

November 2008



Basis for Conclusions: APES 345 Reporting on Prospective Financial Information prepared in connection with a Disclosure Document (Formerly F2)

Prepared by the Technical Staff of the Accounting Professional & Ethical Standards Board

BASIS FOR CONCLUSIONS:

APES 345 Reporting on Prospective Financial Information prepared in connection with a Disclosure Document (Formerly F2)

This basis for conclusions has been prepared by technical staff of Accounting Professional & Ethical Standards Board (APESB). This document has been reviewed and approved by the Board of APESB and is provided for the benefit of stakeholders to gain an understanding of the background to the development of APES 345 *Reporting on Prospective Financial Information prepared in connection with a Disclosure Document* (APES 345). However, the basis for conclusions **does not** form part of APES 345 and is not a substitute for reading the standard.

Background

APESB has issued APES 345 to take effect from 1 July 2009. APES 345 sets out mandatory requirements and guidance for members in public practice when they report on prospective financial information prepared in connection with a disclosure document.

APESB issued an exposure draft (ED 02/08) of the proposed standard in June 2008, with a comment deadline of 16 July 2008. APESB received submissions from a variety of respondents, including professional accounting bodies, firms and individual members. In response to the comments received, APESB made a number of changes to APES 345. The following summarises the more significant issues raised by respondents, and how APESB addressed them.

Definitions (Paragraph 2¹)

Respondents to ED 02/08 commented on the definitions of disclosure document, product disclosure statement and prospectus contained in ED 02/08. They made suggestions to align those definitions with the definitions in the *Corporations Act 2001*. After considering the issue, APESB resolved to link the definitions directly to the *Corporations Act 2001* to remove the possibility of any inconsistency.

¹Paragraph numbering reflects the numbering in APES 345 and may not reflect ED 02/08.

Reporting on Prospective Financial Information prepared in connection with a Disclosure Document (Formerly F2)

Professional competence and due care (Paragraph 3.9)

Paragraph 3.9 of ED 02/08 contained a requirement for a member in public practice to disclose the extent to which the member relied on the advice of a third party. Respondents to ED 02/08 stated that whilst members refer in their reports to other experts' reports on which they rely, they do not comment on the extent of reliance on the experts' reports.

Accordingly, APESB has revised the requirement to state that, where a member in public practice relies on the advice of a third party, the member must disclose in the member's report the name and qualifications of the third party and the areas of the report where the advice of the third party has been relied upon.

Reporting (Paragraph 8.2)

Respondents to ED 02/08 commented that when preparing prospective financial information in connection with a disclosure document, it is important to clearly state the basis and key assumptions used in forecasting the prospective financial information. A new paragraph 8.2 has been inserted to create a mandatory requirement for a member in public practice to clearly state these.

Role in Due Diligence Committees (now deleted)

ED 02/08 contained a number of paragraphs which dealt with the role of a member in public practice on due diligence committees. Respondents to the ED noted that this is a highly complex area in Australia and that it cannot be adequately dealt with in a few paragraphs in APES 345. The Board considered the issue and resolved to delete the paragraphs in APES 345 and instructed the technical staff to commence a project to develop a separate pronouncement on the role of a member on due diligence committees.