



Australian Government



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

18 November 2019

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

Our reference: EXT2019/115

Dear Ms Peach

**AASB Exposure Draft 295 – General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities**

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the opportunity to comment on Exposure Draft 295 – **General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities** (ED 295).

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.](#)





As previously highlighted in our submission to ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*, an objective of the standard setter should be to reduce the reporting requirements as far as possible to minimise the complexity, preparation and assurance cost. We note that the broad principles applied by the AASB Board to determine the type of disclosures are focused on users of for-profit (FP) entities and therefore, the principles have an emphasis of providing information relevant to the profit distribution to the providers of capital. However, this may differ from the NFP sector where there can be other considerations that are relevant to users of NFP financial statements including restrictions on assets or reserves, and service performance reporting. It is essential that NFP entities are not overly burdened by the disclosure requirements placed on them in addition to meeting the disclosure designed for FP entities.

With that, the ACNC supports the proposals in ED 295 to further reduce any disclosure requirements applicable to charities applying Tier 2 General Purpose Financial Statements (GPFS). The new proposed standard presents disclosure requirements as a self-contained standard which is more robust and allows preparers to locate the minimum disclosures necessary when preparing financial statements, thereby improving the readability compared to the existing Reduced Disclosure Requirements (RDR). As such we agree with the replacement of AASB 7, 12, 101, 107 and 124 in their entirety.

The ACNC is particularly supportive of the option to not present a statement of changes in equity or statement of other comprehensive income as allowed, which would further reduce any unnecessary reporting burden. Making the revised Tier 2 standard available at the same time provided to FP entities would enable charities to take advantage of any immediate benefit from early adoption of the proposed standard.

We support the inclusion of the audit fees disclosures from AASB 1054 *Australian Additional Disclosures* as set out in BC62. We have received specific feedback from the public regarding the inconsistent application of disclosing audit fees in Tier 1 GPFS in comparison to not being required in the existing RDR. This is also a timely inclusion given the Senate inquiry into the regulation of auditing in Australia which could improve transparency in relation to audit independence. This will also ensure that the same disclosure requirement for audit fees will be consistent for those applying full GPFS or otherwise applying the standard in its entirety with the proposals in the ED.

We also support retaining the disclosures from the IFRS for SMEs for domiciles, legal form and description of the nature of the entity's operations and principle activities although we note that this is an existing requirement in paragraph 138 of AASB 101 *Presentation of financial statements* for entities applying the Australian Accounting Standard in full.

The following comments relate to general observations and may not necessarily provide any recommendations unless stated.

We note that there may be variances in the information disclosed in the financial statements for those preparing Tier 1 GPFS or otherwise required to apply specific standards in full (eg ACNC charities preparing special purpose financial statements), may provide less information compared to the proposals in ED 295. For example, paragraph 5.4 specifies nine types of other comprehensive income in ED 295, compared to a less descriptive requirement in the current AASB 101 *Presentation of Financial Statements*. Whilst we have not reviewed each standard to compare the level of disclosure, the ACNC's view is that the proposals in ED 295 should not be more onerous than the full GPFS requirement



Paragraph 9.30 relates to *Disclosures in combined financial statements* but does not contain any information required to be disclosed. This is a new term used albeit the ACNC accepts 'combined financial statements' under section 60-95 of the ACNC Act where the Commissioner may allow a reporting group to lodge a single financial report based on affiliation and/or proximity other than control.

In relation to the disclosure requirements for Income of Not-for-Profit Entities, the ACNC believes the information required under paragraph 37 in AASB 1058 *Income of Not-for-profit entities* should be included in the proposals as it provides relevant and useful information to users to understand, if any, the restricted nature of assets/equity components. Although we note entities are only encouraged to provide this information currently, we believe the information is necessary to understand the characteristics and nature of the NFP entity.

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 Melville 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