PO Box 1411
Beenleigh QLD 4207
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Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins St West
VIC 8007 Australia

Dear Keith

Exposure Draft 315 — Extending Transition Relief under AASB 1

I am pleased to make this submission on ED315.

I have over 30 years' experience in accounting advisory functions of large accounting and auditing firms across a wide range of clients, industries and issues in the for-profit, not-for-profit, private, and public sectors. My clients across the business and government environments have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, commonwealth, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises).

Specific matters for comment

1. Do you agree with the proposed amendments to AASB 1 and AASB 1053? If you disagree, please explain why.

AASB 1 amendment

I include two objections for this amendment:

a) the amendment is based on a too narrow interpretation
b) the amendment will not be effective because of that narrow interpretation.

a) The amendment is based on a too narrow interpretation

I understand the reasoning for the change is based on an interpretation of the existing requirements is limited to parents preparing Australian Accounting Standards financial statements, and that this excludes parents adopting the same measurement bases as AAS under IFRS (as issued by the IASB) and IFRS-equivalent financial statements.

I believe that such an interpretation is too narrow.

The provisions of AASB 1 paragraph D16(a) have been around since the start of IFRS in Australia (previously being included as paragraph 24).

I am not aware of this issue being raised over the last 15+ years, either for companies moving to IFRS on initial adoption in 2005, or subsequently moving from SPFS to GPFS.

It is common for Australian subsidiaries (that usually have 30 June yearends) to adopt IFRS at a later balance date than their parents.

Also, similar wording, and a similar problem, exists in other countries that have adopted IFRS into their own standards. For example:

New Zealand – IFRS 1

First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1)
https://www.xrb.govt.nz/standards/accounting-standards/for-profit-standards/standards-list/nz-ifrs-1/

D16 If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:

(a) the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to NZ IFRS, if no adjustments …

Singapore – SB-FRS101 (N.B. Statutory Board financial statements referred to, rather than SFRS – as the SFRS were access restricted)

Statutory Board Financial Reporting Standard SB-FRS 101
First-time Adoption of Statutory Board Financial Reporting Standards
https://www.assb.gov.sg/docs/default-source/sb-frs/sb-frs-(effective-as-at-1-january-2021)/sb-frs_101_(2021).pdf?sfvrsn=ae77bf9_2

D16 If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:

(a) the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to SB-FRSs, if no adjustments

Presumably, these countries would have a similar limitation in their standards that would need a similar amendment.

(b) The amendment will not be effective because of that narrow interpretation

As noted above, the amendment is based on a narrow interpretation of AAS not including financial statements prepared on the same measurement basis, i.e. IFRSs.

However, the amendment only expands to parents preparing financial statements under IFRSs – i.e. IFRSs as issued by the IASB.

The amendment (using the same narrow interpretation) will not be effective for countries adopting IFRS-equivalent standards, as IFRS-equivalent are not IFRS. For example, financial statements prepared in the European Union, Singapore and Hong Kong are often signed-off under those jurisdictions – without a statement of compliance with IFRSs as issued by the IASB.

Consequently, parent financial statements prepared under IFRS-equivalent standards will fail the amendment.

AASB 1053 amendment

The proposed amendment should not be restricted to for-profit private sector entities.

I have encountered not-for-profit entities preparing Tier 2 parent only financial statements, and they should have the same relief if they were to move to Tier 2 consolidated financial statements (before any changes to the NFP reporting entity framework).

2. Do you think any unintended consequences might arise from the proposed amendments? If yes, please explain what they are.

Refer responses to Question 1.

3. Do you have any other comments on the proposals?

No

Yours sincerely

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