



**ACT**  
Government

Chief Minister, Treasury and  
Economic Development

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

Dear Ms Peach <sup>Kris</sup>

**Exposure Draft (ED) 295 *General Purpose Financial Statements – Simplified Disclosures for For Profit and Not for Profit Tier 2 Entities***

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the invitation to provide feedback on ED 295 *General Purpose Financial Statements – Simplified Disclosures for For Profit and Not for Profit Tier 2 Entities*.

HoTARAC is comprised of senior public sector specialists in accounting and financial reporting in the Australian, State and Territory Governments. HoTARAC's interest in the topic arises from its members' roles in preparing public sector financial statements.

HoTARAC's response to the specific matters for comment is attached to this letter. If you have any queries regarding our comments, please contact Vincent Padgham from the Commonwealth Department of Finance on (02) 6215 1927 or by email to [Vincent.Padgham@finance.gov.au](mailto:Vincent.Padgham@finance.gov.au).

Yours sincerely

David Nicol  
Chair

Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)

26 November 2019

**Attachment: HoTARAC Comments to Exposure Draft (ED) 295 General Purpose Financial Statements – Simplified Disclosures for For Profit and Not for Profit Tier 2 Entities**

**Specific Matters for Comment**

1 Do you agree with the overarching principles on which the proposed Simplified Disclosure Standard is based and the methodology described in paragraphs BC33-BC43 to this ED? If you disagree, please explain why.

HoTARAC supports reducing the reporting burden and increasing the relevance of financial reports for Tier 2 public sector reporting entities. HoTARAC considers that basing ED 295 on the IFRS for SME's standard will enhance alignment between International Financial Reporting Standards (IFRS) and Australian Standards, noting:

- no changes to existing recognition and measurement requirements would occur; and
- the inclusion of 'AusNFP paragraphs' for additional disclosure requirements for not for profit entities where applicable within ED 295.

2 Do you agree that these proposals should replace the current RDR framework? If you disagree, please explain why.

HoTARAC does not have a strong view on this. HoTARAC considers that ED 295 will only provide a minor overall reduction in the disclosure requirements for Tier 2 public sector entities.

3 Do you agree with the following key decisions made and judgements exercised by the AASB in drafting the proposed Simplified Disclosure Standard in relation to:

(a) the replacement of AASB 7 *Financial Instruments: Disclosures*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows* and AASB 124 *Related Party Disclosures* and in their entirety as explained in BC46?

(b) adding, removing or amending disclosures, for example the disclosures for lessees, revenue, borrowing costs, revalued property, plant and equipment (PPE) and intangible assets as explained in BC46-BC62?

(c) the inclusion of the audit fees disclosures from AASB 1054 *Australian Additional Disclosures* for the reasons set out in BC62?

(d) not including certain Australian Accounting Standards and Interpretations in this Simplified Disclosure Standard as explained in BC63-BC65?

(e) retaining the following disclosures from the IFRS for SMEs Standard that are not currently required under RDR framework or full AAS (see BC59 for explanations):

HoTARAC agrees with proposals 3(a), (b), (c) and (d) respectively. In relation to proposal 3(e), HoTARAC accepts these disclosure requirements in general but questions whether a maturity analysis of future lease payments (required under ED 295(20.13) for lessees and (20.30) for lessors) is warranted for public sector Tier 2 entities. ED 295 already requires disclosure of current and non-current liabilities and solvency is generally not an issue for budget funded public sector entities.

4 Do you agree with providing Tier 2 entities with an option of not having to prepare a separate statement of changes in equity as per paragraph 3.18 of AASB 10XX? If you disagree, or are concerned that this option could have unintended consequences, please explain why.

HoTARAC agrees.

**Attachment: HoTARAC Comments to Exposure Draft (ED) 295 General Purpose Financial Statements – Simplified Disclosures for For Profit and Not for Profit Tier 2 Entities**

5 Do you agree with the other disclosures for Tier 2 entities as set out in Sections 3 to 35 of the proposed new Simplified Disclosure Standard that have been identified by applying the proposed methodology and principles? If you disagree with the outcome, please identify, with reasons:  
(a) which of the disclosures proposed should not be required for Tier 2 entities; and  
(b) which disclosures not proposed in this ED should be required for Tier 2 entities.  
(See Staff Analysis – Comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis of impact on disclosures (For for-profit private sector entities with no public accountability))

In HoTARAC's view ED 295 will not significantly reduce disclosures for most Tier 2 public sector entities, with additional disclosure requirements offsetting other reductions. HoTARAC notes that there is scope to further streamline disclosures for Tier 2 public sector entities, such as through reducing financial instrument and fair value disclosures (as well as removal of the proposed maturity analysis of lease payments). HoTARAC suggests the AASB considers further ways to reduce disclosures for Tier 2 public sector and other not-for-profit (NFP) entities.

HoTARAC also recommends the guidance in paragraph 31 of AASB 101, which states that disclosures are only required where material, be carried over into ED 295.

HoTARAC agrees with paragraphs 9 and 44 in the Basis for Conclusions (BC), which acknowledges that disclosure requirements in the NFP sector are significantly different to the for profit (FP) sector and that eventually more than two tiers may be required for the NFP sector.

6 Do you agree that the proposed Simplified Disclosure Standard should also be made available to NFP private sector entities and all public sector entities that can apply Tier 2 reporting requirements as set out in AASB 1053? If you disagree, please explain why.

HoTARAC agrees with BC paragraphs 9 and 44, which acknowledges the differences between FP and NFP financial reporting and states that ED 295 should only be an interim step in streamlining the NFP financial reporting framework.

7 Do you agree:  
(a) with the principles applied to identify the additional disclosures for NFP private sector and public sector Tier 2 entities (as explained in paragraph BC45)? If you disagree, please explain why.  
(b) that previous decisions made under the RDR Framework in relation to the cost vs the benefits of these disclosures do not need to be revisited (as explained in BC68.) If you disagree, please explain why.

HoTARAC agrees.

8 Do you agree with the disclosures identified for NFP private sector and public sector Tier 2 entities in this Simplified Disclosure Standard? If you disagree, please identify, with reasons:  
(a) which of the disclosures proposed should not be required for NFP private sector and public sector Tier 2 entities; and  
(b) which disclosures not proposed in the ED should be required for NFP private sector and public sector Tier 2 entities.  
(See Staff Analysis of NFP modifications paragraphs in AAS and NFP specific AASB Standards for detailed analysis)

HoTARAC considers that there is scope to further streamline disclosures for Tier 2 public sector entities – see Question 5.

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9 Do you agree with using the proposed title of AASB 10XX Simplified Disclosures for Tier 2 Entities? If you disagree, please explain why.

HoTARAC agrees.

10 Do you agree with the approach taken in this ED to include all the disclosure requirements for Tier 2 entities in one stand-alone standard (as explained in BC41)? If you disagree, please explain why.

HoTARAC considers the proposed approach reasonable.

11 Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 July 2020 with early application permitted (as explained in BC78-BC80)?

HoTARAC agrees. Public sector entities will not need to change recognition and measurement and should be able to implement the changes in disclosure requirements immediately.

12 Do you agree with the transitional requirements proposed in this ED (as explained in BC72-BC77)? If you disagree, please explain why.

HoTARAC agrees.

**General Matters for Comment**

13 Whether the AASB's For-Profit Standard-Setting Framework and Not-for-Profit Standard-Setting Framework have been applied appropriately in developing the proposals in this ED?

No comment.

14 Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, including Government Financial Statistics (GFS) implications?

Specific accountability reporting requirements may restrict the benefit to some entities of presenting financial statements on a Tier 2 basis. In the public sector, reporting requirements are often specified in public finance or local government legislation. For example, universities are required to report Tier 1 financial statements to the Commonwealth Department of Education. Universities may consequently not produce Tier 2 financial statements for their own reporting purposes.

Public sector entities, particularly in Commonwealth and State Governments, may also see limited benefit in preparing Tier 2 financial reports when they still need to prepare additional Tier 1 disclosures through Supplementary Reporting Packs for inclusion in the consolidated whole-of-government financial statements.

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15 Whether, overall, the proposals would result in financial statements that would be useful to users?

HoTARAC agrees that simpler financial statements for Tier 2 government entities would benefit users and be a more efficient use of public resources. However, HoTARAC considers that ED 295 will not significantly reduce disclosures for most Tier 2 public sector entities.

16 Whether the proposals are in the best interests of the Australian economy?

No comment.

17 Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

See Question 14 above.

