

27 February 2025

The Chair  
Australian Accounting Standards Board  
PO Box 204  
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via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Keith

## AASB Exposure Draft ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*

Deloitte is pleased to respond to Australian Accounting Standards Board ('AASB' or 'Board') Exposure Draft ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* (ED 334).

Overall, we support the Board's efforts as we believe it will enhance the quality of financial reporting for not-for-profit entities and make reporting more relevant and reliable for the not-for-profit sector.

### **Limiting the ability of certain not-for-profit entities to prepare special purpose financial statements**

In our view, limiting the ability of certain not-for-profit entities to prepare special purpose financial statements will reduce the reliance on significant judgement that is inherent in an entity's self-assessment of the reporting entity concept and in turn promote consistency and comparability among entities within the sector.

We believe that the proposed extended effective date of at least three years after the issue of the pronouncement whilst also allowing early adoption is a good balance as it will provide entities with sufficient time to prepare for implementation while also permitting entities to obtain the benefits from early adoption should they wish to. We believe the extended period is essential given the efforts necessary for affected entities in transitioning from special purpose financial statements to general purpose financial statements, especially for those entities that are currently preparing unconsolidated special purpose financial statements which will need to prepare consolidated general purpose financial statements moving forward.

Furthermore, we support the proposed transitional reliefs offered to eligible not-for-profit entities as we believe these limited transitional relief measures align with those provided to for-profit entities during the transition period for AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

## Applying the Conceptual Framework to not-for-profit entities

We agree with the Board's approach to extend the applicability of the *Conceptual Framework* from for-profit entities to include private sector and public sector not-for-profit entities. We believe this is a step in the right direction as it will improve comparability and allow alignment between the sectors to be reporting under the same conceptual framework.

We are supportive of the Board proposing not-for-profit specific amendments to the *Conceptual Framework* as we believe this is necessary to make it fit for purpose for not-for-profit entities. We do, however, have a few observations on the below proposed Aus paragraphs in the *Conceptual Framework*:

- Aus4.25.1 – We understand that the Board's rationale for this new paragraph is to offer a not-for-profit specific example of an agent-principal relationship. Whilst we agree that the principles in paragraph 4.25 are applicable to the not-for-profit sector particularly in view of the prevalence and importance of agency relationships in the sector, we are unsure whether the additional example in Aus 4.25.1 is necessary or offers sufficient added context that would be beneficial to not-for-profit entities.
- Aus6.56.1 – Whilst we agree with the Board's intention to provide not-for-profit counterbalances to paragraphs 6.55 and 6.56 of the *Conceptual Framework*, we suggest the Board split the Aus paragraph into two separate Aus paragraphs (e.g. Aus6.55.1 and Aus6.56.1) and to attach the respective Aus paragraph to the specific paragraph it relates to (e.g. attach Aus6.55.1 to paragraph 6.55 and attach 6.56.1 to paragraph 6.56). We believe this revised presentation will enhance the clarity of the Board's key messages.

Please contact me at [cwarden@deloitte.com.au](mailto:cwarden@deloitte.com.au) if you wish to discuss any of our comments.

Yours sincerely



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Partner