



Project:	Australian Financial Reporting Framework	Meeting:	AASB April 2020 (M175)
Topic:	Proposed amendments - disclosure of compliance with R&M requirements in SPFS of FP private sector entities	Agenda Item:	3.1
		Date	14 April 2020
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		Decision-Making:	High
		Project Status:	Consider staff recommendations and decide how to proceed

OBJECTIVE OF THIS PAPER

- The objective of this paper is for Board members to:
 - consider the proposed amendments requiring certain for-profit private sector entities to include disclosures in their special purpose financial statements (SPFS) regarding:
 - the significant accounting policies applied in the SPFS including an changes in those accounting policies; and
 - the extent of compliance or otherwise with the recognition and measurement (R&M) requirements in Australian Accounting Standards (AAS); and
 - consider the pre-ballot draft version of Exposure Draft ED 2XX *Amendments to Australian Accounting Standards - Disclosure in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*.

ATTACHMENTS

Agenda item 3.2 Pre-Ballot Draft – Exposure Draft ED 2XX *Amendments to Australian Accounting Standards - Disclosure in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*

STRUCTURE

- This Staff Paper is set out as follows:
 - Summary of staff recommendations (paragraph 3);
 - Background (paragraphs 4-8);
 - Key issues for consideration ([Key issue 1](#), [Key issue 2](#), [Key issue 3](#), [Key issue 4](#) and [Key issue 5](#));
 - Next steps and timeline (paragraph 9); and

(e) Appendix A – Information required in SPFS by AASB 2019-4

SUMMARY OF STAFF RECOMMENDATIONS

3. Staff recommend:

- (a) the scope of the proposed amendments captures for-profit private sector entities preparing SPFS that are required by legislation to comply with AAS or accounting standards as well as those entities with a non-legislative requirement to comply with AAS. See [Key issue 1](#).
- (b) removing the option which allows an entity to disclose that they have not made an assessment regarding whether or not their interests in other entities give rise to subsidiaries, associates or joint ventures and that they have not assessed whether or not their accounting policies comply with the R&M requirements in AAS. See [Key issue 2](#).
- (c) requiring entities to disclose information about their compliance or otherwise with the R&M requirements in AAS and in addition also requiring them to disclose information about the significant accounting policies they have applied in preparing the SPFS including any changes to those policies (if they are not already required to do so by another AAS). See [Key issue 3](#).
- (d) that the proposed disclosures apply to annual periods ending on or after 30 June 2021. See [Key issue 4](#).
- (e) that the proposals require re-exposure and recommend an exposure period of 90 days. See [Key issue 5](#).

Question 1 to the Board:

Does the Board agree with the staff recommendations? If no, what does the Board suggest?

BACKGROUND

4. In March 2020 the Board approved the issue of [AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#) which removed the ability for certain for-profit private sector entities to self-assess their financial reporting requirements and prepare SPFS. Certain for-profit private sector entities (e.g. trusts) are exempt from the scope of AASB 2020-2 where they are required only by their constituting document or another document (i.e. a non-legislative requirements) to comply with AAS, provided that document is created or amended on or after 1 July 2021.
5. Given the effective date of AASB 2020-2 was deferred to 1 July 2021 and given the exemption noted in paragraph 4, there is likely to be a number of entities that will continue to be able to prepare SPFS that will refer to compliance with AAS either:
 - (a) temporarily (e.g. large proprietary companies adopting AASB 2020-2 at mandatory effective date); or
 - (b) long term – entities using the exemption.Therefore, the Board decided when issuing AASB 2020-2 that these entities should be required to disclose information about the entity's compliance, or otherwise, with the R&M requirements in AAS (including requirements set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*).
6. Disclosures regarding an entity's compliance or otherwise with R&M requirements in SPFS was previously considered in [ED 293 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements](#). When issued, the proposals in ED 293 were intended to be an interim measure aimed at providing some measure of transparency to users until the resolution of the SPFS problem for both the for-profit private sector and not-for-profit (NFP) entities.

7. The scope proposed in ED 293 was those for-profit and NFP entities required by legislation to comply with AASB 1054 (i.e. for-profit and NFP entities reporting under the *Corporations Act 2001* and medium and large charities registered with the ACNC required to comply with the ACNC's reporting requirements relating to SPFS). After considering feedback from respondents on ED 293, the Board decided to limit the proposals in ED 293 to NFP profit entities. This is because respondents "were particularly concerned about the costs of the ED 293 proposals exceeding any benefits for for-profit private sector entities given the ED 293 proposals were intended to be only a short-term measure for these entities". When making this decision the effective date of AASB 2020-2 was expected to be one year earlier, that is, 1 July 2020.
8. In light of the effective date of AASB 2020-2 being one year later than that initially proposed, and the exemption for certain for-profit entities, the Board decided to reconsider requiring disclosures regarding an entity's compliance with R&M requirements in AAS in the SPFS in the for-profit sector.

KEY ISSUES FOR CONSIDERATION

Key issue 1. Scope of the proposed amendment

Which entities should be subject to the new requirements?

Background

In developing ED 293, the Board considered the scope of the proposed amendment, and whether the proposed disclosures should be required by:

- (a) all entities preparing SPFS (including those doing so voluntarily);¹ or
- (b) all entities preparing SPFS that are required by legislation or otherwise (e.g. trusts) to comply with AAS; or
- (c) only those entities preparing SPFS that are caught by the application paragraph of AASB 1054 *Australian Additional Disclosures*.

The Board decided at the time that the disclosure should only be made by those entities caught by the application paragraph of AASB 1054, continuing to leave it to other relevant legislation or other relevant authority to determine whether other entities subject to that legislation/authority. Option (c) above was proposed in ED 293.

Feedback received on the scope of ED 293 was mixed with some respondents agreeing broadly with the scope and others suggesting the scope may be too narrow and that all entities preparing SPFS should be required to make these disclosures.

Objective of this proposed amendment

- (a) to require entities that will continue to be able to prepare SPFS that state compliance with AAS (e.g. they have a non-legislative requirement to comply with AAS and they have not created or amended their trust deed after 1 July 2021) to include disclosures in those SPFS to explain to users the extent of compliance or otherwise with the R&M requirements in AAS. This is because users are not always aware that SPFS do not comply with R&M requirements and this lack of transparency is one of the problems the associated with the preparation of SPFS.
- (b) to require entities that are within the scope of AASB 2020-2 to include the proposed disclosures prior to their transition to GPFS.

With these objectives in mind it is necessary to reconsider the scope of the disclosures proposed in ED 293 and consider any issues specifically arising from requiring entities with a non-legislative requirement to comply with AAS to make the proposed disclosures. Staff considered the following options:

¹ This option was not considered viable as the AASB is not able to set standards for entities that do not have an underlying requirement to comply with AAS.

Key issue 1 – Options considered	Analysis
<p>Option 1.</p> <p>All entities preparing SPFS required by legislation to comply with AASB 1054 (same scope as proposed in ED 293)²</p>	<p><i>Staff analysis:</i></p> <p><i>This option would improve the transparency of SPFS for a limited number of entities (i.e. those required to prepare financial statements by the Corporations Act prior to their transition to GPFS), however would not meet the main objective of the proposed disclosure, as there would be a significant number of entities continuing to prepare SPFS that refer to compliance with AAS (i.e. the entities with a non-legislative requirement to comply with AAS) that would not be caught.</i></p> <p><u>Staff do not consider this option would meet the object of the proposed amendment and therefore do not recommend this option.</u></p>
<p>Option 2.</p> <p>All entities preparing SPFS:</p> <p>a. required by legislation to comply with AAS or accounting standards;² and</p> <p>b. with a non-legislative requirement to comply with AAS.</p>	<p>This option would capture:</p> <p>(a) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either AAS or accounting standards; and</p> <p>(b) other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards.</p> <p>This option was considered when developing ED 293, including the difficulties of extending the scope to include those entities that are not required by legislation to comply with AAS. While the Board acknowledged at the time that there may be a large number of entities preparing SPFS that have a non-legislative requirement to comply with AAS, they discussed whether it may be possible for the APESB to make a similar amendment to APES 205 <i>Conformity with Accounting Standards</i> (October 2015). This was considered because a significant number of the entities with a non-legislative requirement to comply with AAS were expected to be caught by APES 205. The APESB ultimately decided that no changes were to be made to APES 205.</p> <p><i>Staff analysis:</i></p>

² The inclusion of these entities is only relevant where the effective date of the proposed amendments is for annual periods beginning on or after 1 July 2020 ([Key issue 4](#) below) as after this date, these entities will be required to prepare GPFS.

Key issue 1 – Options considered	Analysis
	<p><i>This option would meet the objectives of the proposed disclosure subject to the Board’s decision of the proposed effective date (see Key issue 4).</i></p> <p><i>Staff expect there to be more than 359,000 entities (see below Option 3) with a non-legislative requirement to comply with AAS that would be captured by this option. However, other types of entities that may be affected include partnerships, joint arrangements and self-managed superannuation funds, as well as entities subject to other requirements such as lending agreements. Staff have been unable to quantify the number of these entities that would be affected.</i></p> <p><i>The lack of transparency in the SPFS of these entities, which state they have prepared their SPFS in compliance with AAS was not contemplated at the time ED 293 was issued. This is because proposals regarding the exemption for entities with a non-legislative requirement to prepare financial statements that comply with AAS had not yet been finalised so it was unclear how many, if any, entities would still be able to prepare SPFS. In addition, the scope of ED 293 was more limited and therefore it was not relevant when AASB 2019-4 was finalised as AASB 2019-4 applies only to NFP entities.</i></p> <p><u>Staff therefore recommend this option.</u></p>
<p>Option 3.</p> <p>All entities preparing SPFS:</p> <ol style="list-style-type: none"> required by legislation to comply with AAS or accounting standards;² and with a non-legislative requirement to comply with AAS, <p>that would meet the requirements to be considered a large proprietary company</p>	<p>This option would capture those entities outlined in Option 2, however would include a threshold whereby only entities which exceeded the threshold would be required to make the disclosures.</p> <p>Staff have received some feedback that requiring all entities in Option 2 to make these disclosures may be too onerous noting a large number of them are small, closely held trusts for example. For this reason, staff considered including a size threshold into the scope to limit the disclosures to entities that are more significant in size (e.g. would be considered large for the purposes of the <i>Corporations Act 2001</i> if they were structured as a company).</p> <p><i>Staff analysis:</i></p> <p><i>Staff have been advised that:</i></p> <ul style="list-style-type: none"> <i>Based on data from 2016-2017 tax returns the following trust entities would be considered large based on the revenue and assets tests in the <i>Corporations Act</i> (employee data was not available):</i>

Commented [KC1]: See Question 1 - does the Board agree with the staff recommendation

Key issue 1 – Options considered	Analysis
under the <i>Corporations Act 2001</i> .	<ul style="list-style-type: none"> ○ <i>approximately 330 (out of 359,430) trusts reporting total business income to the Australian Taxation Office. This includes all trusts that lodged an income tax return so would include superannuation trusts and AMITs for example.</i> ○ <i>approximately 15 (out of 264) public trading trusts under Division 6C of Part III ITAA 36.</i> ● <i>There were 126 wholesale debt issuers admitted as ASX Debt Listings that are listed but not quoted.</i> <p><i>As above, staff are unable to quantify the number of other affected entities, such as partnerships, joint arrangements and self-managed superannuation funds, as well as entities subject to other requirements such as lending agreements.</i></p> <p><i>Consistent with Option 2, this option would improve the transparency in the SPFS of these entities, however it is possible there would only be a small number of entities that would be captured (e.g. less than approximately 0.1% of the population of trusts) therefore staff suggest the resources required to undertake a project for such a small number of entities may exceed the benefits.</i></p> <p><u>Staff therefore do not recommend this option.</u></p>
<p>Option 4.</p> <p>All entities preparing SPFS with a non-legislative requirement to comply with AAS where their SPFS state that they have been prepared in compliance with AAS</p>	<p>This option would capture a specific sub-section of those entities outlined in Option 2 (i.e. those entities identified in subsection (b) above), however only where their SPFS state that they have been prepared in compliance with AAS.</p> <p>This option would require the agreement of all beneficiaries and users for example to agree that the SPFS do not need to refer to AAS. If this was the case, then these entities would not be required to make the disclosures.</p> <p><i>Staff analysis:</i></p> <p><i>This option would address the main objective of these proposed amendments (to inform users where SPFS refer to compliance with AAS regarding the extent or otherwise of R&M compliance) and would limit the application of the proposed amendments to only those entities referring to AAS in SPFS. It would also target application of the requirement to only those entities with a non-legislative requirement to prepare financial statements that comply with AAS.</i></p>

Key issue 1 – Options considered	Analysis
	<p><i>This option may however be confusing as there would be a non-legislative requirement to comply with AAS in the underlying document and a disconnect between what is required of that document and what is disclosed in the financial statements. This option would also require agreement of all beneficiaries for example and would be difficult to verify.</i></p> <p><u>Staff therefore do not recommend this option.</u></p>
<p>Staff recommendation:</p> <p>Staff recommend option 2, that the scope of the proposed amendments include all entities preparing SPFS:</p> <ul style="list-style-type: none"> • required by legislation to comply with accounting standards or AAS;² and • with a non-legislative requirement to comply with AAS. 	
<p>Key issue 2. Disclosure requirements</p>	
<p>What exactly should the entities disclose?</p> <p>Background</p> <p>NFP entities preparing SPFS are required to disclose the following:³</p> <ul style="list-style-type: none"> • The basis on which the decision to prepare SPFS was made. <p><u>Compliance with the R&M requirements in AAS (except for consolidation and equity accounting)</u></p> <ul style="list-style-type: none"> • For each material accounting policy applied and disclosed in the SPFS that does not comply with the R&M requirements in AAS (except for consolidation and equity accounting), disclose an indication of where it does not comply, or disclose that an assessment of compliance has not been made; and 	

³ Refer Appendix A for an extract of the disclosure requirements for NFP entities made in AASB 2019-4.

Key issue 2. Disclosure requirements

- Whether or not, the SPFS overall comply with the R&M requirements in AAS (except for consolidation and equity accounting), or state that such an assessment has not been made.

Application of the consolidation and equity accounting requirements

- If the NFP entity has determined that its interests in other entities give rise to interests in subsidiaries, associates or joint ventures it shall disclose whether or not it has consolidated or equity accounted for those interests in a manner consistent with the requirements in AASB 10 and AASB 128. If it has not, it shall disclose that fact and the reasons why; or
- If the NFP entity has not made this assessment and was not required by legislation to do so, it shall instead disclose that no assessment has been made.

The disclosures proposed in ED 293 were similar, however did not allow NFP entities to disclose that they had not made an assessment regarding their compliance or otherwise with the R&M requirements in AAS.

Feedback on ED 293⁴ in respect of disclosures was mixed. Six out of 11 respondents agreed that the proposals will improve the transparency of publicly lodged SPFS and will also improve the comparability of SPFS. Three of these respondents, along with one of two who disagreed, raised further observations regarding the short-term nature and were concerned that costs of the proposals will exceed the benefits.

What is the objective of the proposed disclosure and why does the Board need to reconsider?

- to explain to users the extent of compliance or otherwise with the R&M requirements in AAS;
- to enhance the transparency of SPFS; and
- to ensure users are not misled by references to compliance with AAS in SPFS .

The option for NFP entities to disclose that they have not assessed whether or not their interests in other entities give rise to subsidiaries, associates or joint ventures was included in AASB 2019-4 as the Board acknowledged that there were likely to be limited instances where a NFP entity would be required by legislation to determine whether it has subsidiaries, associates and joint ventures and to require them to do so for the purposes of making a disclosure was considered to be too onerous.

Further, the option to disclose that they have not made an assessment of their compliance with the R&M requirements in AAS was included because there is less clarity regarding the requirement to comply with R&M requirements in AAS in SPFS for charities and the sector has less resources to adequately identify such differences. The Board decided that disclosing that the entity had not made an assessment regarding its compliance or otherwise with the

⁴ The ED 293 feedback summarised and referred to in this paper is only that feedback that relates to for-profit entities.

Key issue 2. Disclosure requirements	
<p>R&M requirements in AAS would provide information for users and highlight potential instances of non-compliance with R&M requirements, as well as governance issues, without undue cost being incurred by preparers.</p> <p>As the scope of the disclosure is to be extended to for-profit entities, the suitability of the disclosures currently required by NFP entities needs to be reconsidered including whether the ‘relief’ provided to NFP entities (i.e. disclosing that they have not assessed) is appropriate in the for-profit sector. Staff considered the following options:</p>	
Key issue 2 – Options considered	Analysis
<p>Option 1.</p> <p>Retain the same disclosure requirements for for-profit entities as required by AASB 1054 for NFPs (i.e. allow for-profit entities to disclose that they have not assessed).</p>	<p>This option would meet the objective of the proposed amendment by increasing transparency in SPFS. For example, even if a for-profit entity elected to disclose that they have not made an assessment regarding their compliance or otherwise with the R&M requirements in AAS, this option would still highlight to users’ potential instances of non-compliance with R&M requirements, as well as governance issues in the same way it is intended to in the NFP sector.</p> <p><i>Staff analysis:</i></p> <p><u><i>For-profit private sector entities with a legislative requirement to comply with AAS or accounting standards</i></u></p> <p><i>The significant majority of for-profit private sector entities preparing SPFS that would be caught within the scope of these proposed amendments (see Key issue 1) should already be complying with the R&M requirements in AAS. This is because they are reporting under the Corporations Act 2001 and are subject to the guidance in ASIC Regulatory Guide 85 Reporting requirements for non-reporting entities. While the findings of AASB Research Report No. 12 Financial Reporting Practices of For-Profit Entities Lodging Special Purpose Financial Statements suggests that up to 24% of these entities are not complying with the R&M requirements in AAS, they are in the minority. Further, it is staffs’ view that disclosing they have ‘not assessed’ should not be an option for these entities as it would be inconsistent with the requirements of the ASIC RG.</i></p> <p><u><i>For-profit private sector entities with a non-legislative requirement to comply with AAS</i></u></p> <p><i>There is no guidance applicable to the other for-profit entities regarding compliance with R&M requirements and assessing relationships with other entities for accounting purposes. For these entities it is therefore up to the directors’ /</i></p>

Key issue 2 – Options considered	Analysis
	<p><i>those charged with governance to select the accounting policies to be applied by the entity as part of their financial reporting framework.</i></p> <p><i>Accordingly, requiring these entities to make an assessment regarding whether or not they have subsidiaries, associates or joint ventures for the purposes of making a financial reporting disclosure could be considered to be too onerous like it was for the NFP entities.</i></p> <p><i>However, allowing these for-profit private sector entities to elect to disclose that they have ‘not assessed’ does not seem appropriate:</i></p> <ul style="list-style-type: none"> • <i>for the same reasons discussed in Option 2 below;</i> • <i>as for-profit entities typically have access to the resources necessary to make the required assessments and if not, any costs of acquiring that expertise would be reasonably expected to be outweighed by the benefits; and</i> • <i>as it is expected that for-profit entities should have an understanding of the R&M requirements in AAS as part of good governance (as the directors choose the accounting policies).</i> <p><u>Staff therefore do not recommend this option.</u></p>
<p>Option 2. Remove the option for a for-profit entity to state that they have not assessed:</p> <ul style="list-style-type: none"> • whether or not it has subsidiaries, associates or joint ventures and 	<p>Both The AASB’s For-profit Standard-setting Framework and The AASB’s Not-for-Profit Standard-Setting Framework (NFP standard-setting framework) are predicated on the assumption of transaction neutrality, that is, like transactions and events should be accounted for in a like manner for all types of entities unless there is a justifiable reason not to do so. However, the standard-setting frameworks contemplate reasons where it is appropriate for for-profit and NFP entities to have different requirements.⁵</p> <p><i>Staff analysis:</i></p> <p><u><i>For-profit private sector entities with a legislative requirement to comply with AAS or accounting standards</i></u></p> <p><i>For-profit private sector entities that have a legislative requirement to comply with AAS are typically regulated by the Corporations Act 2001. These entities have a requirement to comply with section 45A of the Corporations Act 2001 which</i></p>

⁵ Refer to paragraphs 25-28 of [The AASB’s Not-for-Profit Entity Standard Setting Framework](#)

Key issue 2 – Options considered	Analysis
<ul style="list-style-type: none"> whether or not it has complied with R&M requirements in AAS. 	<p><i>requires them to determine whether they are a small or large proprietary company on a consolidated basis in accordance with accounting standards. That is, these entities have a legislative requirement to assess whether they have subsidiaries, associates or joint ventures. Further, as noted above, these entities are also subject to the ASIC RG regarding compliance with R&M requirements in AAS. Accordingly, it is not necessary, nor appropriate to allow these entities the option to state that they have not assessed.</i></p> <p><i>While some may argue that as these entities would only be required to make these disclosures for a short period of time before they are required to prepare GPFS as a consequence of AASB 2020-2, for the reasons previously outlined, the disclosures are not expected to be onerous for these entities.</i></p> <p><u><i>For-profit private sector entities with a non-legislative requirement to comply with AAS</i></u></p> <p><i>Consistent with NFP entities, it would be uncommon for these entities to have a legislative requirement to determine whether or not its interests in other entities give rise to interests in subsidiaries, associates or joint ventures, and these entities would not be subject to the requirements of section 45A of the Corporations Act 2001. Further, as discussed above, there is no legislative requirement for these entities to comply with the ASIC RG and comply with the R&M requirements in AAS. As such, for the reasons discussed above, there may be merit in allowing these entities to disclose that they have not assessed.</i></p> <p><i>However, it is expected that the majority of for-profit entities would have access to accounting advisors, including having more resources to access advisors, unlike NFP entities. Further, these for-profit entities would only be required to understand the differences between their accounting policies and the R&M requirements in AAS. They would not be required to disclose quantitative information regarding the differences.</i></p> <p><i>Staff also considered that if these entities are very small, such as a small family trust, they would not have overly complicated accounting requirements or transactions, therefore this assessment should not be complex.</i></p> <p><i>While large trusts may have more complex accounting requirements and transactions, they are expected to have an understanding of compliance with all the R&M requirements in AAS as part of good governance.</i></p> <p><i>Furthermore, the amendment would not require an entity to change its existing accounting policies, and therefore should not be onerous.</i></p>

Key issue 2 – Options considered	Analysis
	<p><i>When considering the requirements of the standard-setting frameworks, staff note that one of the reasons a NFP entity may have different accounting requirements is where for-profit requirements result in the undue cost or effort of preparing and disclosing the information outweighing the benefits.</i></p> <p><i>Staff do not consider that these disclosures would give rise to undue cost or effort in the for-profit sector for the reasons outlined above, and accordingly paragraph 28(d)⁶ of the NFP standard-setting framework justifies reasons why it is appropriate to provide the ‘relief’ to the NFP entities and not provide it to for-profit entities.</i></p> <p><u>Staff therefore recommend this option.</u></p>
<p>Option 3.</p> <p>Remove the option to state they have not assessed only for those for-profit entities with a legislative requirement to comply with AAS or accounting standards, and retain the option to state they have not assessed for only those for-profit entities with a non-legislative requirement.</p>	<p>This option would remove the ability for those for-profit private sector entities with a legislative requirement to comply with AAS or accounting standards to state that they have ‘not assessed’, however would allow those entities with only a non-legislative requirement to prepare financial statements that comply with AAS to select this option.</p> <p><i>Staff analysis:</i></p> <p><i>For reasons consistent with the analysis in Option 2 above, staff do not consider this option to be appropriate. Further, this option would not address the lack of transparency in SPFS with some entities not being required to make the disclosures about the extent of compliance or otherwise with the R&M requirements in AAS.</i></p> <p><i>Staff does not consider this option appropriate for the reasons mentioned in Option 2 and this option would also move away from the AASB’s strategy to enhance consistency in financial reports, considering both types of entities are in the same sector.</i></p> <p><u>Staff therefore do not recommend this option.</u></p>

Commented [KC2]: See Question 1 - does the Board agree with the staff recommendation

⁶ “Justifiable circumstances may include: ...

- (d) undue cost or effort of preparing and disclosing information outweigh the benefits. For example, when there are existing legislative requirements for different but similar information for similar purposes (e.g. government finance statistics in the public sector), differences in resources available to NFP entities when implementing the requirements, mixed groups with both for-profit and NFP entities needing to amend accounting on consolidation, or the prevalence and magnitude of the transactions in the NFP sector mean the basis for the IASB’s considerations of undue cost or effort for for-profit entities is not valid for NFPs ...”

Key issue 2 – Options considered	Analysis
<p>Staff recommendation:</p> <p>Staff recommend option 2, removing the option for for-profit private sector entities within the scope of these proposals to state that they have not assessed whether or not they have subsidiaries, associates or joint ventures, and that they have not assessed whether or not they comply with the R&M requirements in AAS.</p>	
<p>Key issue 3. Extent of the disclosure</p>	
<p>Should the amendments be limited only to requiring an entity to disclose the extent of compliance or otherwise with R&M requirements in AAS or should other minimum requirements in SPFS reporting also be required?</p> <p>Background</p> <p>In developing ED 293 the Board considered the most appropriate Standard in which to make the amendment requiring disclosure of the extent of compliance or otherwise with the R&M requirements in AAS. AASB 1054 was deemed to be the most appropriate because it is an Australian specific standard and at the time contained existing requirements in paragraphs 7, RDR7.1 and 9 of a similar nature.</p> <p>As AASB 1054 also requires disclosure of audit fees, imputation credits and a reconciliation of operating cash flows, if the scope of AASB 1054 is expanded as recommended in Key issue 1, it is necessary to consider whether the other disclosure requirements of AASB 1054 should be ‘turned off’.</p> <p>Alternatively, the ACNC considered the requirements of AASB 1054 (and other Standards)⁷ necessary when mandating their minimum SPFS requirements so this may be a good opportunity for the Board to also to consider setting minimum requirements for SPFS reporting. Staff note that some of the entities that would be within the scope of the proposed amendments (subject to the Board’s agreement with the staff recommendation in Key issue 1) currently have no minimum mandatory accounting requirements, meaning there is no AAS requirement for them to disclose information about their accounting policies or changes in accounting policies for example. Staff considered the following options:</p>	

⁷ The other Standards considered necessary by the ACNC when setting minimum requirements in SPFS reporting are AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality* (now superseded) and AASB 1048 *Interpretation of Standards*.

Key issue 3 – Options considered	Analysis
<p>Option 1.</p> <p>Require only disclosures about compliance with R&M requirements and ‘turn off’ all other requirements in AASB 1054. Also, do not include a requirement to comply with AAASB 101, AASB 107, AASB 108 and AASB 1048.</p>	<p>This option is consistent with the proposals in ED 293.</p> <p><i>Staff analysis:</i></p> <p><i>AASB 1054 includes additional disclosure requirements (refer to paragraphs 10-16) that would apply to entities within the scope of the proposed amendment if those disclosures were not ‘turned off’.</i></p> <p><i>The application paragraph of AASB 1054 is drafted such that the entities with a legislative requirement to comply with AAS or accounting standards discussed in this paper would be required to comply with AASB 1054 in its entirety. As such it would only be necessary to consider ‘turning off’ certain requirements in AASB 1054 for those entities with a non-legislative requirement to comply with AAS. ‘Turning off’ certain requirements in AASB 1054 for certain entities within the scope of the proposed amendments would add to the complexity of AASB 1054, complexity which may not be warranted noting the other disclosure requirements⁸ of AASB 1054 are not considered to be too burdensome.</i></p> <p><i>However, requiring disclosures in addition to those related to an entity’s compliance with the R&M requirements in AAS is not consistent with the objective of the proposed amendments. While certain entities are already required to make these additional disclosures (e.g. large proprietary companies) the requirement to do so is an existing requirement for a small portion of the entities discussed in this paper and is not related to the objective of this project.</i></p> <p><i>However, while requiring only the disclosures regarding compliance with R&M requirements in AAS is consistent with the objective of the proposed amendments, for the reasons outlined in Option 4 below, requiring disclosure of this information without all entities also being required to disclose their accounting policies initially is not expected to be particularly useful for users.</i></p> <p><u>Staff therefore do not recommend this option.</u></p>

⁸ Other disclosures required by AASB 1054 include disclosure of audit fees, imputation credits and a reconciliation of net operating cash flow to profit (loss). These are not expected to be onerous as the entity is expected to already have this information available (where relevant).

Key issue 3 – Options considered	Analysis
<p>Option 2.</p> <p>Require all disclosures in AASB 1054, along with all disclosure requirements of AASB 101, AASB 107 and AASB 108.</p>	<p>This option is much broader than that considered in ED 293, however it would respond to previous stakeholder feedback suggesting the AASB should set minimum requirements for an SPFS framework and would remove the need to consider ‘turning off’ certain requirements in AASB 1054.</p> <p><i>Staff analysis:</i></p> <p><i>The for-profit standard-setting framework states that the AASB does not currently set standards for SPFS, as SPFS should only be prepared where users can tailor them to their own information needs, and therefore do not need a standard-setter or regulator to require the information on their behalf. Accordingly, those responsible for the preparation of SPFS should determine the extent of conformity with AAS.</i></p> <p><i>Notwithstanding this, the for-profit standard setting framework acknowledges there are some AAS (i.e. AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054) that must be applied regardless of whether an entity prepares GPFS or SPFS where the entity is required by legislation to prepare financial statements that comply with AAS. These application requirements were adopted “as part of moving legacy regulations out of legislation and into Australian Accounting Standards ...”. Paragraph 9 of AASB 1054 also sets a precedent for requiring disclosures in SPFS by requiring preparers to disclose the type of financial statements they have prepared (i.e. GPFS or SPFS). For these reasons the Board were previously comfortable requiring disclosure of similar information by NFP entities.</i></p> <p><i>In order to consider the merits of this option, staff considered the reasons why other regulators (i.e. ASIC, the ACNC and the APESB) have considered these Standards as the minimum requirements in SPFS.</i></p> <p><i>Staff note that in the establishment of the Australian Charities and Not-for-profits Commission, the ACNC Regulations mandate that when preparing SPFS an entity must apply AASB 101, AASB 107, AASB 108, AASB 1031 (now superseded), AASB 1048 and AASB 1054 as they were seen as necessary to give a true and fair view of an entity’s financial position and performance.⁹</i></p>

⁹ As stated in the [Explanatory Statement of Australian Charities and Not-for-profits Commission Amendment Regulation 2013 \(No 3\)](#). While the ACNC is a NFP regulator the matters they considered in determining minimum SPFS requirements may be equally relevant to the for-profit sector and should also be considered should the Board decided to pursue this option.

Key issue 3 – Options considered	Analysis
	<p><i>Section 3 of ASIC RG 85 also sets out that AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054 should apply in full to all entities required to prepare a financial report in accordance with Chapter 2M of the Act, whether they are reporting entities or not.</i></p> <p><i>Paragraph 6.1 of Accounting Professional and Ethical Standards Board (APESB) APES 205 Conformity with Accounting Standards (October 2015) also requires entities to “... take all reasonable steps to ensure that the Special Purpose Financial Statements, and any associated audit report, review report or compilation report clearly identifies:</i></p> <p><i>(a) that the Financial Statements are Special Purpose Financial Statements;</i></p> <p><i>(b) the purpose for which the Special Purpose Financial Statements have been prepared; and</i></p> <p><i>(c) the significant accounting policies adopted in the preparation and presentation of the Special Purpose Financial Statements.”¹⁰</i></p> <p><i>Should the Board decide to proceed with this option and set minimum requirements for SPFS reporting, it would be necessary to consider whether transitional relief from disclosure requirements of the proposed minimum Standards would be required. Staff note that the ACNC provided transitional arrangements¹¹ for those entities that were not required to comply with accounting standards prior to the establishment of the ACNC, and while these proposals are in the for-profit sector, similar considerations would also be necessary.</i></p> <p><i>Furthermore, consideration should also be given to the fact that AASB 101 and AASB 108 do not contain only presentation and disclosure requirements, they both include some R&M requirements also (e.g. accrual accounting and the going concern basis of preparation).¹² While ASIC have made it clear since 2005, that non-reporting entities should comply with R&M requirements in AAS through an unenforceable regulatory guide (RG85), the majority of entities that would be</i></p>

¹⁰ APES 205 applies to members, where a member is defined as “a member of a professional body that has adopted this Standard as applicable to their membership as defined by that professional body”. APES 205 therefore applicable, to and mandatory for, accounting professionals who are members of CPA Australia, Chartered Accountants Australia and New Zealand or the Institute of Public Accountants. This includes accountants working in accounting firms (of all sizes), the corporate sector and in government.

¹¹ Transitional arrangements were outlined in the *Australian Charities and Not-for-profits Commission Amendment Regulation 2013*.

¹² [Comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis of impact on disclosures \(For for-profit private sector entities with no public accountability\)](#)

Key issue 3 – Options considered	Analysis
	<p><i>affected by the proposed amendment are outside the remit of ASIC and have no legislative requirement to comply with R&M as noted above in Key issue 2 above, nor would they be required to comply with the five accounting standards referred to in RG 85.</i></p> <p><i>While there is merit in requiring entities within the scope of the proposed amendments to comply with certain aspects of those five accounting standards, to require compliance with all requirements therein may be considered too onerous. Conversely, where an entity is preparing SPFS that have no minimum mandatory requirements and state that those SPFS have been prepared in compliance with AAS, this may be confusing and the use of ‘compliance with AAS’ may also be considered misleading where it does not mean the entity has complied with the R&M requirements in AAS.</i></p> <p><i>Minimum requirements the Board may wish to consider include requiring an entity to disclose information about its basis of preparation, i.e. the accounting policies applied in the SPFS and any changes to those accounting policies. This information is necessary to understand the application of R&M requirements and these disclosures would not be required if AASB 101 and AASB 108 are not mandated. A more suitable option may be however, adding only these requirements into AASB 1054 (refer to Option 4 below) and leaving the scope of AASB 101, AASB 107, AASB 8 and AASB 1048 unamended.</i></p> <p><i>As the main objective of the disclosure is to increase transparency where SPFS state compliance with the R&M requirements in AAS, requiring presentation of specific items on the face of the statement of financial position or requiring a statement of cash flows for example would not further this objective. It is staff view that it is more important for the users to understand the basis of the numbers they are viewing rather than the disclosure of specific line items. This option would also result in a delayed effective date in order to allow time for necessary due process steps to be followed (refer to Key issue 4 below).</i></p> <p><u>Staff therefore do not recommend this option.</u></p>
<p>Option 3. Include the disclosures about compliance with R&M</p>	<p>This option would result in the creation of a new AAS with limited application.</p> <p><i>Staff analysis:</i></p> <p><i>In preparing 2019-4 the Board decided the amendments should be contained in AASB 1054 as AASB 1054 includes requirements relating to compliance with AAS and explicitly refers to SPFS. Further, the required disclosures were</i></p>

Key issue 3 – Options considered	Analysis
requirements in a separate Standard on their own.	<p><i>Australian specific, specifically relates to SPFS, and are consistent with the objective of AASB 1054 “... to set out Australian-specific disclosure requirements that are in addition to the disclosure requirements of International Financial Reporting Standards”.</i></p> <p><i>While issuing a separate stand-alone standard for the proposed disclosures may be less complex as it would not require consideration of turning off certain requirements for example (see Option 1), users and preparers of financial statements may find it confusing to have two sets of similar disclosure requirements contained in two different AAS.</i></p> <p><u>Staff therefore do not recommend this option.</u></p>
<p>Option 4.</p> <p>Require an entity to disclose:</p> <ul style="list-style-type: none"> • the significant accounting policies applied by the entity (if not already required to disclose this information by another AAS);¹³ • details of any changes in the significant accounting 	<p>This option would result in users of financial statements being provided with information about the entity’s accounting policies along with the extent of compliance or otherwise with the R&M requirements in AAS. Information about accounting policies is necessary for a user to understand how an entity has or has not complied with R&M requirements in AAS.</p> <p><i>Staff analysis:</i></p> <p><i>Evidence suggests on average 93% of primary users and more than 95% of other users said comparability, transparency, comprehensibility and consistency are what they need most in financial statements¹⁴.</i></p> <p><i>Staff note that the majority of entities within the scope of the proposed amendments are not currently required to disclose information about their significant accounting policies and any changes in those significant accounting policies from previous year, and while some may do so voluntarily, requiring disclosure of this information would result in more</i></p>

¹³ While some entities within the scope of these proposed amendments are already required to comply with AASB 101 and AASB 108, for example those entities required to prepare financial statements under the *Corporations Act 2001* and would therefore already be disclosing this information, this approach would not require them to disclose anything in addition to what they are currently disclosing. This approach would however require those entities that are not currently required to disclose any information about their accounting policies to disclose sufficient information for users to understand the basis of preparation.

¹⁴ *AASB Staff Paper: Enhancing the revised Conceptual Framework and replacing Special Purpose Financial Statements For-profit User and Preparer Survey Results* (December 2018).

Key issue 3 – Options considered	Analysis
<p>policies applied by the entity (if not already required to disclose this information by another AAS); and</p> <ul style="list-style-type: none"> the extent of the entity's compliance or otherwise with the R&M requirements in AAS. 	<p><i>consistent and comparable financial statements for users as all entities would be disclosing the same minimum level of information.</i></p> <p><i>Further, in order to fully understand disclosures about the extent of an entity's R&M compliance or otherwise with the R&M requirements in AAS, it is necessary to understand exactly which accounting policies the entity has applied in their financial statements (including any changes from the previous reporting period). Staff do not consider that requiring an entity to disclose its significant accounting policies is onerous as it is information that is already known to the entity and would not require the entity to make any changes to its policies, they would simply be required to disclose what their existing basis of preparation.</i></p> <p><i>Staff considered a number of options including requiring entities with the scope of the proposed amendments that are not currently required to disclose this information being required to comply with certain paragraphs within AASB 101 and AAASB 108 or even certain paragraphs in AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, however felt that including a requirement to disclose this information in AASB 1054 was most appropriate. This is because the scope of AASB 1054 is already capturing those in scope entities not currently required to disclose this information (subject to any decisions on the Board in relation to Key issue 1), it would not require expanding the scope of other AAS and then limiting application of only certain paragraphs within those Standards and would not require entities preparing SPFS to refer to Standards applicable only to GPFS (i.e. AASB 1060).</i></p> <p><u>Staff therefore recommend this option.</u></p>
<p>Staff recommendation:</p> <p>Staff recommend option 4, requiring disclosure about the entities compliance or otherwise with the R&M requirements in AAS and requiring disclosure about the significant accounting policies applied in preparing the SPFS including any changes to those policies.</p>	

Commented [KC3]: See Question 1 - does the Board agree with the staff recommendation

Key issue 4. Effective date	
<p>The effective date of the proposed standard needs to allow for appropriate due process and is contingent on the decisions of the Board on Key issue 1 to Key issue 3.</p> <p>What is the objective of the proposed disclosure?</p> <p>The Board decided to require the proposed disclosures as a result of deferring the effective date of AASB 2020-2 to 1 July 2021 because entities in scope of AASB 2020-2 will be able to prepare SPFS for an additional year. The Board has also realised that entities with a non-legislative requirement to comply with AAS may keep preparing the SPFS for the long term. The proposed disclosures will provide an intermediate solution to improve the transparency of SPFS.</p>	
Key issue 4 – Options considered	Analysis
<p>Option 1. Application to annual periods ending on or after 30 June 2021</p>	<p>This option would result in those entities with a legislative requirement to comply with AAS or accounting standards being required to include the disclosures in their SPFS for one year before they would be required to transition to GPFS. Other entities with a non-legislative requirement to comply with AAS would also be required to comply promptly.</p> <p><i>Staff analysis:</i></p> <p><i>Staff considered that:</i></p> <ul style="list-style-type: none"> • compliance with R&M requirements in part of good governance – refer Key issue 2 Option 1 above; and • a number of these entities should already be complying with the R&M requirements – refer Key issue 2 Option 1 above. <p><i>Further, while the majority of the entities that will be affected by the proposed amendments are those with a non-legislative requirement to comply with AAS and whom also have no legislative requirement to comply the R&M requirements in AAS, as discussed in Key issue 2 above, when proposing the effective date in ED 293, the Board considered that it was not necessary to provide an extended operative date as the amendments do not require entities to change their existing accounting policies. Staff note that the effective date proposed in ED 293 and preceding Board considerations and due process is consistent with the timing suggested in the next steps below (see paragraph 9 below).</i></p>

Key issue 4 – Options considered	Analysis
	<p><i>This suggested effective date would increase the transparency in SPFS that state they have been prepared in compliance with AAS promptly.</i></p> <p><u>Staff therefore recommend this option.</u></p>
<p>Option 2. Application to annual periods ending on or after 30 June 2022</p>	<p>This option would result in only those entities with a non-legislative requirement to comply with AAS being required to make these disclosures.</p> <p><i>Staff analysis:</i></p> <p><i>Aligning the operative date with the effective date of the removal of SPFS would mean that those entities with a legislative requirement to comply with AAS or accounting standards that would need to transition to GPFS in accordance with AASB 2020-2 would not be required to make additional disclosures in the year immediately prior to the transition (assuming they choose not to early adopt).</i></p> <p><i>Delaying the effective date by one year from that suggested in Option 1 would however result in a further reporting period in which SPFS are prepared in compliance with AAS without users being informed about their extent of compliance or otherwise with the R&M requirements in AAS.</i></p> <p><i>It is staff view that such a delay is not warranted given entities are not required to change their accounting policies and the proposed disclosures are narrow in scope.</i></p> <p><u>Staff therefore do not recommend this option.</u></p>
<p>Option 3. Application to annual periods ending on or after 30 June 2023 (or later) (i.e. 30 June 2023 onwards)</p>	<p>While delaying the effective date of the proposed amendments until 30 June 2023 (or later) is not consistent with the objective of the proposed amendments (increasing the transparency in SPFS promptly) it would be necessary if the Board decided to set minimum SPFS requirements that included R&M requirements (due to reasons stated in Key issue 3 Option 2 above – e.g. consideration of what, if any, transition relief may be required).</p> <p><i>Staff analysis:</i></p>

Commented [KC4]: See Question 1 - does the Board agree with the staff recommendation

Key issue 4 – Options considered	Analysis
	<p><i>As this option would only be necessary if the Board decided to set minimum SPFS requirements that included R&M requirements, an option that is not recommended by staff, staff do not recommend delaying the proposed effective date until at least 30 June 2023.</i></p> <p><u>Staff therefore do not recommend this option.</u></p>
<p>Staff recommendation: Staff recommend option 1, that the proposed disclosures apply to annual periods ending on or after 30 June 2021.</p>	
<p>Key issue 5. Due process</p>	
<p>Proposals similar to those contemplated in this paper were previously exposed for public comment via ED 293 in July 2019.</p> <p>Why does the Board need to reconsider due process?</p> <p>As discussed above in Key issue 1 the scope of ED 293 was much narrower than that contemplated in this paper therefore it is necessary to consider what further due process steps should be undertaken should the Board agree with the staff recommendation regarding the scope in Key issue 1.</p> <p><i>Staff analysis</i></p> <p>Staff considered the requirements of the AASB Due Process Framework for Setting Standards to confirm whether or not re-exposure of the proposals would be required noting that ED 293 has previously been exposed for public comment. The following is an extract of the due process framework:</p> <p>Re-exposure criteria</p> <p>7.7.1. (a) In considering whether there is a need for re-exposure, the AASB uses criteria similar to the IASB:</p> <ul style="list-style-type: none"> (i) extent of new substantive issues not considered during the initial consultation (e.g. new requirements, terminology and/or examples); (ii) extent of change to original proposals (structural changes excluded); (iii) extent of input from interested parties and whether any key stakeholders have not provided input; and (iv) any new evidence on the extent and nature of the issue being addressed. 	

Key issue 5. Due process

- (b) The more extensive and fundamental the changes from the ED and current practice, the more likely the proposals should be re-exposed, albeit with a shortened exposure period. However, the AASB also considers the costs of delaying improvements to financial reporting and the urgency of the need for change.
- (c) More weight is given to changes in recognition and measurement requirements than to disclosures in assessing whether to re-expose.

7.7.2. Re-exposed EDs are subject to the same general principles regarding comment periods and submission processes as applicable to ordinary EDs.

On the assumption the Board agree with the staff recommendation in [Key issue 1](#) and [Key issue 3](#), in accordance with 7.7.1(a)(ii) it is staffs' view that the proposals need to be re-exposed for public comment.¹⁵

The due process framework suggests that a domestic ED is generally exposed for 90 days however if it is narrow in scope and urgent a period of no less than 30 days.¹⁶

Staff recommendation:

Staff considered the extent of changes recommended from those in ED 293, and note that they are considered narrower in scope. Therefore, consistent with 7.7.1(b) above, staff suggest that typically an exposure period of 90 days would not be required. However, acknowledging the continually evolving situation and impact of the coronavirus (COVID-19) pandemic on stakeholders, staff suggest a comment period of 90 days is warranted.

In respect of the proposed effective date and the finalisation of the proposed amendments, the due process framework suggests that the AASB will “typically issue a Standard with at least 2 years before its effective date (e.g. a year before the beginning of the comparative reporting period)”. Based on the suggested timeline below, the amending Standard would be issued approximately 6 months before the end of the year in which it becomes effective. This is consistent with the issue of and effective date of AASB 2019-4.

SUGGESTED NEXT STEPS AND TIMELINE

9. Staff suggest the following timeline and next steps:

¹⁵ Staff do not consider that the scope of the proposed disclosures ([Key issue 2](#)) is substantially different from that proposed in ED 293.

¹⁶ Paragraph 6.5

Task	Date
Board to consider this paper and the pre-ballot draft of the ED proposals	30 April 2020
Staff to undertake targeted outreach to garner feedback on the proposals.	May onwards
Staff to update the pre-ballot draft of the ED for feedback from the Board.	1 May 2020 -14 May 2020
Staff to circulate ballot draft of the ED to the Board out of session with a one-week voting period.	15 May 2020, with comments due by 21 May 2020
If necessary, Staff to update the ballot draft of the ED for comments received from Board.	21 May 2020 – 28 May 2020
Staff to circulate revised ballot draft of the ED to the Board out of session with a one-week voting period.	29 May 2020, with comments due by 4 June 2020
If necessary, Staff to update the ballot draft of the ED for comments received from Board.	4 June 2020 – 11 June 2020 [#]
Issue the ED for public comment with a 90-day comment period.	12 June 2020, with comments due by 11 September 2020 [#]
Staff to analyse and summarise the ED submissions and present a summary along with the pre-ballot draft of the proposed amending standard to the Board.	November Board meeting

Task	Date
Staff to update the proposed amending standard based on the Board's feedback.	13 November 2020 – 27 November 2020
Staff to circulate ballot draft of the proposed amending standard to the Board out of session with a one-week voting period.	27 November 2020, with comments due by 7 December 2020
If necessary, Staff to update the proposed amending standard for comments received from Board members.	7 December 2020 – 10 December 2020
Staff to circulate revised ballot draft of the proposed amending standard to the Board out of session with a five-day voting period.	11 December 2020, with comments due by 16 December 2020 #
Issue the amending standard effective for annual reporting periods ending on or after 30 June 2021.	22 December 2020 [#]

- these dates may change if the ballot draft of the ED / amending Standard does not require a second circulation with the Board.

Question 2 to the Board:

Does the Board agree with the suggested next steps and timeline? If no, what does the Board suggest?

Appendix A – Information required in SPFS by AASB 2019-4

Information about special purpose financial statements

- 9A A not-for-profit private sector entity that prepares special purpose financial statements shall:
- (a) disclose the basis on which the decision to prepare special purpose financial statements was made;
 - (b) where the entity has interests in other entities – disclose either:
 - (i) whether or not its subsidiaries and investments in associates or joint ventures have been consolidated or equity accounted in a manner consistent with the requirements set out in AASB 10 *Consolidated Financial Statements* or AASB 128 *Investments in Associates and Joint Ventures*, as appropriate. If the entity has not consolidated its subsidiaries or equity accounted its investments in associates or joint ventures consistently with those requirements, it shall disclose that fact, and the reasons why; or
 - (ii) that the entity has not determined whether its interests in other entities give rise to interests in subsidiaries, associates or joint ventures, provided it is not required by legislation to make such an assessment for the purpose of assessing its financial reporting requirements and has not made such an assessment;
 - (c) for each material accounting policy applied and disclosed in the financial statements that does not comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128), disclose an indication of how it does not comply; or if such an assessment has not been made, disclose that fact; and
 - (d) disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for requirements set out in AASB 10 or AASB 128) or that such an assessment has not been made.
- 9B *Implementation guidance and illustrative examples for not-for-profit private sector entities* accompanies this Standard. It illustrates the application of the requirements in paragraph 9A and their relationship to the requirements in AASB 101 *Presentation of Financial Statements* for the disclosure of an entity's significant accounting policies.