



Australian Government



Australian  
**Charities** and  
Not-for-profits  
Commission

28 October 2019

Ms Kris Peach  
Chair  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET VIC 8007

Our reference: EXT2019/100

Dear Ms Peach

**AASB Exposure Draft 296 – *Disclosure of Accounting Policies: Proposed amendments to AASB 101 and AASB Practice Statement 2***

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the opportunity to comment on Exposure Draft 296 – ***Disclosure of Accounting Policies: Proposed amendments to AASB 101 and AASB Practice Statement 2*** (ED 296).

The ACNC was established on 3 December 2012 by the *Australian Charities and Not-for-Profits Commission Act 2012* (Cth) (ACNC Act). The objects of the ACNC Act are to:

- Maintain, protect and enhance public trust and confidence in the Australian not-for-profit (NFP) sector;
- support and sustain a robust, vibrant, independent and innovative Australian NFP sector; and
- promote the reduction of unnecessary regulatory obligations on the Australian NFP sector.

The ACNC maintains a free and searchable online public register of charities (the Charity Register). The Charity Register helps the public to understand the work of the charity sector and enables charities to be transparent by publishing information about their governance, activities, operations, and finances.

The ACNC regulates over 57,000 charities in Australia which are a sub-sector of the Not-for-profit (NFP) sector. It is with regard to the impact of the proposed change on the charities sub-sector within which we frame our response. [ACNC Commissioner's Policy Statement 2017/04: Financial reporting scaffolding policy guides ACNC participation in dialogue about financial reporting.](#)





We have previously made submissions to ED 282 *Definition of Material – Proposed amendments to AASB 101 and AASB 108* that the changes to the ‘material’ definition together with the Materiality Practice Statement should promote a greater understanding of the role of materiality in making judgements in the preparation of financial statements, albeit that more examples and practical guidance on the application should be provided.

We believe the proposed changes in ED 296 to replace ‘significant’ accounting policies with ‘material’ accounting policies would provide greater consistency and clarity to enable preparers, reviewers and/or auditors to identify and disclose relevant and useful accounting policies.

We note that there appears to be a strict interpretation of immaterial transactions in the proposed IAS 1 paragraph 117A which differs from the Materiality Practice Statement which requires both quantitative and qualitative characteristics to be considered when considering materiality. The proposed paragraph 117A of IAS 1 states that, “*accounting policies that relate to immaterial transactions, other events or conditions are themselves immaterial and need not be disclosed.*” Paragraph Aus45.1 of the Materiality Practice Statement points out that not-for-profit entities’ primary concerns relate to the achievements of objectives other than generation of profit. We suggest that in some cases a material accounting policy could relate to immaterial transactions. For example, a charity’s concessionary leases that are measured at cost could have little or no material impact on the charity’s financial position but the nature of, and the dependency on the right of use assets would have an overall material impact on the charity being able to carry out its activities in furthering its charitable purposes.

Materiality is generally linked with material transactions which normally would have the greatest impact on the financial performance and financial position. Given that paragraph 117A states that not all accounting policies relating to material transactions, other events or conditions are themselves material, we suggest it would be helpful to provide examples to illustrate this point.

We understand that the proposed amendments will help inform the AASB’s response to the International Accounting Standards Board and that the policy for AASB is to incorporate IFRS into the Australian Accounting Standards. We believe the proposed examples in the Materiality Practice Statement can be adopted but further examples tailored to the NFP private sector should be provided for the Australian context.

Please note that these responses focus on the perspective of NFP private sector entities which are ACNC registered charities.

Please do not hesitate to contact Mel Yates, at [Melville.Yates@acnc.gov.au](mailto:Melville.Yates@acnc.gov.au) or 03 927 59595 should you have any queries in relation to the above.

Sincerely,

**Melville Yates**

Director of Reporting and Red Tape Reduction  
Australian Charities and Not-for-profits Commission