

13 August 2019

Ms Kris Peach  
Chair  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007

Submission via [aasb.gov.au](http://aasb.gov.au)

Dear Kris

**Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements (ED 293)**

As the representatives of over 200,000 professional accountants in Australia, Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) and CPA Australia would like to thank you for the opportunity to comment on the above Exposure Draft (the ED).

We accept that there is a need to improve the consistency and comparability of financial statements on the public record and support the Australian Accounting Standards Board (AASB) in its work to provide simplification and clarity to Australia's financial reporting framework.

We understand that these proposals are part of the AASB's broader project that would result in entities in the for-profit (FP) and not-for-profit (NFP) sectors being unable to prepare special purpose financial statements (SPFS) when required to comply with Australian Accounting Standards (AAS). The AASB has indicated that the proposals in the ED are an interim measure to address concerns it has identified that users of SPFS are unable to identify whether these SPFS comply with the recognition and measurement (R&M) requirements of AAS.

Whilst we appreciate the AASB's rationale, we believe that implementation of these interim short term measures has the potential to both confuse stakeholders and divert their attention from the broader reform process taking place. This reform process is dependent on their engagement and input if a fit-for-purpose financial reporting regime is to be developed that stands the test of time.

We consider that there is greater benefit from engaging and educating all stakeholders likely to be affected by the forthcoming broader reform proposals, than from pursuing the amending standard proposed in the ED.

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In support of our above position, we offer the following comments; and have chosen not to respond to the detailed questions in the ED:

1. The conceptual basis that enables the preparation of SPFS that state compliance with AAS is the premise that users can demand the inclusion of any information they require concerning compliance with AAS. In our view, this explains why the AASB's FP and NFP standard setting frameworks both note that "the AASB does not currently set standards for special purpose financial statements" (Paragraph 12 in both documents). To require additional disclosures seems to be contradictory to this underlying premise, notwithstanding the broader project to address issues perceived in the current framework. We appreciate that, in some instances, users may not know what R&M requirements in AAS have, or have not, been used. However, it is not clear that these additional disclosures will assist their understanding of the financial statements, particularly without appropriate education and other efforts likely to extend beyond the time intended for the broader project that would render the proposals in the ED obsolete.
2. The ED's proposed disclosures go beyond a simple "comply or do not comply with R&M requirements in AAS" approach. They not only require disclosure of "where" the financial statements do not comply with R&M requirements, the supporting examples appear to go further by suggesting disclosure of information about "how" R&M requirements have not been complied with and "why" R&M requirements have not been complied with. We are concerned that in many cases substantial resources could be required to identify the necessary content for such disclosures, which could result in a vastly disproportionate impost on smaller and not for profit entities that currently benefit from the proportionality afforded by the option of preparing SPFS. In addition, the proposals do not clarify which requirements in the AAS are considered "recognition and measurement", for instance the proposed separation of the consolidation disclosures.
3. The AASB has signalled its intention to introduce a general purpose financial statements (GPFS) based financial reporting framework for FP entities by 2020 which will result in these entities being unable to prepare SPFS that state compliance with AAS for statutory and other purposes. Therefore, the proposed disclosures will potentially apply to affected FP entities for only a year. We believe that their preparers, auditors and users would be better served by an education process supporting the need for this transition, rather than interim disclosures. As far as the NFP sector is concerned, the AASB has postponed the equivalent proposals and has indicated that it will develop proposals at a later stage, with no timeframe specified at this stage. Given the uncertainty surrounding the future direction and shape of the AASB's proposals for NFP entities, we are concerned that these interim proposals pre-empt the outcomes of that reform process. Arguably, the proposals also impose an unnecessary burden on NFP entities, with scarce resources, requiring them to direct efforts and resources towards short-term disclosures that may not be required in the future.

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4. Should the AASB proceed with issuing an amending standard as proposed, it will apply in most cases to a reporting period that has already commenced (i.e., reporting periods commencing on or after 1 July 2019). This significantly reduces the time needed for the preparers and auditors of the financial reports of affected entities to consider, understand and adapt to the change.
5. Finally, the proposals refer to evidence obtained through “near final” research. Whilst we appreciate the comment that the findings relied upon in developing these proposals are not expected to change, stakeholders considering these proposals would benefit from the publication of that final research.

If you have any questions about our submission, please contact either Amir Ghandar (Chartered Accountants ANZ) [amir.ghandar@charteredaccountantsanz.com](mailto:amir.ghandar@charteredaccountantsanz.com) or Ram Subramanian (CPA Australia) at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).



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