

28 February 2025

Australian Accounting Standards Board

Dear Sir / Madam,

RE Exposure Drafts 334 and 335

We refer to the above-mentioned Exposure Drafts (EDs). Our comments are as follows.

Equity Trustees (EQT) believes the proposals are onerous and unnecessary, and the cost of adopting the proposals (including internal accounting and operations, external accountants, and auditors) will far exceed the benefits achieved in adopting the proposals.

The determinant for preparing General Purpose Financial Statements (GPFS) or Special Purpose Financial Statements (SPFS) should be who the users of the financial statements are, and whether the entity has public accountability. The determinant should not be that public and private NFP entities will be required to prepare GPFSs if they are required to comply with Australian Accounting Standards (AASs) under legislation or their constituting document or another document. Doing so creates the situation in which more NFP entities are required to prepare GPFS only due to:

1. The charity size (under Australian Charities and Not-for-profits Commission Act 2012 and Division 60 of the Australian Charities and Not-for-profits Commission Regulations 2022).
2. A catch all for all ancillary funds (all PAFs & PuAFs, under the ACNC legislation are not required to prepare financial statements, however, the PAF & PuAF Guidelines provide that "The financial report must be prepared in accordance with the accounting standards.") (noting that the exemption to continue to prepare SPFS does not apply for existing PAFs and PuAFs, under which the entity's constituting document or another document will have been created or amended before the effective date of the amending standard).

EQT estimates that 74 trusts will require the preparation and audit of Tier 3 GPFSs, with additional costs in excess of \$100,000 p.a. The proposed EDs will result in more NFP entities preparing GPFS with additional costs and little to no benefit to the end user.

This is particularly true for smaller entities, in that the only users of the GPFS will already be familiar with the information in the financial statements given their closeness / proximity to the entity and its operations and many receive non-financial information already.

PAFs are primarily used by individuals, families, or businesses (donors) to manage their charitable giving. The donors retain the control over the PAF's operations and distributions decisions. The PAFs are not allowed to borrow money (except in very limited circumstances) and are not allowed to solicit donations from the public. Further, for small PAFs and PuAFs, there is no requirement to provide the financial statements to the ACNC. Due to the private nature of the PAFs, the individuals responsible for resource allocation decisions already have full access to necessary information, and there are no external parties who depend on the financial statements for decision-making. Additionally, for small PAFs and PuAFs that are not



obligated to submit the annual financial reports to the ACNC, no external users would have access to the financial information and will not be able to request such information.

If you would like to discuss this, please contact me on 08 8127 1905.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Scott'.

David Scott
Manager Fund Accounting and Taxation