

9 December 2021

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

Via website: www.aasb.gov.au

Dear Keith

Exposure Draft (ED) 315, Extending transition relief under AASB 1

As the representatives of over 300,000 professional accountants, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) thank you for the opportunity to comment on the above Exposure Draft (ED).

We appreciate the responsiveness of the Board in addressing transition issues that are arising during the implementation phase of the significant financial reporting reforms introduced by AASB 2020-2 *Removal of Special Purpose Financial Statements for Certain For Profit Private Sector Entities* (AASB 2020-2).

We support the AASB's proposals to optionally extend the transition relief available under AASB 1 *First-time Adoption of Australian Accounting Standards* (AASB 1) to foreign controlled entities with parents applying not just Australian Accounting Standards (AAS) but also International Financial Reporting Standards (IFRS). We concur with the Board's view that allowing these entities to measure their assets and liabilities on transition using the information currently contained in their overseas parent's IFRS compliant financial statements will reduce the transition costs incurred without impairing the quality of the financial information they will now be required to prepare and lodge.

We also support the decision to optionally extend the consolidation transition relief provided in AASB 1053 *Application of Tiers of Australian Accounting Standards*, regarding the application of AASB 1, to entities transitioning from single entity Tier 2 General Purpose Financial Statements (GPFS) to consolidated Tier 2 GPFS. We agree that this approach is a necessary practical expedient to facilitate transition on a cost benefit basis and is consistent with the relief already granted to entities who prepared Special Purpose Financial Statements (SPFS) adopting full AAS recognition and measurement, if they are now required to transition to the preparation of consolidated GPFS.

We agree that the proposed effective date of these changes should be periods ending on or after 30 June 2022 to ensure alignment with the implementation of AASB 2020-2.

If you have any questions about our submission, please contact either Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au or Amir Ghandar (CA ANZ) at amir.ghandar@charteredaccountantsanz.com.

Your sincerely

Gary Pflugrath FCPA
Executive General Manager,
Policy and Advocacy
CPA Australia

Simon Grant FCA
Group Executive – Advocacy, Professional Standing and
International Development
Chartered Accountants Australia and New Zealand

20 December 2021

The Chair
Australian Accounting Standards Board
PO Box 204
COLLINS STREET WEST VIC 8007

via email: standard@asb.gov.au

Dear Keith

AASB Exposure Draft ED 315 *Extending Transition Relief under AASB 1*

Deloitte is pleased to respond to the proposals in the Australian Accounting Standards Board ('AASB' or 'Board') Exposure Draft ED 315 *Extending Transition Relief under AASB 1* (ED 315).

We support the proposals in ED 315 and recommend that the AASB finalise the proposals as soon as possible, so that entities currently preparing for transition to Australian Accounting Standards – Simplified Disclosures have certainty that they will be able to take advantage of the additional transitional provisions.

Our detailed responses to the AASB matters for comment in ED 315 are outlined in the Appendix.

Please contact me at +61 3 9671 7871 or moverton@deloitte.com.au if you wish to discuss any of our comments.

Yours sincerely



Moana Overton
Partner

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PUBLIC

APPENDIX – DETAILED RESPONSES TO THE AASB MATTERS FOR COMMENT IN ED 315**Specific matters for comment****1. Do you agree with the proposed amendments to AASB 1 and AASB 1053? If you disagree, please explain why.**

We strongly agree with the proposed amendments to AASB 1 *First-time Adoption of Australian Accounting Standards* and AASB 1053 *Application of Tiers of Australian Accounting Standards*.

Additional comments on proposed amendments to AASB 1

In our view, the amendments to AASB 1 will better align Australian Accounting Standards with International Financial Reporting Standards (IFRS®). Whilst entities complying with AASB 1 are compliant with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the current wording in paragraph D16(a) of AASB 1 operates to effectively remove an option available to entities directly applying IFRS. We continue to support full compliance with IFRS in the Australian context and the proposed amendment is consistent with this objective.

Furthermore, we note that because Australia's transition to Australian Accounting Standards equivalent to IFRS in 2005 occurred at the same time as many other countries were also transitioning to IFRS, this difference between AASB 1 and IFRS 1 was not consequential at that time. However, due to the application of AASB 1 in the context of the transition to Australian Accounting Standards – Simplified Disclosures (Simplified Disclosures), we believe it is appropriate to make the proposed amendment at the current time so that AASB 1 is aligned with IFRS 1.

Additional comments on proposed amendments to AASB 1053

We strongly support the introduction of the transitional guidance in AASB 1053 for entities moving from unconsolidated general purpose financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (Reduced Disclosure Requirements) to consolidated general purpose financial statements prepared in accordance with Simplified Disclosures.

We are aware of a number of entities that have assessed they are not reporting entities when applying Reduced Disclosure Requirements and consequently prepared unconsolidated financial statements. Permitting these entities to apply AASB 1 on transition to consolidated financial statements in accordance with Simplified Disclosures will place such entities on a level playing field with:

- Entities transitioning from special purpose financial statements to Simplified Disclosures or Australian Accounting Standards (Tier 1) (where they are moving from unconsolidated to consolidated financial statements)
- Entities transitioning from Reduced Disclosure Requirements to Australian Accounting Standards (Tier 1)¹
- Entities transitioning from Simplified Disclosures to Australian Accounting Standards (Tier 1).

In each of the above cases, the entities would be eligible to apply AASB 1 and application of the proposed amendments would result in consistent application and outcomes.

¹ We also note that, technically, an entity preparing unconsolidated general purpose financial statements under Reduced Disclosure Requirements could elect to prepare Tier 1 financial statements for one reporting period (and so apply AASB 1), and then transition to Simplified Disclosures in a subsequent period (if eligible to do so) and would then not apply AASB 1 (in accordance with paragraph 23 of AASB 1053). This would leave the entity in the same position as applying the proposed amendment.

Furthermore, we note that the requirement for an ultimate Australian parent to present consolidated financial statements is an Australian-specific provision in AASB 10 *Consolidated Financial Statements*, specifically paragraph Aus4.2. The elimination of the reporting entity concept from Australian Accounting Standards, including its previous use to restrict the requirements in paragraph Aus4.2 of AASB 10, effectively broadens the application of this provision and creates additional transitional issues that are not contemplated under IFRS.

We also note that some not-for-profit entities currently prepare general purpose financial statements in accordance with Reduced Disclosure Requirements. It is acknowledged that not-for-profit entities currently preparing special purpose financial statements are not required to transition to Simplified Disclosures pending the finalisation of the AASB's separate project on the not-for-profit reporting framework. However, we see no reason not to extend the scope of the proposed amendments to AASB 1053 to all entities that are transitioning from Reduced Disclosure Requirements to Simplified Disclosures.

2. Do you think any unintended consequences might arise from the proposed amendments? If yes, please explain what they are.

We are not aware of any unintended consequences that might arise from the proposed amendments.

We note the AASB's observations in the Basis for Conclusions on ED 315 regarding the scope of the proposed amendments to AASB 1 and agree that it is appropriate for the amendments to be available to be applied by any entity applying AASB 1.

We also note that the proposed amendments to AASB 1053 would permit eligible entities to apply all of the transitional relief under AASB 1, including potentially restating recognised amounts – even though the previous unconsolidated general purpose financial statements prepared in accordance with Reduced Disclosure Requirements would have complied with all the recognition and measurement requirements of Australian Accounting Standards. However, this is consistent with the AASB's acknowledgement of this possibility for entities transitioning from special purpose financial statements to Simplified Disclosures in the Basis for Conclusions to AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit and Not-for-Profit Private Sector Entities*.

3. Do you have any other comments on the proposals?

We recommend that the AASB finalise the proposals as soon as possible, so that entities currently preparing for transition to Simplified Disclosures have certainty that they will be able to take advantage of the additional transitional provisions.

We also note that the existing wording of paragraph E8 of AASB 1 includes references to “first IFRS financial statements” rather than “first Australian-Accounting-Standards financial statements”. The AASB may wish to consider an editorial amendment in any amending standard resulting from ED 315 to align the wording of paragraph E8 with the remainder of the Standard.

General matters for comment

4. Whether the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-Setting Framework have been applied appropriately in developing the proposals in this Exposure Draft?

In our view, other than noted elsewhere in this letter, the standard-setting frameworks have been appropriately applied in developing the proposals in ED 315.

As noted earlier in our responses, the proposed amendments to AASB 1 will more closely align Australian Accounting Standards with IFRS and accordingly, this is consistent with the *AASB For-Profit Entity Standard-Setting Framework*.

As noted in our response to question 1, we recommend the AASB consider extending the scope of the proposed amendments to AASB 1053 to all entities transitioning from Reduced Disclosure Requirements to Simplified Disclosures. We believe this would be more consistent with the concept of transaction neutrality and other aspects of the *AASB Not-for-Profit Entity Standard-Setting Framework*.

We note the AASB's rationale in the Basis for Conclusions to ED 315 that not-for-profit entities are not currently affected by the removal of special purpose financial statements and the reporting entity definition in Australian Accounting Standards, and accordingly, the proposals should be limited to entities within the scope of AASB 2020-2. However, in our view, AASB 2020-2 primarily deals with the removal of special purpose financial statements for private sector for-profit entities, rather than the requirements for not-for-profit entities already preparing general purpose financial statements in accordance with Reduced Disclosure Requirements. As a result, we believe a broadening of the scope of the amendments to AASB 1053 is appropriate and will avoid any unforeseen impacts on not-for-profit entities.

5. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?

We have not identified any regulatory or other issues that may affect the implementation of the proposals.

6. Whether the proposals would create any auditing or assurance challenges?

We are not aware of any auditing or assurance challenges arising from the proposals.

7. Whether, overall, the proposals would result in financial statements that would be useful to users?

We believe the proposals will result in financial statements that are useful to users.

8. Whether the proposals are in the best interests of the Australian economy?

We believe the proposals are in the best interests of the Australian economy.

9. Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

We believe that the proposals should provide significant cost relief to certain entities transitioning to Simplified Disclosures, with minimal additional costs.



Dr. Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
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via email: standard@asb.gov.au

19 January 2022

Dear Keith,

RE: Exposure Draft 315 *Extending Transition Relief under AASB 1*

I am responding to your invitation to comment on Exposure Draft 315 on behalf of PwC.

PwC supports the AASB's proposal to allow a subsidiary that becomes a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements where the parent has already adopted either Australian Accounting Standards (AAS) or International Financial Reporting Standards (IFRSs). We do not believe this will reduce the relevance and the reliability of a for-profit subsidiary's financial statements, given the measurement basis is expected to be consistent between AAS and IFRS for for-profit entities.

We note that BC13 confirms that Australian not-for-profit entities would also be able to apply the exemption in paragraph D16(a) where they become a first-time adopter later than an IFRS compliant parent. The AASB may consider whether additional clarification is needed as to how not-for-profit entities would comply with AASs on an ongoing basis, given the recognition and measurement differences between the IFRS and the AAS for not-for-profit organisations.

PwC supports the AASB's proposal to provide transitional relief to entities that previously prepared Tier 2 general purpose financial statements but did not prepare consolidated financial statements on the basis that neither the parent nor the group were a reporting entity. We note that AASB 1053 *Application of Tiers of Australian Accounting Standards* para 18A (b)(i) allows entities that previously prepared special purpose financial statements without presenting consolidated financial statements (on the basis that neither the parent entity nor the group were a reporting entity) to apply AASB 1 in preparing consolidated financial statements for the first time. We agree that entities that previously prepared Tier 2 general purpose financial statements should be provided with the same transitional relief.

I would welcome the opportunity to discuss our firm's views at your convenience.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Erin Craike', written in a cursive style.

Erin Craike
Partner

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24 January 2022

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
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Dear Dr Kendall

Exposure Draft (ED) 315 Extending Transition Relief under AASB 1

Thank you for the opportunity to comment on ED 315 *Extending Transition Relief under AASB 1*.

The IPA supports the proposed amendments to:

- AASB 1 to allow subsidiaries preparing general purpose financial statements for the first time to apply the optional exemption in AASB 1 *First-time Adoption of Australian Accounting Standards* and measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements where their parent has already adopted either Australian Accounting Standards or International Financial Reporting Standards, and
- AASB 1053 *Application of Tiers of Australian Accounting Standards* to allow for-profit private sector entities transitioning from unconsolidated Tier 2 – Reduced Disclosure Requirements GPFS to consolidated Tier 2 – Simplified Disclosures GPFS to apply AASB 1 when preparing consolidated financial statements for the first time.

The IPA supports the proposed amendments, as the amendments provide a practical and cost-effective approach for the affected entities to transition to general purpose financial statements while providing quality financial reporting.

If you have any queries with respect to our comments or further information, please do not hesitate to contact me at vicki.stylianou@publicaccountants.org.au or mobile 0419 942 733.

Yours sincerely

Vicki Stylianou
Group Executive, Advocacy & Policy
Institute of Public Accountants

About the IPA

The IPA is one of the professional accounting bodies in Australia with over 42,000 members and students across 80 countries. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors. Since merging with the Institute of Financial Accountants UK, the IPA Group has become the largest SME and SMP focused accounting body in the world.



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Chair
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Our ref ED 315 Submission

27 January 2022

Dear Dr Kendall

Exposure Draft 315 Extending Transition Relief under AASB 1

We are pleased to have the opportunity to comment on Exposure Draft 315 *Extending Transition Relief under AASB 1* (ED 315).

AASB 1 optional exemption

We support the proposal to amend AASB 1 *First-time Adoption of Australian Accounting Standards* to allow a subsidiary preparing general purpose financial statements (GPFS) for the first time to apply the optional exemption in paragraph D16(a) and measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements where the parent has already adopted either Australian Accounting Standards (AAS) or IFRS® Standards.

The proposed amendment will provide a cost saving benefit to impacted entities. In addition, the objective of the exemption should apply equally where the parent complies with AAS or IFRS Standards – given the similarity between the two frameworks.

Transition from unconsolidated Tier 2 (RDR) to consolidated Tier 2 (SD)

In general, we support the outcome of applying AASB 1 when preparing consolidated financial statements for the first time. Refer to Appendix for further discussion.

We have no comments in relation to the general matters set out on page 5 of ED 315.



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

A handwritten signature in black ink, appearing to be 'Michael Voogt', written over a faint rectangular box.

Michael Voogt
Director

Appendix

Transition from unconsolidated Tier 2 (RDR) to consolidated Tier 2 (SD)

We support the objective for allowing for-profit private sector entities transitioning from unconsolidated GPFS Tier 2 – Reduced Disclosure Requirements (RDR) to consolidated GPFS Tier 2 – Simplified Disclosures (SD) to apply AASB 1 when preparing consolidated financial statements for the first time. However, we believe that AASB 1 already provides guidance on this matter and as such the addition of paragraph 20A is not required.

What do we mean?

KPMG has published guidance in *Insights into IFRS* (6.1.80.10):

An entity is a first-time adopter in relation to a set of financial statements – for example, each of its separate and individual or consolidated financial statements – rather than in relation to the entity. Therefore, it is possible for an entity, through its different reporting entities, to be a first-time adopter more than once over a number of years, in respect of each set of financial statements that it prepares.

For example, an entity that prepares separate and consolidated financial statements can be a first-time adopter in its consolidated financial statements in one year and a few years later a first-time adopter in its separate financial statements.

This concept has applied in Australia – for example when we considered the reporting entity concept, we considered both if the parent is a reporting entity and whether the group is a reporting entity. The ‘new’ IFRS Conceptual Framework has not changed this concept. The new framework has redefined the term ‘reporting entity’ – but not ‘entity’.

So, for the typical fact pattern you describe:

- Since IFRS Standards were adopted in Australia both the parent and the group have been assessed as non-reporting entities.
- The parent has elected to prepare special purpose financial statements (SPFS) and presented parent only (i.e., not consolidated) financial statements.
- These financial statements are separate financial statements – as defined in AASB 127 *Separate Financial Statements*.
- For the year ended 30 June 2022 the parent is required to prepare GPFS and qualifies to prepare GPFS Tier 2.
- Assume for the fact pattern that the guidance in AASB 10 *Consolidated Financial Statements* requires the parent entity to prepare consolidated financial statements.

If we consider the guidance in AASB 1:

- Paragraph 3 – the consolidated (reporting) entity has not previously presented financial statements. As such 3(d) would require the application of AASB 1.
- Paragraph 4A may also apply for other variations of the fact pattern.

Based on the above it is arguable that the amended drafted in paragraph 20A of ED 315 is not required.

Other comments on AASB 1053

Use of term 'entity'

We believe that AASB 1053 *Application of Tiers of Australian Accounting Standards* would benefit from some further clarity around the use of the term 'entity' – in light of the principle that the parent of a group and the group are two separate (reporting) entities.

For example, paragraph 18A(b) discusses an entity that has (most recently) prepared financial statements without presenting consolidated financial statements. This would mean that the entity has prepared parent only separate financial statements. If the parent now presents group (consolidated) financial statements, then they are not separate financial statements anymore.

Again, the guidance in AASB 1 paragraph 3 would be applied in the consolidated financial statements.

Consistency between paragraphs – existing 18A, 19B and proposed 20A

Based on our consideration an issue may arise for a following fact pattern:

- Group consists of a parent and one subsidiary.
- Historically the group has prepared consolidated GPFS Tier 2 RDR (years up to 30 June 2020 – with full compliance), but in the most recent financial year (30 June 2021) the parent prepared SPFS.

In this fact pattern paragraph 18A could **not** be applied – as the entity (group) is not applying Tier 2 reporting requirements for the first time (a requirement in the first sentence of paragraph 18A). This is the case even though the most recent previous financial (separate) financial statements were in the form of SPFS.

We note that the proposed paragraph 20A only refers to the most recent previous annual financial statements.

Paragraph 19B provides guidance where an entity has previously applied GPFS Tier 2 in a previous reporting period. Applying this to the above fact pattern paragraph 19B(b) would not be met as the most recent previous annual financial statements for the group (reporting) entity – being 30 June 2020 – **did** make an explicit and unreserved statement of compliance with Tier 2 reporting requirements. In this fact pattern the 30 June 2021 financial statements were separate financial statements (i.e., not the group (reporting) entity).



Summary

Based on the above discussion, for some common fact patterns, we believe that AASB 1053 would benefit from some further clarity around the use of the term 'entity'. This may help with interpretation of the intended meaning of the first-time adoption and reapplication of Australian Accounting Standards paragraphs of the standard.





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Dr Keith Kendall
Chair
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28 January 2022

AASB Exposure Draft 315 *Extending Transition Relief under AASB 1*

Dear Dr Kendall

Ernst & Young is pleased to comment on the above Exposure Draft. We welcome the opportunity to contribute to the future of financial reporting in Australia.

We support extending the transition relief in AASB 1 to allow subsidiaries to apply the exemption in AASB 1 where its parent has adopted either Australian Accounting Standards (AAS) or International Financial Reporting Standards (IFRS).

We are concerned with the scoping of the other amendments in AASB 1053 as they are unnecessarily restricted to when an entity transitioning did not previously prepare consolidated financial statements solely because neither the entity nor its parent was a reporting entity. There can be other situations where an entity becomes a first-time adopter for its separate financial statements at different dates than its consolidated financial statements, and in such situations an entity should also be required to apply AASB 1.

Please refer to our detailed responses on the above and other questions raised in the Exposure Draft in the appendix to this letter.

We would be pleased to discuss our comments further with either yourself or members of your staff. If you wish to do so, please contact Frank Palmer on (02) 9248 5555 or Kalaselvi Kandiah on (03) 9288 8034.

Yours sincerely

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive, stylized font.

Ernst & Young

Appendix A

Responses to Specific matters for comment

1. Do you agree with the proposed amendments to AASB 1 and AASB 1053? If you disagree, please explain why.

AASB 1

We agree with the proposed amendments to AASB 1. However, we think that similar reference to IFRS should also be made to paragraph D13A of AASB 1 (as amended by AASB 2020-3), where it refers to transition to AAS as per extract below:

“...a subsidiary that uses the exemption in paragraph D16(a) may elect, in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to Australian Accounting Standard...”

We also consider that it would be helpful to clarify, by adding an Australian specific paragraph, that the “..carrying amounts as in the financial statements of the subsidiary..” mentioned in paragraph D17 of AASB 1 can be AAS or IFRS compliant. If not clarified, given the definition of *first-time adopter* refers to AAS, paragraph D17 would be limited to parents with subsidiaries that applied AAS.

AASB 1053

We do not consider that a specific amendment is required. The proposed amendment, particularly paragraph 20A(b), is too narrow as it appears to limit the application of AASB 1 to situations where an entity did not present consolidated financial statements because neither the parent nor the group was a reporting entity. We think there may be other situations where an entity becomes a first-time adopter for its consolidated financial statements later than its separate financial statements. For example, a parent might have availed itself of the exemption under paragraph 4 of AASB 10 from preparing consolidated financial statements and only prepared separate financial statements under AAS. Subsequently, the parent may cease to be entitled to the exemption or may choose not to use it, and we consider that the entity should be required to apply AASB 1 in its first AAS compliant consolidated financial statements as noted in EY iGAAP 2021, Chapter 5, section 5.9.4 (refer Appendix B).

However, to be helpful, the Board could explain in its Basis for Conclusions that an entity should apply AASB 1 for the first-time adoption of its separate financial statements and, if at different dates, then also for its consolidated financial statements.

2. Do you think any unintended consequences might arise from the proposed amendments? If yes, please explain what they are.

Refer to our responses to Question 1.

3. Do you have any other comments on the proposals?

No.

Responses to General matters for comment

4. Whether the AASB For-Profit Entity Standard-Setting Framework and the AASB Not-for-Profit Entity Standard-Setting Framework have been applied appropriately in developing the proposals in this Exposure Draft?

Generally, yes. However, refer to our responses to Question 1 on the specific amendments proposed.

5. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals?

Other than the issues raised in our responses to Question 1, we are not aware of any regulatory or other issues that may affect the implementation of the proposals.

6. Whether the proposals would create any auditing or assurance challenges?

We do not see any audit or assurance challenges arising out of the proposals.

7. Whether, overall, the proposals would result in financial statements that would be useful to users.

We believe the proposals in the ED will result in financial statements that will be useful to users, subject to our responses to Question 1.

8. Whether the proposals are in the best interests of the Australian economy?

We consider the proposals are in the best interest of the Australian economy.

9. Costs and benefits of the requirements relative to current requirements, whether quantitative (financial or non-financial) or qualitative?

We consider that the proposed amendments in ED 315 would result in cost savings for some first-time adopters.

Appendix B

EY iGAAP 2021 Extract, Chapter 5 First-time adoption

5.9.4 Adoption of IFRSs on different dates in separate and consolidated financial statements

An entity may sometimes become a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements. Such a situation may arise, for example, when a parent avails itself of the exemption under paragraph 4 of IFRS 10 from preparing consolidated financial statements and prepares its separate financial statements under IFRSs (see Chapter 6 at 2.2). [IFRS 10.4]. Subsequently, the parent may cease to be entitled to the exemption or may choose not to use it and would, therefore, be required to apply IFRS 1 in its first IFRS consolidated financial statements.

Another example might be that, under local law, an entity is required to prepare its consolidated financial statements under IFRSs, but is required (or permitted) to prepare its separate financial statements under local GAAP. Subsequently the parent chooses, or is required, to prepare its separate financial statements under IFRSs.

If a parent becomes a first-time adopter for its separate financial statements earlier or later than for its consolidated financial statements, it must measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments. [IFRS 1.D17]. As drafted, the requirement is merely that the 'same' amounts be used, without being explicit as to which set of financial statements should be used as the benchmark. However, it seems clear from the context that the IASB intends that the measurement basis used in whichever set of financial statements first comply with IFRSs must also be used when IFRSs are subsequently adopted in the other set.

PO Box 1411
 Beenleigh QLD 4207
 31 January 2022

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

Dear Keith

Exposure Draft 315 — Extending Transition Relief under AASB 1

I am pleased to make this submission on ED315.

I have over 30 years' experience in accounting advisory functions of large accounting and auditing firms across a wide range of clients, industries and issues in the for-profit, not-for-profit, private, and public sectors. My clients across the business and government environments have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, commonwealth, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises).

Specific matters for comment

1. Do you agree with the proposed amendments to AASB 1 and AASB 1053? If you disagree, please explain why.

AASB 1 amendment

I include two objections for this amendment:

- a) the amendment is based on a too narrow interpretation
- b) the amendment will not be effective because of that narrow interpretation.

a) The amendment is based on a too narrow interpretation

I understand the reasoning for the change is based on an interpretation of the existing requirements is limited to parents preparing Australian Accounting Standards financial statements, and that this excludes parents adopting the same measurement bases as AAS under IFRS (as issued by the IASB) and IFRS-equivalent financial statements.

I believe that such an interpretation is too narrow.

The provisions of AASB 1 paragraph D16(a) have been around since the start of IFRS in Australia (previously being included as paragraph 24).

I am not aware of this issue being raised over the last 15+ years, either for companies moving to IFRS on initial adoption in 2005, or subsequently moving from SPFS to GPFS.

It is common for Australian subsidiaries (that usually have 30 June yearends) to adopt IFRS at a later balance date than their parents.

Also, similar wording, and a similar problem, exists in other countries that have adopted IFRS into their own standards. For example:

New Zealand – IFRS 1

First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1)

<https://www.xrb.govt.nz/standards/accounting-standards/for-profit-standards/standards-list/nz-ifrs-1/>

- D16 If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:
- (a) the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to NZ IFRS, if no adjustments ...

Singapore – SB-FRS101 (N.B. Statutory Board financial statements referred to, rather than SFRS – as the SFRS were access restricted)

Statutory Board Financial Reporting Standard SB-FRS 101

First-time Adoption of Statutory Board Financial Reporting Standards

[https://www.assb.gov.sg/docs/default-source/sb-frs/sb-frs-\(effective-as-at-1-january-2021\)/sb-frs_101_\(2021\).pdf?sfvrsn=ae77bf9_2](https://www.assb.gov.sg/docs/default-source/sb-frs/sb-frs-(effective-as-at-1-january-2021)/sb-frs_101_(2021).pdf?sfvrsn=ae77bf9_2)

- D16 If a subsidiary becomes a first-time adopter later than its parent, the subsidiary shall, in its financial statements, measure its assets and liabilities at either:
- (a) the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to SB-FRSs, if no adjustments

Presumably, these countries would have a similar limitation in their standards that would need a similar amendment.

(b) The amendment will not be effective because of that narrow interpretation

As noted above, the amendment is based on a narrow interpretation of AAS not including financial statements prepared on the same measurement basis, i.e. IFRSs.

However, the amendment only expands to parents preparing financial statements under IFRSs – i.e. IFRSs as issued by the IASB.

The amendment (using the same narrow interpretation) will not be effective for countries adopting IFRS-equivalent standards, as IFRS-equivalent are not IFRS. For example, financial statements prepared in the European Union, Singapore and Hong Kong are often signed-off under those jurisdictions – without a statement of compliance with IFRSs as issued by the IASB.

Consequently, parent financial statements prepared under IFRS-equivalent standards will fail the amendment.

AASB 1053 amendment

The proposed amendment should not be restricted to for-profit private sector entities.

I have encountered not-for-profit entities preparing Tier 2 parent only financial statements, and they should have the same relief if they were to move to Tier 2 consolidated financial statements (before any changes to the NFP reporting entity framework).

2. Do you think any unintended consequences might arise from the proposed amendments? If yes, please explain what they are.

Refer responses to Question 1.

3. Do you have any other comments on the proposals?

No

Yours sincerely

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