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- BC48 The Board considered this view in light of its decision relating to disclosures in SPFS of not-for-profit private sector entities as reflected in AASB 2019-4. The Board acknowledged that the appropriateness of the justifications noted in the Basis for Conclusions on AASB 2019-4 (in particular paragraph BC40) for rejecting these respondents’ views are less apparent for entities within the scope of this Standard, but nonetheless concluded this Standard is justifiable under the Framework. The Framework notes the Board does not set R&M requirements for SPFS. In this Standard, the Board is adding limited disclosure requirements for SPFS, in the same way as it did for not-for-profit private sector entities under AASB 2019-4.

### **Overall justification for this Standard**

- BC49 In deciding to issue this Standard, the Board noted the anecdotal feedback it had received that this Standard is unreasonable because many references to AAS historically were included in the constituting documents of entities without those entities having a full appreciation of the implications of the reference being ambulatory rather than static. However, the Board concluded this Standard is justified for the reasons indicated in paragraphs BC3-BC12 and on the basis the Board’s acknowledgement of the history of AAS references in constituting documents is the main reason the Board decided on only contextual disclosures for SPFS rather than requiring a more onerous transition to GPFS by entities within the scope of the Standard. Furthermore, overall, the Board concluded the requirements in this Standard are commensurate with the evidence from the research outlined in paragraphs BC5-BC8. Additional research would unduly delay the project and would only be justified if the requirements were to be more onerous, such as mandating R&M requirements.
- BC50 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 AAS. Requiring additional disclosures in SPFS to provide greater transparency and comparability regarding compliance with the R&M requirements in AAS is consistent with this role.

### **Effective date**

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- BC51 The Board initially decided this Standard should be effective for annual reporting periods beginning on or after 1 July 2021, with earlier application permitted. This effectively deferred the proposed operative date by 12 months. In making this decision the Board acknowledged anecdotal feedback that some issues faced by small entities within the scope of this Standard might be more complex than originally thought. After the issuance of ED 302, the Board became aware that in some instances, for example when applying AASB 15 *Revenue from Contracts with Customers* or AASB 119 *Employee Benefits*, it may be difficult for smaller entities to determine whether they are complying with the R&M requirements in AAS, such as an entity calculating employee benefits (eg long service leave) when they have staff with long tenure.
- BC52 Consistent with the Board’s view in paragraph BC34, the Board concluded deferring the proposed operative date by 12 months (with early adoption allowed) would give entities within the scope of this Standard enough time to prepare for the implementation of the disclosures. It would also be a way for the Board to address the fact that the economic impact of COVID-19 has been significant, is ongoing, and could not have been predicted when issuing ED 302 and proposing an operative date.
- BC53 Given subsequent delays in finalising this Standard, the Board revised the operative date to periods ending on or after 30 June 2022, which in substance covers the same periods as periods beginning on or after 1 July 2021. Short periods beginning on or after 1 July 2021 and ending before 30 June 2022 would not be covered, but these would be very unusual and therefore of limited significance. Earlier application is permitted.