



Project:	SPFS Disclosures	Meeting	AASB February 2022 (M185)
Topic:	Accounting Policy Disclosures in SPFS of Certain For-Profit Private Sector Entities	Agenda Item:	13.1
		Date of Agenda Paper:	7 February 2022
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		Decision-Making:	Medium
		Project Status:	Refresh Board decisions

Objective of this agenda item

- 1 In November 2020, the Board decided to issue an amending Standard requiring accounting policy disclosures in the special purpose financial statements of certain for-profit private sector entities. That Standard has not yet been made formally by the Board. Given the changes in the membership of the Board since then, the objective is for the Board to refresh the decision to issue the amending Standard.

Attachments

- Agenda paper 13.2 Preliminary assessment for RIS purposes; and
- Agenda paper 13.3 Pre-ballot draft of AASB 2022-X *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*.

Background and reasons for bringing this agenda item to the Board

- 2 Following an extensive due process over a period of some years, the Board decided in November 2020 to issue an amending Standard based on the proposals in Exposure Draft ED 302 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities* (June 2020), following consideration of the submissions received.
- 3 For a range of reasons, the amending Standard has not yet been finalised and issued by the Board. Since there are now five new Board members since November 2020, it would not be reasonable to ask all members to vote on a final version of the Standard without providing the background to the Board's previous decision. Accordingly, the discussion of this agenda item is intended to support the Board in refreshing its decisions on this matter.
- 4 The decisions of the Board in November 2020 are recorded in the minutes of that meeting (M178) as follows:

Minimum Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities

Agenda Item 7

The Board decided to proceed with the proposals in ED 302 *Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*, with some changes. The amendments will require certain for-profit private sector entities that prepare special purpose financial statements (SPFS) to disclose information about the accounting policies applied in those SPFS, along with information about the extent of compliance or otherwise with the recognition and measurement requirements in Australian Accounting Standards. The Board reiterated that the purpose of the amendments is to ensure the basis of preparation is clear where an entity asserts compliance with Australian Accounting Standards in its SPFS.

In finalising its views, the Board decided to:

- defer the effective date of the final amendments to reporting periods beginning on or after 1 July 2021, with earlier adoption permitted;
- in doing so, exclude entities within the scope of AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*. Entities within the scope of AASB 2020-2 are (1) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards, and (2) other for-profit private sector entities that are required only by their constituting document or another document to comply with Australian Accounting Standards (provided that document was created or last amended on or after 1 July 2021); and
- require subject entities to comply with the disclosure requirements in paragraphs 8 and 9 of AASB 1054 *Australian Additional Disclosures* (i.e. disclosure of an entity's reporting framework and whether the statements are General Purpose Financial Statements or SPFS), in addition to the disclosures proposed in ED 302.

- 5 As a result of the decisions noted above, the amending Standard relates to for-profit private sector entities that are required only by their constituting document or another document to comply with Australian Accounting Standards in preparing financial statements – provided that the document was created before 1 July 2021 and not amended on or after that date.
- 6 Some submissions received on ED 302 were critical of the potential costs that entities might be required to incur in complying with the proposed requirements. It is therefore appropriate that the Board consider the costs and benefits of the proposed requirements in accordance with the requirements of the Office of Best Practice Regulation (OBPR), prior to finalising the Standard.
- 7 Agenda paper 13.2 will provide Board members with a useful summary of the proposals in ED 302 and the proposed requirements in the Standard, based on the seven questions that are addressed in Regulation Impact Statements (RIS). This agenda paper is a “preliminary assessment” document and not a complete RIS document. (When required to meet OBPR requirements, the Board normally certifies that its development due process for a Standard is equivalent to a RIS process, rather than preparing a formal RIS.)
- 8 Agenda paper 13.3, a pre-ballot draft version of the proposed Standard, sets out the proposed disclosure requirements for the subject for-profit private sector entities. The draft Standard

includes non-mandatory implementation guidance and illustrative examples, similar to those appended to AASB 1054 *Australian Additional Disclosures* for not-for-profit private sector entities through 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* (November 2019).

- 9 The Pre-Ballot Draft also includes a detailed Basis for Conclusions that provides the history of the SPFS projects, the development of the proposals and the decisions of the Board in finalising the content of the proposed Standard. It is not intended to discuss this draft in any detail at the Board meeting.

Decisions required

- 10 At this meeting, Board members will be asked to confirm that the Board wishes to proceed with the processes required to finalise and issue the proposed Standard, including the necessary OBPR processes. The OBPR processes must be completed prior to the Board voting in respect of making the Standard, in accordance with government regulatory policy.
- 11 In addition, the Board will be asked to confirm that the previously agreed effective date for the amendments of periods beginning on or after 1 July 2021 be altered to periods ending on or after 30 June 2022. Such a revised application date would substantively cover the same reporting periods. Short periods that commenced on or after 1 July 2021 that end before 30 June 2022 would not be covered, however they would be very unusual and likely of limited significance. The Board is unable to apply new Standards to periods that have concluded, based on its legislative powers to make accounting standards.
- 12 As an alternative, the Board is able to make the Standard applicable to periods beginning on or after 1 July 2021 that end on or after a date subsequent to the Board making the Standard, for example 30 April 2022 if the Board makes the Standard prior to then. That complication in the effective date may not be justified, in terms of the number of entities that might prepare special purpose financial statements for periods shorter than the full 2021/22 financial year. The staff have proposed the simpler restatement of the effective date, as per the preceding paragraph.

Questions for Board members

- Q1 Do Board members agree to completing the processes required to finalise and issue the proposed amending Standard?
- Q2 If so, do Board members agree to restate the effective date as periods ending on or after 30 June 2022?

Next steps

- 13 Assuming that Board members agree to complete the processes required to finalise and issue the proposed amending Standard, staff will work through the OBPR processes as required, and advise members of the outcome for their consideration.
- 14 Comments from Board members on the Pre-Ballot Draft would be welcome, so that a Ballot Draft can be prepared. If the Standard is to be issued, it should be made by the Board prior to 30 June 2022.

- 15 Subject to Board member agreement with the staff recommendations in this paper, staff suggest the following timeline:

Comments from Board members on the pre-ballot draft of the amending Standard	14 March
Staff to circulate the ballot draft of the amending Standard for a two-week out-of-session voting period	29 April
Votes on the ballot draft of the amending Standard are due from Board members	13 May
Staff to finalise and issue the amending Standard	Week commencing 16 May

Question for Board members

Q3 Do Board members have any comments on the suggested next steps and timeline?