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7 September 2020

Dr. Keith Kendall  
Chair  
Australian Accounting Standards Board  
Level 14, 530 Collins Street  
Melbourne VIC 3000

Via email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Dr. Kendall

**SUBMISSION – ED 302 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS –  
DISCLOSURES IN SPECIAL PURPOSE FINANCIAL STATEMENTS OF CERTAIN FOR-  
PROFIT PRIVATE SECTOR ENTITIES**

We appreciate the opportunity to provide comment to the Australian Accounting Standards Board (the AASB) on the AASB's Exposure Draft 302 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities* (the Exposure Draft).

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Overall, we are supportive of the objective to increase transparency in special purpose financial statements. However, we do not support the proposals in their current form for the following reasons:

1. We do not consider the proposed time frame for adoption of the amendment is sufficient to allow those affected entities to undertake an extensive review of transactions and balances to identify all recognition and measurement differences between their accounts and Australian Accounting Standards (AAS). Whilst in some cases determining whether an entity is adopting the recognition and measurement requirements of AAS is straightforward (e.g., in relation to accounting for leases), in other cases it may not be straightforward and may involve extensive review of contractual arrangements (e.g., accounting for revenue from customer contracts). The proposed application date, being effective approximately 6 months after the Amendment is issued is inconsistent with the AASB's Due Process Framework which seeks to ensure that stakeholders have adequate time to prepare for implementation, stating that typically the AASB will issue a Standard at least 2 years before its effective date.

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2. We do not support the application of proposals to the for-profit private sector entities within the scope of *AASB 2020-2 Amendments to Australian Accountings – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* due to the short-term nature of the proposals. For these entities, that do not early adopt the requirements in AASB 2020-2, the proposals will apply for one year only before they must transition to general purpose financial statements. The transition to general purpose financial statements for financial years commencing 1 July 2021 is already a significant undertaking for these entities and we consider the time and resources to include additional disclosures at 30 June 2021, for one year only, would exceed any benefits of the additional disclosure.
3. We do not support the application of the proposals to the for-profit private sector entities that continue to apply the 'old' *Framework* (after the effective date of AASB 2020-2). I.e., those for-profit private sector entities that are required only by their constituting document or another document to prepare financial that comply with AAS, where such document was created or last amended before 1 July 2021. In our opinion, the application of the proposals to these 'grandfathered' 'other for-profit private sector entities' is inconsistent with the rationale for the AASB 2020-2 exemption (from the requirement to prepare general purpose financial statements). As noted by the AASB in the basis for conclusions to AASB 2020-2 these entities prepare accounts for specific users, they have no external regulator and the financial statements are not lodged on the public record. These were the reasons provided for not requiring them to prepare general purpose financial statements, and therefore it follows, for the same reason, that the Board should not impose additional disclosure requirements for the special purpose financial statements prepared by these entities.
4. The proposals do not support the AASB's standard setting framework documents regarding transaction neutrality. The similar disclosures for not-for-profits (included in *AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*) provide an option to not-for-profit entities to disclose that they have not assessed compliance with certain AAS requirements (including the recognition and measurement requirements). This Exposure Draft is not consistent with AASB 2019-4. The reason for this inconsistency is noted in BC22 of the Exposure Draft, noting that the Board is of the view that for-profit entities are 'expected to have access to the resources necessary to make the required assessment and should therefore have an understanding of the recognition and measurement requirements in Australian Accounting Standards as part of their good governance approach.' The Board also considered that the entities may be small in size without overly complicated accounting requirements. We do not consider this is sufficient justification to depart from the concept of transaction (or sector) neutrality as we consider that NFPs will in many ways be comparable in size and sophistication to those for-profit private sector entities that are not preparing financial statements in accordance with laws or other legislation.

Our preference is for these proposals to not proceed at all, particularly given the uncertain economic environment in existence at the moment, due to the impact of the COVID-19 pandemic.

However, in the event that the Exposure Draft proposals do proceed in a different form, we propose the following alternative. Firstly, the effective date of proposals should be pushed back to commence in line with the commencement date of AASB 2020-2. This will limit the impact of the standard to only those entities requiring compliance with AAS whose constituting document (or another document) was created or last amended before 1 July 2021. Secondly, the proposals should be equivalent to that already existing in AASB 2019-4 for NFP entities, as the concept of transaction neutrality should apply in this instance. This will enable for-profit private sector entities to indicate they have not yet assessed compliance with the recognition and measurement requirements in circumstances where there would be an unreasonable burden to assess this.

Please contact Ms Kerry Hicks, Director – Technical Standards (02 9228 2272 or [kerry.hicks@pitcher.com.au](mailto:kerry.hicks@pitcher.com.au)), in relation to any of the matters outlined in this submission.

Yours sincerely



K L Byrne  
Partner



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Director, Technical Standards