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Dr Keith Kendell
Chair
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST, VIC 8007

Dear Mr Kendell

Invitation to Comment on AASB Exposure Draft ED 335: General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities

The Office of the Registrar of Indigenous Corporations (ORIC) welcomes the opportunity to comment on ED 335 General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities.

We understand the proposal is made to:

- reduce the reporting burden on smaller not-for-profit (NFP) private sector entities where the existing Tier 1 and Tier 2 reporting requirements for preparing general purpose financial statements may be overly complex for application;
- continue to complement other Government red tape reduction initiatives to lessen the financial reporting burden for entities; and
- provide Tier 3 financial reporting requirements for NFP entities that would be prohibited from preparing special purpose financial statements under the Australian Accounting Standards Board's (AASB) proposals that would appropriately balance the needs of users of financial statement and the costs of moving from special purpose financial statements to general purpose financial statements.

We further understand the proposal means to:

- introduce a new Australian Accounting Standard that is suitable for use by smaller NFP private sector entities with features including:
 - new Tier 3 recognition and measurement requirements that apply to all eligible NFP private sector entities; and

- new Tier 3 disclosures that accompany the Tier 3 recognition and measurement requirements that apply to all eligible NFP private sector entities; and
- provide relief from restating and presenting comparative information in the year of transition for entities transitioning to preparing Tier 3 general purpose financial reports.

About the Registrar and ORIC

The Registrar of Indigenous Corporations (Registrar) is an independent statutory office holder appointed by the Minister for Indigenous Australians to administer the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (Cth) (CATSI Act). ORIC is the group of staff that assists the Registrar to administer the CATSI Act.

The CATSI Act is a special statute of incorporation for Aboriginal people and Torres Strait Islanders. It is a strong but flexible legislative framework that maximises alignment with the *Corporations Act 2001* (Cth) where practicable but provides sufficient flexibility for corporations to accommodate specific cultural practices and tailoring to reflect the particular needs and circumstances of individual groups. It offers safeguards through the Registrar's unique regulatory powers. The CATSI Act has some unique regulatory features:

- Registered Indigenous corporations must be controlled by Aboriginal people or Torres Strait Islanders. A majority of both members and directors must be Aboriginal people or Torres Strait Islanders.
- The Registrar has special powers, for example to appoint examiners and special administrators.
- ORIC provides support to corporations to strengthen their corporate governance and conducts research.

While the CATSI Act does not mandate that corporations registered under it must be not-for-profit, the overwhelming number of Indigenous corporations are not-for-profit private sector entities.

The CATSI Act includes the requirement for qualifying Indigenous corporations to prepare annual financial reports in accordance with the Australian accounting standards and the financial reporting provisions of the *Corporations (Aboriginal and Torres Strait Islander) Regulations 2017* (CATSI Regulations). The CATSI Regulations "deem" Indigenous corporations as reporting entities for the purposes of the accounting standards. This means Indigenous corporations are required to prepare general purpose financial reports. ORIC is committed to promoting transparency and accountability among Indigenous corporations and ensuring that they comply with their financial reporting requirements. To this end, we note and endorse the AASB's proposal to limit the ability of NFP private sector entities to prepare special purpose financial reports. It has long been our view that general purpose financial statements facilitate comparability of financial reporting for entities with similar economic circumstances and whose financial reports are available publicly.

Overall comments

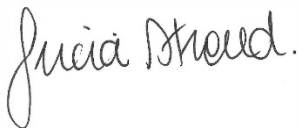
ORIC commends the AASB on its efforts to develop a third tier of financial reporting for not-for-profit private sector entities. By recognising the diverse financial and operational realities of smaller not-for-profit private sector entities, the AASB is taking an important step towards ensuring that financial reporting requirements remain proportionate, accessible and meaningful. The proposed Tier 3 framework acknowledges that many smaller not-for-profit private sector entities face resource constraints and may struggle with the complexity of full Australian accounting standards, while needing to maintain transparency and accountability to stakeholders.

By introducing simplified recognition and measurement requirements, the proposal strikes a balance between reducing compliance burdens and preserving the integrity and usefulness of financial reporting. The AASB's work in this area not only enhances clarity and consistency for smaller not-for-profit private sector entities, ensuring that financial information remains reliable while being appropriately tailored to the needs of different entities.

At the Attachment to this submission, we have provided responses to the questions regarding the approach to developing the Tier 3 reporting requirements and major simplification. We have not provided responses to the questions on the specific proposals of the Tier 3 reporting requirements or general matters for comment.

If you have questions about this submission, please contact Benjamin Murray, Director of Systems and Reporting, at benjamin.murray@oric.gov.au.

Yours sincerely



Tricia Stroud
Registrar of Indigenous Corporations

Enc. Attachment A

Response to Specific matters for comment**Questions regarding the approach to developing the Tier 3 reporting requirements and major simplification****Specific matter for comment 1.**

Do you agree with the principles on which the [draft] AASB 10XX General Purpose Financial Statements – Not-for-profit Private Sector Tier 3 Entities is based, described in paragraph BC8 to this ED? If you disagree, please explain why.

Yes

Specific matter for comment 2.

Do you agree with the Board proposals to simplify recognition and measurement requirements in the above-mentioned Tier 3 Standard including, but not limited to, the following requirements and options:

- (a) an accounting policy choice to present consolidated financial statements or only separate financial statements with disclosures about the entity's notable relationships (ie entities with which the reporting entity has at least significant influence);**
- (b) modified retrospective application (ie no requirement to restate comparative period information) for changes in accounting policies or corrections of prior period errors;**
- (c) a revenue recognition model with the ability to defer recognition of revenue if there is a common understanding that is evidenced between the provider and the entity on how the cash or other assets received should be used;**
- (d) no requirement to recognise lease assets or lease liabilities, and lease payments or income are recognised on a straight-line basis over the lease term;**
- (e) an accounting policy choice to measure donated non-financial assets at cost (which could be nil or a nominal amount) or at their fair value;**
- (f) measuring loans, including concessional loans at their face value (the outstanding amount of loan principle) ie without the requirement to discount them to their present value;**
- (g) measuring loans, including concessional loans, at their face value (the outstanding amount of loan principal) ie without the requirement to discount them to their present value;**
- (h) indicators of impairment of non-financial assets are very limited and simplified; and**
- (i) applying a book value method for all entity combinations?**

- (a) Yes
- (b) Yes
- (c) Yes
- (d) Yes
- (e) Yes
- (f) Yes
- (g) Yes
- (h) Yes
- (i) Yes

Specific matter for comment 3.

Do you agree with the structure of the [draft] Standard, including the use of simplified language to express the Tier 3 reporting requirements? If you disagree, please explain why?

Yes

Specific matter for comment 4.

The AASB is proposing that the effective date of a final Standard, including of a final Standard would be at least three years after the issue of that pronouncement (for example, if the Standard is issued in December 2025, the effective date would not be earlier than annual periods beginning on or after 1 January 2029). Early adoption would be permitted. Do you agree with this proposal? If you disagree, please explain why.

Yes

Specific matter for comment 5.

Have you identified any unintended consequences that might arise from the proposals? If so, please explain what they are and how they can be mitigated.

Yes. In introducing simplified recognition and measurement requirements, the proposal strikes a balance between reducing compliance burdens and preserving the integrity and usefulness of financial reporting. On the one hand, the proposal could enhance the reliability of financial information by introducing simplified recognition and measurement requirements that would streamline complex accounting treatments allowing entities to produce financial statements that more faithfully represent their financial position and performance. However, on the other hand, the introduction of differential requirements could reduce comparability. Differences in measurement bases may result in financial statements that are not directly comparable.

Mitigation initiatives could include transitional support and education to preparers, auditors and users to improve understanding of the new framework and a post-implementation review to assess whether the simplified standard is achieving its objectives without causing excessive comparability issues.

Specific matter for comment 6.

Do the proposals create any auditing or assurance challenges? If so, please explain those challenges.

We have no comment as auditors are better placed to explain.

Specific matter for comment 7.

Would the proposals result overall in financial statements that are useful to users?

Yes

Specific matter for comment 8.

Do you have any other comments on the proposals? If so, please explain the issue and if you disagree with a particular proposal, please explain your reasons why. Also, if you would like to provide more responses to some or all of the specific proposals of the Tier 3 reporting requirements and general matters for comment, please refer to questions 9–44 and respond on those for which you have views. The paragraph references in the questions below are to the [draft] Tier 3 Standard (AASB 10XX) unless otherwise indicated.

We have no further comments.