



**Grant Thornton**

An instinct for growth™

Dr. Keith Kendall  
Chair  
Australian Accounting Standards Board

Submission via online form

11 September 2020

---

**Grant Thornton Australia  
Limited**  
Level 17  
383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
Queen Victoria Building NSW  
1230  
T +61 2 8297 2400

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

Dear Dr. Kendall

We welcome this opportunity to provide our views on ED 302 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*. Grant Thornton's global network maintains an open and constructive relationship with national governments, standard-setters and regulators, consistent with our policy of embracing external oversight.

Grant Thornton's response reflects our position as auditors and business advisers to the Australian business community. We work with listed and privately held companies, government, industry, and not-for-profit organisations.

Overall, we support the proposals in ED 302, subject to our comments below.

Should you have any queries related to our submission, please contact either me (merilyn.gwan@au.gt.com) or Owen Carew (owen.carew@au.gt.com).

Yours sincerely

Merilyn Gwan  
Partner - Audit & Assurance  
Head of National Assurance Quality

ABN-41 127 556 389 ACN-127 556 389

---

Grant Thornton Australia Ltd ABN 41 127 556 389 ACN 127 556 389 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

---

[www.grantthornton.com.au](http://www.grantthornton.com.au)

#4024683v1

## Answers to specific and general matters for comment in ED 302

In this section, Grant Thornton Australia offers feedback on the specific and general matters for comment requested by the AASB in ED 302.

- 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.

We agree with the statement that an amendment is needed to provide more transparency to users of special purpose financial statements and improve the comparability of special purpose financial statements.

- 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.

We agree that the new disclosure requirements should apply on, for those entities identified above.

- 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.

We generally agree with the proposed amendments. We recommend that explicit reference to the definitions of “interest” and “subsidiary” be included by cross-reference to the relevant accounting standard – for example, by reference to AASB 10 *Consolidated Financial Statements* from within the amended AASB 1054 similar to AASB 1048.

- 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.

We agree with the proposed implementation guidance and illustrative examples.

- 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.

In our opinion, the benefits of the proposed effective date are significant, notwithstanding the considerable effort required for certain entities to comply with the proposals. In the context of the transition from SPFS per AASB 2020-2, the imposition of such disclosure requirements in 30 June 2021 will impose an additional burden on the financial reporting function of entities, however there is a net benefit that can reasonably be expected in assisting with the preparation and planning for AASB 2020-2 becoming effective.

- 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.

We do not agree with the proposal. Due to the application of judgement and differing concepts of materiality to individual preparers of financial statements, we believe that there is potential that financial statements will be prepared with undisclosed subsidiaries, investments in associates, or investments in joint ventures. An explicit statement will assist in demonstrating that such disclosure is presumed to be material.

- 7 Do you have any other comments on the proposals?

Generally, in the context of *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* the proposed amendments will be useful to the preparers of financial statements who will be required to apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* and assist in assessing the impact of transition to this accounting standard.

The users of financial statements prepared by entities which are not required to comply with AASB 1060 will benefit from the required disclosures.

- 8 Whether The AASB's For-Profit Entity Standard-Setting Framework has been applied appropriately in developing the proposals in this Exposure Draft?

There is some question as to whether the requirements as applied to entities which are not required to apply Australian Accounting Standards comply with the framework – specifically paragraphs 12 and 13.

- 9 Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?

No specific comment.

- 10 Whether the proposals create any auditing or assurance challenges?

Specific audit challenges will arise in ensuring completeness of disclosures where management have limited experience in the application of standards such as AASB 10. There are also potential challenges to be experienced by smaller firms where the depth of technical knowledge may be reduced; the Australian corporate framework, particularly the use of non-corporate entities such as trusts, results in significant increases in the relative complexity of identifying controlled entities.

- 11 Whether, overall, the proposals would result in special purpose financial statements that would be more useful to users?

The proposals would result in special purpose financial statements that would be more useful to users.

- 12 Whether the proposals are in the best interests of the Australian economy?

No comment.

- 13 Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial)

or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

While the proposals will increase the cost of financial reporting due to increased complexity in compliance, the ability to estimate this in the context of the proposals, the differences between individual entities and the current regulatory requirements is limited.