



Project:	Conceptual Framework: Not-for-Profit Amendments	Meeting:	M208
Topic:	Review a draft Exposure Draft, consider sweep issues and decide on next steps to finalise an ED	Agenda Item:	5.1
		Date:	20 August 2024
Contact(s):	Evelyn Ling eling@asb.gov.au Fridrich Housa fhousa@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Developing Exposure Draft

The objective of this paper

- The objective of this agenda item is for the Board to:
 - consider** a draft Exposure Draft (ED), including deciding the amendments to propose to AASB 1054 *Australian Additional Disclosures* and addressing sweep issues identified;
 - decide** the comment period of the ED and outreach activity; and
 - decide** the next steps of the project.
- Regarding paragraph 1(b), a discussion and the staff recommendations regarding the comment period of the ED and the proposed outreach activity is detailed as part of Agenda Item 3 (refer Agenda Paper 3.1), rather than this agenda item. The discussion and staff recommendations recognise the relationship between the Board's Conceptual Framework: Not-for-Profits Amendments project, its Not-for-Profit Financial Reporting Framework project, and this ED.

Background and reasons for bringing this paper to the Board

- The objective of the Board's Conceptual Framework: NFP Amendments project, as set out in its June 2020 project plan,¹ is to extend application of the *Conceptual Framework for Financial Reporting (Conceptual Framework)* to all not-for-profit (NFP) entities and improve the consistency, comparability, transparency, and enforceability of financial reports prepared in accordance with Australian Accounting Standards. The *Conceptual Framework* currently applies only to certain for-profit entities; the remaining Australian entities are under the aegis of the *Framework for Preparation and Presentation of Financial Statements*.
- At its 6-7 June 2024 meeting, the Board completed, in the main, its decision making on the proposals to expose as part of its Conceptual Framework: NFP Amendments project. The Board

1 Refer [Agenda Paper 5.1 Conceptual Framework – Not-For-Profit Private and Public Sector Entities Project Plan](#) of the AASB June 2020 meeting, and the related [11 June 2020 AASB meeting minutes](#).

reviewed a working draft of an ED and noted the more significant drafting decisions staff have taken in developing the draft.²

- 5 Since the 6-7 June 2024 AASB meeting, staff have continued to progress drafting of an ED. A draft ED is included as Agenda Paper 5.2 for Board member comment. This staff paper provides an overview of the draft ED and recommends for the Board to delegate the finalisation and approval of the ED to a subcommittee of the Board. In addition, this staff paper analyses two potential amendments to AASB 1054 *Australian Additional Disclosures* for inclusion as part of the ED.

Structure of the paper

- 6 This paper is structured as follows:
- (a) overview of the draft ED (paragraphs 7 – 14);
 - (b) potential amendments to AASB 1054 *Australian Additional Disclosures*:
 - (i) potential amendments to paragraph 9A of AASB 1054 (paragraphs 15 – 52);
 - (ii) potential amendments to paragraphs 2 of AASB 1054 (paragraphs 53 – 57);
 - (c) comment period and outreach plan (paragraphs 58 – 60); and
 - (d) next steps (paragraphs 61 – 64).

Overview of the draft ED

- 7 Since the 6-7 June 2024 AASB meeting, staff have continued to progress the drafting of an ED to effect the Board's decisions on its Conceptual Framework: Not-for-Profit Amendments project (this project). Draft ED 3XY *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* is included as Agenda Paper 5.2.
- 8 In addition to making amendments to the *Conceptual Framework* so that the pronouncement is suitable for use by NFP entities, and the consequential amendments thereof, the draft ED considered by the Board at its 6-7 June 2024 meeting also included the proposed amendments to AASB 1057 *Application of Australian Accounting Standards* to expose the Board's decisions, made as part of its Not-for-Profit Financial Reporting Framework project, to limit the ability of NFP entities to prepare special purpose financial statements (SPFS).
- 9 These proposed amendments have been included as part of the ED presented as Agenda Paper 5.2 rather than in the ED in Agenda Paper 3.2 so that the amendments to Australian Accounting Standards consequential to the supersede of the SAC 1 reporting entity concept are shown together with the amendments to the *Conceptual Framework*, being the vehicle that supersedes SAC 1 when applicable. This approach also enables ED 3XX *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* (Agenda Paper 3.2) to be ringfenced to the Board's proposals for Tier 3 reporting requirements, and consequential amendments thereof.

2 These include the proposed approach to 'AusCF1' paragraphs and the application paragraphs of the *Conceptual Framework*, the *Framework for the Preparation and Presentation of Financial Statements* and SAC 1 *Definition of the Reporting Entity*.

- 10 The proposed amendments to effect the Board’s decision to limit the ability of NFP entities to prepare SPFS are:
- (a) amendments to AASB 1057 *Application of Australian Accounting Standards*, to revise the cohort of NFP entities which the Australian Accounting Standards apply (see also Question 5 in Agenda Paper 5.2);³ and
 - (b) amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards*, to reflect or highlight the transitional requirements that apply (or which are available) when NFP entities prepare general purpose financial statements.
- 11 Additionally, staff have identified possible amendments to AASB 1054 as a result of the Board’s decision to limit the ability of NFP entities to prepare SPFS. These amendments are discussed in paragraphs 15 –57 below. Staff recommend that these amendments similarly be exposed as part of ED 3XY.
- 12 At this meeting, Board members are asked to review and comment on the revised draft ED, including making decisions on the following matters:
- (a) amendments to propose to AASB 1054 (paragraphs 15 – 57). The amendments to AASB 1054 (and AASB 1057) set out in Agenda Paper 5.2 reflect the staff recommendations in this staff paper; and
 - (b) the Questions to Board members included in Agenda Paper 5.2. The topic of each question, and its location in Agenda Paper 5.2, is shown in the table below:

Question no.	Topic	Location in Agenda Paper 5.2
1	Completeness of the proposed Specific Matters for Comment	Page 6 of AP5.2
2	Inclusion of consequential amendments to AASB 101 <i>Presentation of Financial Statements</i> [sweep issue #1]	Page 29 of AP5.2
3	Inclusion of consequential amendments to AASB 1023 <i>General Insurance Contracts</i> [sweep issue #2]	Page 36 of AP5.2
4	Extension of AASB 1053.20A to apply also to NFP entities [sweep issue #3]	Page 38 of AP5.2
5	Application of Australian Accounting Standards to NFP entities [sweep issue #4]	Page 54 of AP5.2

- 13 To aid Board member review of the draft ED, Agenda Paper 5.2 includes:
- (a) notes to Board members explaining substantive/significant changes to the version of the text seen by the Board at its 6-7 June 2024 meeting;
 - (b) an indication that a section of text has been newly added, usually by way of a note to the Board included at the beginning of the associated section; and
 - (c) in the Basis for Conclusions – referencing in square parentheses to previous agenda papers and/ or Board minutes, to remind the Board where/ when the Board deliberation on the topic occurred.
- 14 Agenda Paper 5.2 also includes a number of minor edits to the ED which have not been indicated to the Board by way of markup text or note. In the main, these edits were made to correct referencing or improve the clarity of the text.

3 Refer [Minutes of the 4 May 2023 AASB meeting](#)

Question for Board members:

Q1 Do Board members have any comments or concerns about the text of the draft ED presented as Agenda Paper 5.2?

Note: At the Board meeting, staff intend to:

- *first seek a Board decision on the amendments to AASB 1054 (Questions 2 – 4 in this staff paper); before*
- *addressing Question 1 via conduct of a page turn of the draft ED during the Board meeting. The Board member response to the 5 Questions for Board Members posed within the ED will be the focus of the page turn of the ED. However, staff will ask Board members for any comments on draft ED between the locations of sweep issues; and*
- *following the page turn of the ED, staff intend to then return to this staff paper to, if necessary, reconfirm the Board decision on Questions 2 – 4, and for Board discussion about the ED comment period, outreach plan and next steps.*

Potential amendments to paragraph 9A of AASB 1054**Objective**

15 The objective of this section is for the Board to decide whether paragraph 9A of AASB 1054 *Australian Additional Disclosures* should apply to NFP private sector entities that will be able to continue to prepare SPFS following completion of this project, and if so, whether (and how) the disclosures set out in paragraph 9A should be revised.⁴

Reasons for bringing this to the Board

- 16 In conjunction with paragraph 18A of AASB 1057 *Application of Australian Accounting Standards* and paragraph 2 of AASB 1054, paragraph 9A of AASB 1054 requires NFP private sector entities preparing SPFS to disclose information about the SPFS' extent of compliance with Australian Accounting Standards.⁵ These disclosures are aimed at improving a user's awareness that, and how, the SPFS differ from general purpose financial statements (GPFS), and apply to NFP private sector entities preparing financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* ('Part 2M.3 entities'). (Staff note that other entities may also be required to provide these disclosures due to a requirement imposed on the entity by a regulator/other body, e.g. the ACNC requires charities reporting to comply with AASB 1054 in SPFS)
- 17 In May 2023 and March 2024,⁶ the Board decided to propose limiting the ability of certain NFP public and private sector entities to prepare SPFS. To effect this decision, the application of Australian Accounting Standards is expected to (in most instances) be extended to include NFP entities that:
- (a) are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; or
 - (b) are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the

4 If paragraph 9A is amended, it may be necessary to also make consequential amendments to the associated paragraph 9B (a signpost paragraph) and/or the related guidance. To keep the discussion focused, this staff paper does not directly refer also to paragraph 9B and the associated guidance.

5 Refer Appendix A of this paper for relevant extracts from AASB 1054 and AASB 1057

6 Refer [4 May 2023 AASB meeting minutes](#) and [7-8 March 2024 AASB meeting minutes](#)

relevant document was created or amended on or after the effective date of the Board's proposals.⁷

- 18 Consequently, if the Board's proposals are finalised as exposed, NFP private sector entities preparing financial statements in accordance with Part 2M.3 of the *Corporations Act 2001* requirements to do so will no longer be able to prepare special purpose financial statements. Hence, prima facie, the paragraph will be of no substance to the entities presently scoped in by AASB 1057.18A (however, see also paragraphs 16 and 22(b) regarding entities scoped in 'externally').
- 19 Consequently, amendments to paragraph 9A of AASB 1054 may be warranted.

Background to the AASB 1054 extent of compliance with Australian Accounting Standards disclosures for NFP private sector entities and for-profit private sector entities

- 20 Paragraph 9A was inserted into AASB 1054 in November 2019 via AASB 2019-4 *Amendments to Australian Accounting Standards – Disclosure in SPFS of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements*. The disclosures were considered to be urgently needed to provide more transparency to the users of publicly lodged SPFS of NFP private sector entities and to increase the comparability of SPFS with other SPFS and GPFs.⁸
- 21 The paragraph 9A of AASB 1054 requirements were developed as an interim measure to address for certain NFP private sector entities, with more immediacy, stakeholder concerns about difficulties in understanding, in SPFS, the extent of alignment of an entity's accounting policies to the recognition and measurement requirements in Australian Accounting Standards, as well as whether or not an entity had fully consolidated its subsidiaries or equity accounted all its investments in associates and joint ventures. In its Basis for Conclusions to AASB 2019-4, the Board suggested that these requirements would be revisited after the Board's broader project proposing to remove the ability for certain entities to prepare SPFS is completed.⁹
- 22 While paragraph 9A of AASB 1054 is limited in its application only to certain NFP private sector entities, the Board:
- (a) originally proposed for the same disclosures to be made by both for-profit and NFP entities,^{10,11} and

7 Staff have identified a sweep matter regarding the Board's decision to extend the application of Australian Accounting Standards to more NFP entities. This is discussed on page 54 of Agenda Paper 5.2.

8 Refer paragraph BC61 of AASB 2019-4

9 Refer paragraphs BC10 and BC61 of AASB 2019-4

10 Refer ED 293 *Amendments to Australian Accounting Standards – Disclosure in SPFS of Compliance with Recognition and Measurement Requirements* and paragraph BC17 of AASB 2019-4

11 The applicability of the requirements was limited to NFP private sector entities in response to stakeholder feedback on ED 293 regarding the costs for for-profit entities vs. the short-term benefits of doing so, as the Board's project on revising the Australian Financial Reporting Framework for For-Profit Private Sector Entities was well progressed at that time.

- (b) envisaged that paragraph 9A would apply in practice to a broader population of SPFS than simply those NFP private sector entities required to do so by Part 2M.3 of the *Corporations Act 2001*.^{12,13}
- 23 Additionally, in response to the effective date of the Board’s amendments to limit the ability of for-profit private sector entities to prepare SPFS being deferred by a year, in June 2022 the Board issued *AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*. AASB 2022-4 inserted paragraph 9C into AASB 1054. Paragraph 9C similarly requires certain for-profit private sector entities preparing SPFS to provide information about the financial statements’ compliance with Australian Accounting Standards.¹⁴
- 24 The Basis for Conclusions accompanying AASB 2022-4 explains that the Board decided to develop these requirements for for-profit private sector entities preparing SPFS as:
- (a) the permitted continued preparation of SPFS (following completion of the Board’s project to review the Australian Financial Reporting Framework for for-profit private sector entities) that state compliance with Australian Accounting Standards without further explanation remained of a concern to the Board when its outreach and other research activity continued to suggest that users (primary and other) would find it useful to understand the basis on which the financial statements are prepared;
 - (b) requiring these additional disclosures in SPFS is consistent with its standard-setting role being to determine the appropriate accounting framework and accounting standards that should apply where a constituting (or other) document requires the preparation of financial statements that comply with Australian Accounting Standards (however, see also paragraph 35 below); and
 - (c) the contextual disclosures in SPFS are a reasonable alternative to forcing the preparation of GPFS, in acknowledgment that entities may not have previously appreciated the implications of having an ambulatory reference to Australian Accounting Standards in their constituting (or other) document.¹⁵

Differences between the requirements for for-profit and NFP private sector entities

- 25 The AASB 1054.9C disclosures are consistent with, but are not identical to, those specified by AASB 1054.9A. The main differences between the requirements for NFP private sector entities and for-profit private sector entities are that:
- (a) the cohort of entities required to present the disclosures differ. The for-profit private sector entity disclosures apply to entities preparing SPFS in satisfaction of a constituting document or another document requirement to prepare financial statements that comply

12 This is indicated by footnote 8 in AASB 2019-4.BC12, and also by AASB 2019-4.BC19(c), BC45, and the third row of the table in AASB 1054.IG2 – the text alludes to entities being required, by other legislation, to comply with AASB 1054. Paragraph BC45 of AASB 2019-4 states: “The Board decided that the requirements of this Standard should apply only to NFP private sector entities required by legislation or otherwise to comply with AASB 1054, such as medium and large charities with revenue greater than \$250,000, registered with the ACNC and required to comply with the ACNC’s reporting requirements relating to special purpose financial statements and companies limited by guarantee lodging financial reports with ASIC. ...”.

13 For example, regulation 60.30 of the *Australian Charities and Not-For-Profits Commission Regulations 2022* compels an ACNC-registered entity preparing SPFS to apply AASB 1054.

14 Paragraph 9C of AASB 1054 is set out in Appendix A of this paper.

15 Refer AASB 2022-4.BC3-BC12, BC36 and BC49-BC50.

- with Australian Accounting Standards,¹⁶ while the NFP private sector entity disclosures apply to entities within the scope of Part 2M.3 of the *Corporations Act 2001* (and indirectly, also to entities for which other legislation requires the specific application of AASB 1054);
- (b) NFP private sector entities have an “have not assessed” out – this cost-saving disclosure is not available to for-profit private sector entities;¹⁷ and
 - (c) for-profit private sector entities are required to additionally disclose information about the accounting policies applied in preparing the SPFS, including any changes to these policies.
- 26 At that time of developing the AASB 1054.9C disclosures, the Board considered whether the requirements should be the same as those applying to a NFP private sector entity. Ultimately, the Board decided that a departure from transaction neutrality was justifiable on the following grounds:
- (a) with regards to the cohort of entities required to make the disclosure – the Board observed that it is necessary for the cohort of for-profit private sector entities to reference the entities preparing SPFS in satisfaction of a constituting document or another document requirement to prepare financial statements that comply with Australian Accounting Standards, as otherwise the objective of requiring the disclosures is unlikely to be met;¹⁸
 - (b) with regards to the “have not assessed/made this determination” disclosures – the Board considered that for-profit private sector entities typically could be expected to have access to the resources necessary to make the required assessments and should therefore have an understanding of the recognition and measurement requirements of Australian Accounting Standards under a good-governance approach to financial reporting. Further, the Board considered that the assessments would likely be relatively straightforward when considering the impacted entity cohort;¹⁹ and
 - (c) with regards to the accounting policy disclosures – the Board considered that information about the extent of an entity’s compliance with Australian Accounting Standards would be incomplete without this corresponding information.²⁰

Consistency with the AASB Standard-Setting Frameworks

- 27 When developing the AASB 1054.9A and 9C disclosures, the Board observed that the AASB *For-Profit Entity Standard-Setting Framework* and *Not-for-Profit Entity Standard-Setting Framework* state that the Board does not currently set recognition and measurement requirements for

16 This would only be the case where the constituting document was created or last amended before 1 July 2022.

17 AASB 2019-4.BC32 and BC51 explain that a “not assessed” disclosure avoids over-burdening the entity, but can highlight to users of the financial statements the potential instances of recognition and measurement non-compliance, potential governance issues, and provides more information to help users evaluate whether to seek additional information from the entity.

18 For for-profit private sector entities, this would only be the case where the constituting document was created or last amended before 1 July 2022.

19 Refer AASB 2022-4.BC18-BC19

20 Refer AASB 2022-4.BC25

SPFS.²¹ However, in both instances the Board decided that requiring certain entities to provide disclosures about the extent of the financial statements' compliance with Australian Accounting Standards was not inconsistent with its relevant standard-setting framework.

28 The Board considered that:

- (a) regarding NFP private sector entities – the disclosure may be necessary to enable users to determine whether user needs are met when considering instances where legislation specifically requires SPFS (where prepared) to comply with certain accounting standards including AASB 1054; and
- (b) regarding for-profit private sector entities – while it is less likely that the disclosures are necessary to meet user needs given the cohort of entities to which the disclosures apply, the Board noted that it was setting limited *disclosure* requirements, rather than introducing recognition and measurement requirements for SPFS.

Feedback from the post-implementation review of paragraph 9A of AASB 1054

29 Topic 4 in AASB Invitation to Comment ITC 51 *Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements* (November 2022) sought stakeholder feedback about implementation issues concerning the AASB 1054 disclosures about compliance with Australian Accounting Standards applying to NFP private sector entities.^{22,23}

30 The Board received 4 formal submissions on ITC 51 which included comment on Topic 4. One submission²⁴ indicated they were not aware of any implementation issues regarding these disclosures; this comment perhaps explained by another submission²⁵ which observed that it is difficult to ascertain if there are any issues given wide use of the “have not assessed” option in paragraph 9A. Possibly consistent with this, the ACNC submission noted that their sample review of 2020 SPFS revealed that only 45% of charities included a note about the extent of the financial statements' compliance with Australian Accounting Standards.^{26,27}

21 Paragraph 14 of the AASB *Not-for-Profit Entity Standard-Setting Framework* states:

“This is because SPFS should be prepared only where users can tailor the SPFS to their own information needs and therefore do not need a standard-setter or regulator to specify the accounting policies or require disclosure of the information for them. Accordingly, those responsible for the preparation of SPFS, such as directors or those charged with governance, determine the extent to which SPFS comply with Australian Accounting Standards.”

22 A similar post-implementation review of the similar disclosures applying to for-profit private sector entities has not yet begun.

23 As first noted in Agenda Paper 10.2 of the 7-8 March 2024 AASB meeting, staff intend to progress the staff analyses and provide staff recommendations on ITC 51 in Q4 2024 – Q1 2025. However, because Topic 4 is directly relevant to the issue in this staff paper, staff have considered the Topic 4 ITC 51 feedback – only to the extent relevant to the issue posed – as part of this paper. Further analyses and recommendations on Topic 4 will be considered as part of the staff review of ITC 51 in Q4 2024 (as part of that project).

24 Deloitte

25 Joint submission of the CAANZ and CPA Australia

26 This increased to 54% in the ACNC's 2021 financial statement review.

27 The last submission commenting on Topic 4 was received from the Australasian Council of Auditors-General (ACAG). The ACAG submission limited its comment to a recommendation that these disclosures be extended to apply also to the public sector. Staff think extending the application of these disclosures to public sector entities is beyond the scope of the Board's current project and have not considered it further for the purposes of this staff paper. This is because it would require public sector entities to

31 Staff think that the feedback on Topic 4 suggests that there is likely to be some resistance if the “have not assessed” option were no longer to be available.

Staff analysis and recommendation

Whether to continue to require certain entities to make AASB 1054 paragraph 9A disclosures

32 Having regard to the differences between the requirements for for-profit and NFP private sector entities noted in paragraph 25(a) above, staff first analysed whether the Board should amend, as part of this project, the cohort of NFP private sector entities which need to provide the AASB 1054 paragraph 9A disclosures (as amended – see paragraphs 45 – 52 below) about the extent of their SPFS’ compliance with Australian Accounting Standards.

33 Staff have identified the following options for the Board’s consideration:

- (a) Option A: Do not change the AASB-specified entity cohort at this time;²⁸
- (b) Option B: Remove the requirement to make these disclosures; or
- (c) Option C: Revise the cohort of entities required to present these disclosures (as amended) to those NFP private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards (and which are preparing SPFS in satisfaction of that requirement).^{29,30}

34 Reasons in support of, and against, each of these Options are considered in the following table:

	Option A: Stet existing entities	Option B: Remove the requirement	Option C: Revise the cohort
Reasons for adopting this action	<ul style="list-style-type: none"> • AASB 2019-4.BC10 and BC61 suggest that the requirements would be revisited only after the Board’s broader project proposing to remove the 	<ul style="list-style-type: none"> • Many entities that may have previously been required to comply with AASB1054.9A will prepare GPFS under the Board’s NFP Financial 	<ul style="list-style-type: none"> • Consistency with the cohort of for-profit private sector entities for which such information is required³¹

make additional disclosures in their SPFS, in contrast to this project’s focus on general purpose financial statements. Further, the occurrence of SPFS in public sector is expected to be lower than in NFP private sector.

28 That is, the entities to which AASB 1054.9A applies, as set out by AASB 1057.18A and AASB 1054.9A.

29 Option C excludes the Part 2M.3 Corporations Act 2001 entities that were part of the original scope of the requirements.

30 A NFP entity required only by a relevant document to comply with Australian Accounting Standards cannot prepare SPFS if that document was created or amended after the first effective date of the proposals.

31 The Board surveyed users of financial statements of for-profit private sector entities in December 2018 about what they need most in financial statements and whether they were satisfied with the information presented in SPFS – the findings of this feedback contributed to the Board deciding to develop the AASB 1054.9C requirements. The survey respondents included users involved with for-profit limited partnerships, incorporated associations and trusts.

Staff think that these research findings can be extended also to users of NFP private sector entity financial statements as entities such as limited partnerships, incorporated associations and trusts are also common to the NFP sector, and as the feedback conveyed the importance of comparability, transparency, comprehensibility and consistency to users, and further revealed only moderate satisfaction with the information presented in SPFS (refer AASB 2022-4.BC8). As such, staff think that information about the entity’s extent of compliance with Australian Accounting Standards in SPFS is likely to also be useful information to users of the financial statements of a NFP private sector entity required only by its constituting or other document to comply with Australian Accounting Standards.

	Option A: Stet existing entities	Option B: Remove the requirement	Option C: Revise the cohort
	<p>ability for certain entities to prepare SPFS is completed. The Board has not yet completed its project for public sector entities</p> <ul style="list-style-type: none"> • Does not – at this time – impose new costs on entities that may not previously had to make these disclosures, in light of the limited evidence from ITC 51 as to whether the Board’s objective in requiring these disclosures is being met • It may be prudent to wait to make changes for NFP private sector entities until after the post-implementation review of the similar disclosures specified of for-profit private sector entities is complete, to allow the Board to better assess the need for and scope of the disclosures • Financial statement transparency and comparability does not take a ‘backward step’ under this approach. The entities of original Board concern (Part 2M.3 entities and ACNC large and medium sized charities) that are currently required to make these disclosures will need to prepare GPFS in the future under the Board’s NFP Financial Reporting Framework project proposals. Similarly, any other NFP private sector entities currently preparing financial statements in accordance with a legislative directive will also need to prepare GPFS under the Board’s NFP Financial Reporting Framework project proposals. Under this 	<p>Reporting Framework project proposals, including all the entities within the current scope of AASB 1054 (as identified in AASB 1057.18A)</p> <ul style="list-style-type: none"> • An NFP private sector entity required only by its constituting or other document to comply with Australian Accounting Standards might still be able to prepare SPFS under the Board’s NFP Financial Reporting Framework project proposals. While removing paragraph 9A may remove the disclosures for these entities <u>where the entity had previously been specifically required by that constituting or other document to apply AASB 1054 in SPFS</u>, staff note that the Board has not itself imposed a requirement for these entities to make these disclosures (per AASB 1057.18A). In addition, staff think that it is unlikely that there will be many entities in this category • Some NFP private sector entities required only by their constituting or other document to comply with Australian Accounting Standards might not be aware that the Board specifies requirements for SPFS. The costs of raising awareness and educating entities in this regard may be greater than the benefits of the additional disclosure to users 	<ul style="list-style-type: none"> • Improves the transparency of the financial statements to users of the SPFS of a NFP private sector entity required only by its constituting or other document to comply with Australian Accounting Standards • Unlikely to be onerous for entities to implement, if the “not assessed” option is retained

	Option A: Stet existing entities	Option B: Remove the requirement	Option C: Revise the cohort
	<p>approach, any entities required only by their constituting or other document to specifically comply with AASB 1054 in SPFS, would continue to be required, by that document, to make these disclosures</p>		
Reasons against this action	<ul style="list-style-type: none"> • This project is expected to complete the Board’s work on revising the Financial Reporting Framework for private sector entities, being the entities to which the disclosures apply. Hence, it is not necessary to defer the decision-making on this to a future time • Retains a reporting difference between NFP and for-profit entities • The requirement is likely to be of limited applicability, applying to entities only as directed by a non-AASB source. It is questionable whether the AASB should retain such requirements in the Standard • One of the Board’s reasons for issuing AASB 2022-4 (see paragraph 24 above) is that the disclosure provides users of a different cohort of SPFS with useful information. Doing nothing may be seen as a rejection of that reason 	<ul style="list-style-type: none"> • Creates a reporting difference between NFP and for-profit entities • One of the Board’s reasons for issuing AASB 2022-4 (see paragraph 24 above) is that the disclosure provides users of a different cohort of SPFS with useful information. Removing the requirement altogether could be viewed as being as a rejection of that reason 	<ul style="list-style-type: none"> • Any comparability benefits are likely to be limited as the resultant financial statements are less likely to be publicly lodged • Staff do not presently have any evidence that indicates whether requiring these sorts of disclosures of NFP private sector entities that are required only by their constituting document or other document to prepare financial statements that comply with Australian Accounting Standards are likely to be of value to users of SPFS, especially if the “not assessed” option is retained. Staff note that the respondents to ITC 51 did not indicate any view that these disclosures needed to apply to a broader cohort of NFP private sector entities

35 As noted in paragraph 22(a) above, when initially developing its proposals regarding disclosures of compliance with Australian Accounting Standards, the Board considered whether these disclosures should apply to all for-profit and NFP entities preparing SPFS where required by legislation or otherwise to comply with Australian Accounting Standards.³² Ultimately, the Board determined that it was not warranted for the Australian Accounting Standards to do so. Paragraph BC20 of AASB 2019-4 notes:

32 Refer AASB 2019-4.BC19

“The Board considered that while there was merit in requiring all entities required by legislation or otherwise to comply with Australian Accounting Standards preparing SPFS to make the disclosure proposed ... to do so was not warranted. This is consistent with the current scope of Australian Accounting Standards and the Board’s role and expertise, which is to determine the appropriate accounting framework and accounting standards that should apply where legislation, regulation or other authority requires the preparation of financial statements that comply with Australian Accounting Standards.”

- 36 The Board acknowledged that, consequently, there could be a large number of entities preparing SPFS when required to comply with Australian Accounting Standards that would not be required to make the disclosures^{33,34} – for example, these might include entities preparing financial statements pursuant to a loan condition, or other constituting or other document type requirements.
- 37 Staff think that prima facie, AASB 2019-4.BC20 provides an argument against the Board amending the population of entities that the paragraph 9A disclosures apply to, and hence provides a compelling reason for Option A (do nothing at the moment), and to a lesser extent, Option B (remove the requirement).
- 38 However, staff note that AASB 2022-4 appears to have since superseded the thinking in AASB 2019-4.BC20 as the Standard introduces requirements for for-profit private sector entities preparing SPFS where required by legislation or otherwise to comply with Australian Accounting Standards to make disclosures regarding their extent of compliance with Australian Accounting Standards. Indeed, paragraph BC50 of AASB 2022-4 states:
- “Paragraph 18 of the AASB For-Profit Entity Standard-Setting Framework (July 2021) states: “Enforcement of the preparation of financial statements and compliance with Accounting Standards is the responsibility of other regulators ... It is not the responsibility of the AASB.” Consistent with that, the Board noted its role and expertise in relation to this Standard is to determine the appropriate accounting framework and accounting standards that should apply where financial statements are required by constituting or other documents to comply with [Australian Accounting Standards]. Requiring additional disclosures in SPFS to provide greater transparency and comparability regarding compliance with the [recognition and measurement] requirements in [Australian Accounting Standards] is consistent with this role.”*
- 39 That is, AASB 2022-4 establishes a precedent for the Board departing from its initial limited scope position, and evinces support for Option C which would see the AASB 1054.9A disclosures applying to a broader suite of entities – and for which the Board originally voiced merit.
- 40 **Staff recommendation.** Staff recommend, for the purposes of the ED, revising the cohort of NFP private sector entities required to present the AASB 1054 paragraph 9A disclosures (as amended – see paragraphs 45 – 52 below) to those NFP private sector entities that are

33 Refer AASB 2019-4.BC21

34 The Board at that time sought to mitigate its concern that some entities would not be required to provide the disclosure through possibly requiring APESB-bound accounting professionals to require entities to make these disclosures. At that time, the APESB decided not to make any changes to its requirements of accounting professionals following feedback received from its stakeholders to this topic (see AASB 2019-4.BC21). Staff note that the APESB has since revised APES 205 *Conformity with Accounting Standards* (2022). The revised pronouncement requires, in respect of an entity that has a legislative or non-legislative requirement to prepare financial statements that comply with Australian Accounting Standards, a professional accountant to take reasonable steps to ensure that the entity’s SPFS complies with any applicable Australian Accounting Standards.

required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards (that is, Option C).

- 41 This staff recommendation overlaps in part with the decision that the Board is asked to make in Question 5 of Agenda Paper 5.2 regarding the application of AASB 1054 in general (as given by paragraph 18A of AASB 1057) (see paragraphs 10(a) and 12(b) above, and Question 5 in Agenda Paper 5.2 on pages 53-54 of the ED). If the Board decides to differently scope AASB 1054,³⁵ it may be that Option C may no longer present as an appropriate approach.
- 42 Staff do not support Option A. This is because staff think the Board should not foster a situation where the Board is effectively responsible for specifying requirements for entities outside the scope of what the AASB has set the Standard's application as.
- 43 Staff could support Option B, as this approach is consistent with the Board generally not addressing SPFS. However, Option B does not improve the quality of financial reporting.
- 44 Therefore, on balance, staff recommend Option C. Option C is the option that best aligns the for-profit and NFP private sector entities for which information about the entity's compliance with Australian Accounting Standards is required in SPFS, and so is the option most consistent with a transaction neutrality platform. Further, as Option C is the option that imposes the greatest cost burden on entities, the Board is less likely to have to seek re-exposure of a proposal should the feedback on its ED lead the Board to instead finalise requirements that are more consistent with Option A or Option B.

Question for Board members:

- Q2 Do Board members agree with the staff recommendation in paragraph 40 above to revise the cohort of NFP private sector entities required to present the AASB 1054 paragraph 9A disclosures (as amended – discussed in paragraphs 45 – 52 below) to those NFP private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards?

(Note: The drafting in Agenda Paper 5.2 reflects the staff recommendation)

Whether to amend the disclosures specified by AASB 1054 paragraph 9A

- 45 This section is only relevant if the Board decision to Question 2 above is not Option B (remove the requirement).
- 46 Having regard to the differences between the requirements for for-profit and NFP private sector entities noted in paragraph 25(b) & 25(c) above, staff next analysed whether the Board should amend, as part of this project, the disclosures that the identified NFP private sector entities need to provide the AASB 1054 paragraph 9A disclosures about the extent of their SPFS' compliance with Australian Accounting Standards.
- 47 Staff have identified the following options for the Board's consideration:
 - (a) Option D: Do not revise the AASB 1054.9A specified disclosures. This may be for "at this time" reasons (Option D1) or because the existing set of requirements are concluded to remain complete and appropriate (Option D2);
 - (b) Option E: Align the disclosure requirements for the identified NFP private sector entities with those applying to for-profit private sector entities (i.e. adopt the AASB1054.9C

35 For example, on consideration of the costs that will be imposed on NFP private sector entities preparing SPFS to comply with the other requirements of AASB 1054.

disclosures). This option eliminates the “not assessed” option for NFP private sector entities; or

- (c) **Option F:** Retain the existing requirements but additionally require the identified NFP private sector entities to disclose the information specified by AASB 1054.9C(b) and 9C(c) about the accounting policies applied in preparing the SPFS, including any changes in those policies. This option retains the “not assessed” option for NFP private sector entities.³⁶

48 Reasons in support of, and against, each of these Options are considered in the following table:

	Options D1 and D2: Stet existing disclosures	Option E: Adopt the disclosures applying to for-profit private sector entities, including eliminating the 'not assessed' option	Option F: Additionally disclose information about the applied accounting policies
Reasons for adopting this action	<ul style="list-style-type: none"> • [D1] AASB 2019-4.BC10 and BC61 suggest that the requirements would be revisited only after the Board’s broader project proposing to remove the ability for certain entities to prepare SPFS is completed. The Board has not yet completed its project for public sector entities. Therefore, the existing disclosures should be retained for the interim • [D1] It may be prudent to wait to make changes for NFP private sector entities until after the post-implementation review of the similar disclosures specified of for-profit private sector entities is complete, to allow the Board to better assess the need for and scope of the disclosures • [D2] The feedback from ITC 51 does not suggest that there is a gap or concern that needs addressing • [D2] Imposes minimal new costs on entities that 	<ul style="list-style-type: none"> • Consistency in reporting between for-profit and NFP private sector entities • The feedback from ITC 51 does not indicate there to be any concerns about the Board’s rationale for the existing disclosures, which are largely retained under this option. Further, in the main and excepting the ‘not assessed’ option, the for-profit private sector disclosures are consistent with those specified by AASB 1054.9A; this also recommends that the AASB 1054.9A requirements continue to be warranted • Eliminating the “not assessed” option improves transparency and comparability of the SPFS. It also encourages NFP private sector accounting teams to improve their familiarisation with Australian Accounting Standards 	<ul style="list-style-type: none"> • The feedback from ITC 51 does not indicate there to be any concerns about the Board’s rationale for the existing disclosures, which are retained under this option. Further, in the main and excepting the ‘not assessed’ option, the for-profit private sector disclosures – which are not interim in nature – are consistent with those specified by AASB 1054.9A; this also recommends that the AASB 1054.9A requirements continue to be warranted • These new disclosure requirements provide context to other disclosures about the extent of the entity’s compliance with Australian Accounting Standards so that the information is more ‘complete’, especially if the cohort of entities is amended. These requirements are unlikely to impose a significant cost burden to entities as they are a detailing of

36 Staff note that regardless, except if deleted, it may be necessary to amend AASB 1054.9A (and also AASB 1054.9C) to clarify that “the recognition and the recognition and measurement requirements in Australian Accounting Standards” refer to Tier 1 and Tier 2 recognition and measurement requirements, and not also Tier 3 reporting requirements – refer proposed amendments on page 45 of Agenda Paper 5.2.

	Options D1 and D2: Stet existing disclosures	Option E: Adopt the disclosures applying to for-profit private sector entities, including eliminating the 'not assessed' option	Option F: Additionally disclose information about the applied accounting policies
	<p>may not previously had to make these disclosures, as the “not assessed” option will be available</p>	<ul style="list-style-type: none"> The new disclosure requirement provides context to other disclosures about the extent of the entity’s compliance with Australian Accounting Standards so that the information is more ‘complete’, especially if the cohort of entities is amended. These requirements are unlikely to impose a significant cost burden to entities as they are a detailing of actual practice and impact 	<p>actual practice and impact</p>
Reasons against this action	<ul style="list-style-type: none"> [D1] This project is expected to complete the Board’s work on revising the Financial Reporting Framework for private sector entities, being the entities to which the disclosures apply. Therefore, it is not appropriate to defer consideration of the applicable disclosures [D1] It will likely be even more difficult to obtain feedback in the future about any revised disclosures that might apply to a revised cohort of NFP entities required to present these disclosures, compared to as part of this project [D2] If the entities to which the disclosures apply change, as indicated by the additional disclosures specified by paragraph 9C of AASB 1054, these disclosures may not be sufficient to provide users of the entity’s financial statements with a 	<ul style="list-style-type: none"> Further costs to NFP private sector entities. The ‘not assessed’ option was introduced as the Board was concerned the AASB 1054.9A disclosure requirements would be too burdensome to NFP private sector entities. Staff think that this will continue to be an issue for the remaining cohort of NFP private sector entities presenting SPFS, where required only by its constituting or other document to comply with Australian Accounting Standards, especially as some of these entities will not have before been required to make such disclosures It may be prudent to wait to make changes for NFP private sector entities until after the post-implementation review of the similar disclosures specified of for-profit private sector entities is complete, to allow the Board to better assess 	<ul style="list-style-type: none"> It may be prudent to wait to make changes for NFP private sector entities until after the post-implementation review of the similar disclosures specified of for-profit private sector entities is complete, to allow the Board to better assess the need for and scope of the new disclosure

	Options D1 and D2: Stet existing disclosures	Option E: Adopt the disclosures applying to for-profit private sector entities, including eliminating the 'not assessed' option	Option F: Additionally disclose information about the applied accounting policies
	complete picture on which to make decisions	the need for and scope of the disclosures	

- 49 **Staff recommendation.** Staff recommend, for the purposes of the ED, retaining the existing requirements but additionally requiring the identified NFP private sector entities to disclose the information specified by AASB 1054.9C(b) and 9C(c) about the accounting policies applied in preparing the SPFS, including any changes in those policies (that is, Option F).
- 50 Staff do not support Option D as staff think this is a matter for address as part of this project, rather than deferring the review, and as the Board's work for for-profit private sector entities has already revealed the need to require entities to disclose also information about their accounting policies in general.
- 51 Staff do not support Option E because staff think it is necessary that the non-assessed option be retained for NFP private sector entities at this time, especially on consideration that staff do not have any evidence that the benefits of the disclosure (in the absence of the 'not assessed' out) will exceed its costs.
- 52 Therefore, on balance, staff support Option F. Option F further improves the quality of financial reporting by Australian entities, albeit in a limited manner, and is unlikely to significantly add to the cost burden of the entity.

Question for Board members:

Q3 Do Board members agree with the staff recommendation in paragraph 49 above to retain the existing requirements but additionally require the identified NFP private sector entities to disclose information specified by AASB 1054.9C(b) and 9C(c) about the accounting policies applied in preparing the SPFS, including any changes in those policies?

(Note: The drafting in Agenda Paper 5.2 reflects the staff recommendation)

Potential amendments to paragraph 2 of AASB 1054

Objective and reasons for bringing this to the Board

- 53 In analysing AASB 1054, staff observed that the interaction between AASB 1054 and AASB 1057 is such that, if paragraph 2 of AASB 1054 is not amended, the SPFS of NFP private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards will need to comply with all other disclosure paragraphs of AASB 1054.
- 54 The objective of this section of the paper is for the Board to decide whether, and how, to amend paragraph 2 of AASB 1054.

Background

- 55 Staff note the following:
- (a) NFP private sector entities currently within the scope of AASB 1054 (i.e. a NFP private sector entity that prepares financial reports in accordance with Part 2M.3 of the *Corporations Act 2001*) and preparing SPFS will be required to prepare GPFS under the Board's proposals to extend the application of Australian Accounting Standards to more

- NFP entities. (Also, ACNC-registered entities preparing SPFS and specifically required to comply with AASB 1054 by Regulation 60.30 of the *ACNC Regulations 2022* will also be required to prepare GPFS under the Board's proposals);
- (b) the Board's project resulting in *AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities* concerned for-profit private sector entities and was not intended to amend any prior AASB 1054 requirements for NFP public sector entities. Those requirements specified that a NFP public sector entity that prepares financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that prepares SPFS are required to disclose information about the reporting framework under which the financial statements are prepared, whether the entity is a for-profit or not-for-profit entity, and whether the financial statements are GPFS or SPFS (as well as information about its audit fees and other information).
 - (c) a for-profit public sector entity that prepares financial reports in accordance with Part 2M.3 of the *Corporations Act 2001* and that prepares SPFS used to be required to disclose similar information, but is no longer required to do so. (The scope of AASB 1054 was amended by *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*);
 - (d) in *AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities*, the Board decided to require 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, and which are preparing SPFS, to comply only with paragraphs 8 and 9 (in addition to the new paragraphs 9C and 9D); and
 - (e) for-profit private sector entities that were required only by their constituting document or other document to prepare financial statements that comply with Australian Accounting Standards were not required to comply with AASB 1054 prior to the issue of AASB 2022-4. Consequently, when developing AASB 2022-4 the Board considered that to require these entities to comply with the AASB 1054 disclosures in full could be expected to be a significant increase to their reporting obligations. Paragraph BC40 of the Basis for Conclusions to AASB 2022-4 explains that the Board decided to require for-profit private sector entities preparing SPFS to comply with paragraphs 8 and 9 of AASB 1054 because these disclosures – which help to describe the basis of accounting – provide useful information at minimal cost (as the information is expected to be readily available), and could be already expected to be a part of the entity's consideration in identifying the basis on which it made the decision to prepare SPFS. The Board considered that requiring the disclosure of this information was consistent with a project to improve the transparency and comparability of special purpose financial statements.

Staff analysis and recommendation

56 Staff make the following observations:

- (a) the Board's reasons for requiring a for-profit private sector entity that prepares SPFS to present only the disclosures specified by paragraphs 8 and 9 of AASB 1054 appear equally valid with respect to not-for-profit private sector entities and the current Board projects.
- (b) limiting additional disclosures in special purpose financial statements to only the information specified by paragraphs 8 and 9 of AASB 1054 (besides the paragraph 9A amendments) is consistent with transaction neutrality;

- (c) limiting any additional disclosure to private sector entities is consistent with a transaction neutrality platform as it aligns the reporting ask for public sector entities that prepare SPFS. Otherwise, a not-for-profit public sector entity that is required only by a relevant document to prepare financial statements that comply with Australian Accounting Standards will be required to provide information that is not required of a for-profit public sector entity preparing SPFS; and
- (d) staff note that whilst NFP public sector entities required to prepare financial statements under the Corporations Act 2001 are in scope of 1054 through the existing paragraph 18A in AASB 1057, paragraph 2 in AASB 1054 does not reference SPFS prepared by NFP public sector entities; however, staff are not aware of any feedback from stakeholders that would require clarification in this regard.

57 Having regard to paragraphs 53 – 56 above, staff recommend amending paragraph 2 of AASB 1054 to require not-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, and which are preparing SPFS, to comply with paragraphs 8 and 9 of AASB 1054 (in addition to paragraphs 9A – 9B). Staff also note that recommended amendments do not change whether and how the AASB 1054 requirements apply to NFP public sector entities that are required by legislation to prepare financial statements (including by Part 2M.3 of the *Corporations Act 2001*), and also recognises that the Board’s project to review the financial reporting framework for public sector entities is being undertaken on a separate timeline.

Question for Board members:

Q4 Do Board members agree with the staff recommendation in paragraph 57 above to amend paragraph 2 of AASB 1054 to require not-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, and which are preparing SPFS, to comply with paragraphs 8 and 9 of AASB 1054?

(The drafting in Agenda Paper 5.2 reflects the staff recommendation)

Comment period and outreach plan

- 58 As noted in paragraph 2 above, staff discussed the proposed comment period and outreach plan for this ED in Agenda Paper 3.1.
- 59 In that agenda paper, staff recommended that ED 3XX *General Purpose Financial Statements: Not-for-Profit Private Sector Tier 3 Entities* (the Tier 3 ED) and this ED:
 - (a) be issued at the same time (the indicative timing is mid-October 2024, subject to the availability of staff resources);
 - (b) be exposed for the same period (the staff recommendation was for the comment period to close on 28 February 2025); and
 - (c) share a common outreach plan; that is, for the outreach activity to be developed considering the two exposure drafts as a package.
- 60 Consequently, this paper refers Board members to Agenda Item 3.1 for making decisions on these matters.

Question for Board members:

- Q5 Do Board members have any further comments to make about the comment period and outreach plan for ED 3XY *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*?

Next steps

- 61 Staff will update the draft ED presented as Agenda Paper 5.2 following the Board meeting for Board decisions at this meeting. In addition, staff will continue to progress its quality assurance processes to finalise the ED.
- 62 In line with the *AASB and AUASB Charter* (see paragraph 6.20) and the *AASB Due Process Framework* (see paragraph 7.4.4), the Board can delegate the approval of an exposure draft. At the time of issue of this Board paper and ahead of the Board deliberations at this meeting, staff are not aware of any significant further matters that would need the consideration of the full Board at a future public meeting.
- 63 On this basis and having regard to the Board's use of a AASB subcommittee on the Not-for-Profit Financial Reporting Framework project to date, staff recommend that Board members delegate the responsibility for finalisation and approval for issue of the ED to a subcommittee of AASB Board members, including the Chair.
- 64 The staff recommendation in paragraph 63 above is consistent with the staff recommendation in Agenda Paper 3.1 for the Board to delegate the finalisation and approval of issue of ED 3XX *General Purpose Financial Statements: Not-for-Profit Private Sector Tier 3 Entities* to a subcommittee of AASB Board members, including the Chair. As such, staff recommend that this subcommittee comprise the same members as the subcommittee (if used) for the finalisation and approval of ED 3XX.

Question for Board members:

- Q6 Do Board members agree with the staff recommendation in paragraph 63 for the responsibility for finalisation and approval for issue of ED 3XY *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* to be delegated to a subcommittee of AASB Board members, including the Chair? Further, do Board members agree with the staff recommendation in paragraph 64 for the subcommittee to comprise the same members as the subcommittee (if used) for the finalisation and approval of ED 3XX? If not, how would Board members like to proceed with finalising the ED?

APPENDIX A – Extracts from Australian Accounting Standards

Relevant extracts from AASB 1057

Paragraph 2 and paragraph 18A of AASB 1057 *Application of Australian Accounting Standards* are set out below. Note, draft ED3XY proposes amending paragraph 2 and 18A (see pages 54 and 56 of Agenda Paper 5.2):

- 2 This Standard applies to:
- (a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
 - (b) general purpose financial statements of each not-for-profit reporting entity;
 - (c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;
 - (d) financial statements of General Government Sectors (GGs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*;
 - (e) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; and
 - (f) 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.

...

18A AASB 1054 *Australian Additional Disclosures* applies to:

- (a) each not-for-profit entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- (b) general purpose financial statements of each not-for-profit entity that is a reporting entity;
- (c) each entity that elects to prepare financial statements that are, or are held out to be, general purpose financial statements;
- (d) for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards; and
- (e) 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.

Relevant extracts from AASB 1054

Paragraphs 9, 9A and 9C of AASB 1054 are set out below. Paragraphs 9B and 9D are not shown as these paragraphs simply signpost to the related implementation guidance and illustrative examples:

- 9 An entity shall disclose in the notes whether the financial statements are general purpose financial statements or special purpose financial statements.

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.

...

9C The special purpose financial statements of a for-profit private sector entity that is required only by its constituting document or another document (created before 1 July 2021 and not amended on or after that date) to prepare financial statements that comply with Australian Accounting Standards shall:

- (a) disclose the basis on which the decision to prepare special purpose financial statements was made;
- (b) disclose the following about the material accounting policies applied in the special purpose financial statements, if not already required by another Australian Accounting Standard:
 - (i) the measurement basis (or bases) applied in preparing the special purpose financial statements; and
 - (ii) the other accounting policies applied that are relevant to an understanding of the special purpose financial statements;
- (c) when a change in a material accounting policy has an effect on the current period or any prior period, disclose the following, if not already required by another Australian Accounting Standard:
 - (i) the nature of the change in accounting policy;
 - (ii) the reasons why applying the new accounting policy provides reliable and more relevant information;
 - (iii) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately;

- (A) for the current period;
 - (B) for each prior period presented; and
 - (C) in the aggregate for periods before those presented; and
- (iv) an explanation if it is impracticable to determine the amounts to be disclosed under paragraph (iii).

Financial statements of subsequent periods need not repeat these disclosures;

- (d) where the entity has interests in other entities – disclose 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 also disclose the reasons why that is the case;
- (e) 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 AASB 10 and AASB 128), disclose an indication of how it does not comply; and
- (f) disclose whether or not the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for AASB 10 and AASB 128).