual frameworks for an interim period.

(e) Whilst the substance of the Board's decisions are consistent with the proposals in ITC 39, the Board decided that the new approach to highlighting which entities apply which CF and scope restrictions warranted issuing a limited-scope Exposure Draft of the RCF and the consequential amendments to Standards and Interpretations. The ED will incorporate a proposed amending Standard AASB 2018-X Amendments to Australian Accounting Standards – References to the Conceptual Framework. The draft AASB 2018-X will include the Basis for Conclusions to explain the proposals and the Board's rationale in finalising Phase 1. The Exposure Draft will be issued in January 2019 with a two-month comment period, with requested feedback limited to any fatal-flaw issues.

4.1 Staff Paper – ITC 39 Phase 1 Submissions

AASB Action Alert Update and Board Papers

Meeting Date Update

September 2018 **Conceptual Framework – Securitisation Funds and Public Accountability**

The Board decided in relation to comments received on a key issue identified during the AASB's consultation on the short-term approach (Phase 1) of Invitation to Comment ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*:

(a) the Board should not assess whether listed, unquoted securitisation trusts are publicly accountable as that would require interpretation of specific facts and circumstances and such an assessment would not meet the due process requirements in the AASB's Interpretations and Improvements Model;

(b) the issue is not significant enough to delay the implementation of Phase 1 (as there are only 126 of these trusts with debt listings on the ASX);

(c) transitional relief is not required for these trusts as the requirement to prepare financial statements in accordance with Australian Accounting Standards is determined by their Trust Deeds, which can be amended by the Trustees. Many of the 126 trusts affected will be wound up prior to the effective date of Phase 1;

(d) to consider, as a separate project, (i) whether the IFRS for SMEs Implementation Group (SMEIG) guidance on trading in a public market should accompany the public accountability definition in AASB 1053 Application of Tiers of Australian Accounting Standards, and (ii) which types of entities should be deemed to be publicly accountable; and

(e) further clarification of the public accountability definition should not delay the Board's consideration of Phase 1 issues.

The Board decided that the most appropriate way to facilitate the Board's two-phase approach to applying the IASB's *Conceptual Framework for Financial Reporting* (RCF) as proposed in ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* would be:

(a) to have two conceptual frameworks until Phase 2 of the project is completed

(b) to have one set of Australian Accounting Standards, including Interpretations (AAS).

4.2.1 Full written submission received from the Australian Banking Association on ITC 39

4.2.2 Full written submission received from the Australian Securitisation Forum on ITC 39

4.3 For noting: ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*

June 2018

The Board decided to issue a high-level summary of its recent briefing sessions on the Consultation Paper. Outreach is continuing, with the Board particularly interested in stakeholders' views on what transitional relief might be helpful and the potential implementation costs where entities are affected

May 2018

The Board approved to issue its Consultation Paper.

AASB Action Alert Update and Board Papers

Meeting Date	Update
	The Consultation Paper explains the AASB's objective to make the RCF applicable in Australia, describes a two-phase approach to solving the following two problems, and presents five options considered by the Board for addressing the two problems.
February 2018	<p>The Board decided that the Consultation Paper should further emphasise the background and objective of the project, the core problems it is trying to solve and the need for the AASB's action. The Board also highlighted the need to explain the considered options and the project's timeline for consultation on these issues.</p> <p><u>4.0</u> Cover Memo – Conceptual Framework Project</p> <p><u>4.1</u> Ballot Draft of AASB Consultation Paper <i>Conceptual Framework for Financial Reporting – Application of the IASB's Revised Conceptual Framework in Australia</i></p> <p><u>4.2</u> Proposed project timeline and Conceptual Framework Project Advisory Panel</p>
December 2017	<p>The Board noted major issues that Australian entities will face when the IASB's revised <i>Conceptual Framework for Financial Reporting</i> (RCF) is issued. The Board considered staff's proposals and directed staff to draft a consultation paper to be issued at the beginning of 2018.</p> <p><u>10.1</u> Staff Paper – Implications of the forthcoming IASB Conceptual Framework</p>
May 2017	<p>The Board considered an updated project plan. In particular, staff will work in conjunction with other key regulatory bodies and stakeholders to determine user needs for information and to consider the costs and benefits of the financial reporting requirements for all Australian entities. Extensive research work, including comparing the existing reporting requirements with other jurisdictions, and consultation activities are underway to better understand and assess the criteria for determining (a) which entities are required to prepare general purpose financial reports and (b) the reporting requirements applicable to entities.</p> <p><u>7.1</u> Staff Paper: Australian Financial Reporting Framework</p>
June 2016	<p>Staff outlined the continuing development of benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will provide a basis for further consultation with regulators and other stakeholders. No decisions were made.</p> <p><u>7.0</u> Cover memo – Australian Financial Reporting Framework</p> <p><u>7.2</u> Updated project plan</p>
April 2016	<p>Staff outlined the continuing work to develop benchmarking reports regarding financial reporting requirements for for-profit and not-for-profit entities in the private and public sectors. These reports will support further consultation with regulators and other stakeholders. No decisions were made.</p>
December 2015	<p>The Board received an update on the project addressing the Australian financial reporting framework in terms of which entities should prepare and lodge general purpose financial statements and the content of such financial statements. No decisions were made.</p> <p><u>7.1</u> Staff Paper – Financial Reporting Framework</p>
May 2015	<p>The Board supported the project to reconsider the Australian financial reporting framework in terms of which entities should prepare financial statements and the content of those financial statements. The overall aim of the project is to clarify and simplify the financial</p>

AASB Action Alert Update and Board Papers

Meeting Date	Update
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reporting framework, so that objective criteria determine the entities required to prepare general purpose financial statements. The project will cover both corporate and non-corporate entities, in conjunction with government policymakers and regulators.

The Board noted the project plan, which encompasses the work to reconsider the reduced disclosure requirements for Tier 2 entities (see separate item) and raises the possibility of a third tier of reporting requirements.

11.1 Memorandum – Financial Reporting Framework

11.2 Project Plan