

10 September 2020

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Dear Dr Kendall

ED 302 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities

Thank you for the opportunity to make a submission on ED 302 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities.

The Australian Institute of Company Directors has a membership of more than 45,000 including directors and senior leaders from business, government and the not-for-profit sectors. The mission of the AICD is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society.

We make the following general comments about the exposure draft. We believe the changes are unnecessary as for-profit entities are currently transitioning from preparing Special Purpose Financial Statements to General Purpose Financial Statements (**GPFS**) in accordance with the AASB's decision in *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities (AASB 2020-2)*. This change adds unnecessary complexity at a time when those entities should be focusing on transitioning to the new framework.

Additionally, the changes are intended to cover entities whose constitution requires compliance with Australian Accounting Standards but who are not required to adopt the GPFS requirements. This also adds an unnecessary burden to those entities. Our specific comments are attached.

We have had the benefit of sighting a draft submission from Chartered Accountants Australia & New Zealand and CPA Australia on this matter and we endorse the other arguments put forward in their submission, including in relation to a longer transition timeframe for AASB 2020-2.

Please do not hesitate to contact Senior Policy Adviser David McElrea on dmcelrea@aicd.com.au if you wish to discuss this matter.

Yours sincerely



Christian Gergis
Head of Policy

SPECIFIC COMMENTS

1. Do you agree that an amendment to Australian Accounting Standards to require entities to disclose information about their special purpose financial statements – including the material accounting policies applied in the special purpose financial statements, changes in those policies, and whether or not the entity has complied with all the recognition and measurement requirements in Australian Accounting Standards – is needed to provide more transparency to users of special purpose financial statements and improve the comparability of special purpose financial statements? If not, please provide your reasons.

No. This is an unnecessary change as Special Purpose Financial Statements for for-profit private sector entities are to be phased out.

2. Do you agree that the proposed new disclosures should apply only to those entities preparing special purpose financial statements that are:

(a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; and

(b) other 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.

If not, please provide your reasons.

No. Entities that are not required to adopt the new GPFS standards should be excluded as they were from AASB 2020-2.

3. Do you agree with the proposed amendments to AASB 1054 requiring disclosure of:

(a) the basis for the preparation of the special purpose financial statements (see proposed new paragraph 9C(a));

(b) the material accounting policies applied in the special purpose financial statements, including information about changes in those policies (see proposed new paragraphs 9C(b) and 9C(c));

(c) information about the consolidation or non-consolidation of subsidiaries and accounting for associates and joint ventures (see proposed new paragraph 9C(d));

(d) an explicit statement as to whether or not the accounting policies applied in the financial statements comply with all the recognition and measurement requirements in Australian Accounting Standards (including the requirement to disclose an indication of how they do not comply) (see proposed new paragraph 9C(e)); and

(e) an explicit statement as to whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) (see proposed new paragraph 9C(f))?

If you disagree with any aspect of the proposed disclosures, please provide your reasons.

No. These changes add unnecessary complexity at a time that entities should be focussed on transitioning to AASB 2020-2.

- 4. The proposed Standard includes implementation guidance and illustrative examples illustrating the application of the proposed disclosure requirements. Do you agree it provides appropriate illustration of the application of the disclosure requirements? If not, please provide your reasons.**

No comment.

- 5. Do you agree with the proposed effective date of annual periods ending on or after 30 June 2021 (with early adoption permitted)? If not, please explain why.**

No. For most entities this is the current reporting period. They are already transitioning to the new GPFS and this introduces an unnecessary burden.

- 6. Do you agree that an entity that has no subsidiaries, investments in associates or investments in joint ventures should not be required to make an explicit statement to this effect? If not, please provide your reasons.**

No comment.