

26 August 2019

The Chairperson  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West Victoria 8007  
Australia

Dear Kris,

**Re: Exposure Draft 293 – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements**

Thank you for the opportunity to comment on the Exposure Draft ED 293 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements*.

With the exception of the differential requirements relating to subsidiaries for for-profit and not-for-profit entities (see out comments in the attached appendix), the IPA supports the proposals in ED 293 in relation to the disclosure of recognition and measurement (R&M) principles used in the preparation of Special Purpose Financial Statements (SPFS).

Our detailed comments and responses to the questions in the Exposure Draft are set out in Appendix A.

If you would like to discuss our comments, please contact me or our technical advisers Mr Stephen La Greca ([stephenlagreca@aol.com](mailto:stephenlagreca@aol.com)) or Mr Colin Parker ([colin@gaap.com.au](mailto:colin@gaap.com.au)) (a former member of the AASB), GAAP Consulting.

Yours sincerely



Vicki Stylianou  
Executive General Manager, Advocacy & Technical  
Institute of Public Accountants

## About the IPA

The IPA was formed in 1923 and is recognised in legislation as one of the three professional accounting bodies in Australia. The IPA represents more than 37,000 members and students throughout Australia and in over 80 countries internationally. The IPA Group also comprises of the Institute of Financial Accountants in the United Kingdom and is now the largest SME focused accounting membership body in the world. The IPA is a member of the International Federation of Accountants (IFAC), the Confederation of Asian and Pacific Accountants (CAPA) and the Accounting Professional and Ethical Standards Board (APESB).

## Appendix A

*Specific matters for comment*

### Question 1

*Do you agree that an amendment to AAS to require entities to disclose information about their SPFS, including whether or not the entity has complied with all the R&M requirements in AAS, is needed to provide more transparency to users of publicly lodged SPFS and improve comparability of SPFS? If not, please provide details.*

### IPA response

The IPA agrees with that the disclosure of R&M would increase transparency and comparability for users of SPFS and therefore enhance user decision-making.

### Question 2

*Do you agree that the proposed amendments should apply only to those entities lodging SPFS with:*

- (a) ASIC under Part 2M.3 of the Corporations Act 2001; or*
- (b) The ACNC?*

*If not, please provide details.*

### IPA response

The basis of preparation of financial statements, in particular the R&M basis, is fundamental to understanding the financial statements being presented. The omission of such information making the financial statements a mere collection of amounts without any context.

The IPA believes the absence of the disclosure of the R&M principles applied results in SPFS being potentially misleading. As such, the IPA is of the view that the requirement to disclose the R&M principles applied should be required of *all SPFS* regardless of whether the SPFS are lodged with ASIC, ACNC, or other regulators.

Furthermore, the IPA believes the AASB should liaise with the APES Board and the AUASB to ensure such a requirement is reflected in the relevant standards issued by those bodies (e.g. APES 315 *Compilation of Financial Information* and ASA 800 *Special Considerations – Audit of Financial Reports Prepared in Accordance with Special Purpose Frameworks*).

### Question 3

*Do you agree with the proposed amendment to AASB 1054 requiring disclosure of:*

- (a) The basis for the preparation of the SPFS (reflected in the proposed amendments to paragraph 9 of AASB 1054);*
- (b) Information about the consolidation or non-consolidation of subsidiaries and accounting for associates and joint ventures (reflected in the proposed new paragraphs 9A(a) and (b));*
- (c) An explicit statement as to whether or not accounting policies applied in the financial statements comply with all the R&M requirements in AAS (including the requirements to disclose an indication of where they do not comply (reflected in the proposed new paragraph 9A(c))?*

*If you don't agree with any aspect, please provide details.*

#### **IPA response**

The IPA supports the proposed amendments to AASB 1054 *Australian Additional Disclosures*, however, the IPA does not support the differential requirements in relation to for-profit and not-for-profit in relation to disclosures related to subsidiaries.

Furthermore, the IPA recommends that similar disclosure requirements of AASB 12 *Disclosure of Interest in Other Entities* of paragraphs 19A-19G and/or 24-31 be included as part of the proposed amendments.

#### **Question 4**

*The proposed Amending Standard includes implementation guidance and illustrative examples illustrating the application of the proposed disclosure requirements. Do you agree it provides appropriate illustration of the application of the disclosure requirements? If not, please provide details.*

#### **IPA response**

The IPA supports the inclusion of the implementation guidance and illustrative examples presented in the exposure draft.

#### **Question 5**

*If the Amending Standard is issued before December 2019, do you agree with the proposed effective date of annual periods ending on or after 30 June 2020 (with early adoption permitted)? If not, please provide details.*

#### **IPA response**

The IPA supports an effective date of annual period ending on or after 30 June 2020. As the amendments only require disclosure of already applied R&M principles, the IPA can see no significant impediment to the proposed application date.

#### **Question 6**

*Do you agree that an entity that has no subsidiaries, investments in associates or investments in joint ventures should not be required to make an explicit statement to this effect? If not, please provide details.*

#### **IPA response**

The IPA supports the proposal for an entity with no subsidiaries, investments in associates or investments in joint ventures should not be required to make an explicit statement to that effect.

#### **Question 7**

*Do you agree that a not for profit entity that has not determined whether or not its interest in other entities gives rise to subsidiaries, associates or joint ventures should be permitted to disclose only that fact, and not also be required to disclose the reasons why? If not, please provide reasons (refer to paragraph BC32 in the Basis of Conclusions for the AASB's consideration of the matter).*

#### **IPA response**

The IPA supports the differential requirement for not-for-profit entities. Furthermore, the IPA believes the arguments in relation to disclosures not being required in RDR are not relevant as entities complying with RDR would be preparing consolidated accounts. Please also refer to our response to question 3.

#### **Question 8**

*Do you have any other comments on the proposals?*

## **IPA Response**

The IPA has nothing further to add.

General matters for comment

## **Question 9**

*Whether “The AASB’s For-Profit Entity Standard-Setting Framework” and “The AASB’s Not-for-Profit Entity Standard-Setting Framework” have been appropriately applied in developing the proposals in this Exposure Draft?*

## **IPA Response**

The IPA is of the view that the differential reporting of subsidiaries proposed of AASB 1054 is not in accordance with the AASB’s standards setting frameworks.

## **Question 10**

*Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?*

## **IPA Response**

The IPA is unaware of any regulatory or other issues arising in the Australian environment that may affect the implementation of the proposals.

## **Question 11**

*Whether, overall the proposals would result in SPFS that would be more useful to users?*

## **IPA Response**

The IPA believe that if the proposals are applied to SPFS prepared such financial statements would be significantly more useful as the basis of preparation would be appropriately disclosed.

## **Question 12**

*Whether the proposals are in the best interest of the Australian economy?*

## **IPA Response**

The IPA is of the view that requiring the disclosure of R&M would enhance the utility of SPFS which would be in the best interest of the Australian economy given the widespread use of SPFS.

## **Question 13**

*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 qualitative financial cost, 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 existing requirements.*

## **IPA Response**

The IPA has nothing further to add.