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Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins Street West VIC 8007

Our ref ED 323 Submission

22 May 2023

Dear Dr Kendall

Exposure Draft 323 Disclosure of Non-current Liabilities with Covenants - Proposed Amendments to Tier 2

We are pleased to have the opportunity to comment on Exposure Draft 323 *Disclosure of Non-current Liabilities with Covenants – Proposed Amendments to Tier 2* (ED 323).

We generally support the proposals to amend AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-profit and Not-for-Profit Entities* (AASB 1060) contained in ED 323.

Refer to **Appendix** for further discussion on useful additional guidance we would recommend including in AASB 1060.

We do not expect any significant challenges for entities in complying with the disclosure requirements proposed in paragraph 47A. We believe they are relevant for Tier 2 entities. The assessment of liquidity, solvency and the reliance on debt funding is an important consideration for a majority of financial statement users.

The proposals – updated for the comments in the Appendix – should provide benefits to financial statement users that outweigh the costs.

We have no comments in relation to the general matters set out on page 4 of ED 323.

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact myself on (02) 9455 9744.

Yours sincerely

Michael Voogt

Director – Department of Professional Practice
KPMG Australia



Appendix

Comments on AASB 101 amendments not in ED 323

We would support including the text from paragraphs 72B and 75A in AASB 101 in an amended AASB 1060.

Why?

We would recommend inclusion of the above paragraphs for the following reasons:

- First, we would highlight that the classification between current and non-current liabilities has historically been a judgement that has not been made consistently amongst entities which report under Australian Accounting Standards. The assessment of liquidity, solvency and the reliance on debt funding is an important consideration for a majority of financial statement users.
- The two paragraphs highlight above are the guidance in AASB 101 that most clearly set out the impact of covenants that are 'tested' before, at and after reporting (balance) date. They are a clear/simple english explanation of the guidance set out in the proposed amended AASB 1060.40(d). Arguably they would provide the most assistance to financial statement preparers.
- Further, the IASB formed a view that the guidance was necessary/would be useful for financial statement preparers for entities with public accountability. As a general statement, the preparers of GPFS-Tier 1 would be more sophisticated than preparers of GPFS-Tier 2 financial statements.
- The original intention in developing AASB 1060 was as a 'one-stop' shop for GPFS-Tier 2 financial statement preparers. By not including the above paragraphs Tier 2 preparers will either not be aware of the useful guidance in AASB 101 or alternatively have to refer to AASB 101 for the guidance.
- In reference to the discussion in the March 2023 AASB Staff Paper we make the following comments:
 - We acknowledge that the current Standard-Setting Framework does not contemplate situations where AASB 1060 should be updated for paragraphs that are added to 'full IFRS Standards' – however it would be our view that it should. Changes made to full IFRS Standards will, in a majority of situations, also be relevant for GPFS-Tier 2 financial statement preparers.
 - We cannot wait for any full IFRS Standards changes to be considered in the IFRS for SMEs update cycle – a process that takes multiple years.
 - We would also highlight the IASB Board discussion on the Subsidiaries without Public Accountability: Disclosures project and the intention to update the disclosures when full IFRS Standards are updated.