29 November 2019

Ms Kris Peach

Chair Australian Accounting Standards Board

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Dear Kris

Submission on Exposure Draft ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

I am pleased to provide the Australian Accounting Standards Board (AASB) with my comments on Exposure Draft 297 (ED 297).

This submission reflects my position as a consultant to business including both For-Profits (FP) and Not-for-Profits (NFPs), and their own advisers including auditors. This submission has also benefited with input from discussions with key constituents.

I do not support the Proposals for the following reasons:

1. Un-necessary additional costs

It will add un-necessary compliance costs, as entities that currently prepare Special Purpose Financial Statements (SPFS) will face significantly increased costs of preparing and where applicable having their financial statements audited, for no clear benefit. Entities that prepare SPFS by definition do not have users who are relying upon the financial statements. So, requiring General Purpose Financial Statements (GPFS) adds un-necessary costs for no benefit.

It is also contrary to the Government's mandate to reduce the costs of un-necessary business compliance costs. In particular, I note recent statements by the Prime Minister Scott Morrison on the need to reduce Government Red Tape (Australian Financial Review - AFR 21 November 2019), and the Assistant Minister Ben Morton on the need for congestion busting regulation (AFR 28 November 2019).

2. ED 297 Proposals are contrary to the standards issued by the International Accounting Standards Board (IASB)

The IASB only requires full International Financial Reporting Standards (IFRS) being GPFRs, for companies that are generally listed or equivalent companies. For non-listed companies the IASB has a much-simplified recognition, measurement and disclosure standard being IFRS for SMEs. As Australia has re-badged IFRS for listed entities, it is contrary to the Government's requirement to have compliance with International Accounting Standards, when IFRS for SMEs is not allowed as an option for non-listed companies.

3. Why pick on For-Profit Private Sector Entities?

The only reason would appear to be that the AASB has failed to convince other sector entities of moving away from less costly SPFRs to more costly GPFRs.

4. Failure to comply with the AASB's own due process

Given that the application date for these requirements is expected to apply once a Standard is issued (from 1 July 2020), there is insufficient time for those entities likely to be impacted by the ED 297 proposals to properly implement listed company recognition and measurement requirements along with additional disclosures.. Why does the AASB wish to rush these significant changes through given that normal due process would require at least 2 years or more before the new requirements apply?

Additionally, a 3-month timeframe to consider the ED 297 proposals given the busy June reporting season, does restrict the ability of constituents who wish to make submissions and their ability to seek clients and other constituents' views.

I also question whether the AASB is really prepared to consider alternate views to the ones contained in ED 297 and find it telling that the AASB has stated that its 30 November 2019 deadline "is considered a 'hard deadline' and comments received after this due date will not be considered." Given the Christmas/New Year holiday period, it does seem odd that the AASB would need to finalise the ED 295 proposals that quickly, particularly as the next scheduled AASB meeting is 4 March 2020.

If you require any further information or comment, please contact me.

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