

## AGENDA PAPER

**Item Number:** 1  
**Date of Meeting:** Approval by CR 74  
**Subject:** Proposed revisions to APES 205 to address AASB projects

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**Action required**     **For discussion**     **For noting**     **For information**

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### Purpose

To:

- update the Board on additional stakeholder engagement on proposed revisions to APES 205 *Conformity with Accounting Standards* (APES 205);
- obtain the Board's approval, subject to review comments and editorials, to issue a revised APES 205 and accompanying Basis for Conclusions.

### Background

At the September 2022 Board meeting, Technical Staff provided background on proposed revisions to APES 205 to address the Australian Accounting Standards Board (AASB) projects affecting General Purpose Financial Statements (GPFS) and Special Purpose Financial Statements (SPFS) ([Agenda Item 11](#)).

The Board considered Technical Staff's analysis of submissions on ED 03/22 *Proposed Standard: APES 205 Conformity with Accounting Standards* and a proposed marked-up revised APES 205 ([Agenda Item 11\(c\)](#)).

Technical Staff advised the Board that discussions with the AASB Technical Staff on the drafting of proposed paragraph 6.2 and the footnote references to applicable AASB standards are ongoing and that the issue of the revised APES 205 should be deferred to allow for these discussions to be finalised.

The Board agreed to consider the final position on paragraph 6.2 and approval of APES 205 out of session, to provide stakeholders sufficient time for adoption. The Board approved changing 'significant accounting policies' to 'material accounting policies' in the definition of Financial Statements, Special Purpose Financial Statements and subparagraph 6.1(c) of APES 205.

## Matters for Consideration

### ACNC

The ACNC were concerned that the wording “*non-legislative requirement to apply Australian Accounting Standards*” in proposed paragraph 6.2 could inadvertently capture small ACNC registered charities if their constituting document, for example, broadly requires compliance with Australian Accounting Standards (AAS).

Technical Staff believe ACNC’s concern is addressed as proposed paragraph 6.2 requires reasonable steps to be taken to comply with applicable AAS. Subdivision 60-C – *Annual Financial Reports of the Australian Charities and Not-for-profits Commission Act 2012* only applies to medium and large registered charities (required to comply with ACNC financial reporting requirements), which must comply with the requirements in the regulations. Section 60.30 of the ACNC Regulations sets out specific AAS that must be complied with by medium or large ACNC registered charities that prepare SPFS.

The AAS also provide some clarity, for example, the table at paragraph IG2 of [AASB 1054 Additional Australian Disclosures](#) (AASB 1054) identifies which entities are within the scope of paragraph 9C of that standard and those that are scoped out, including small ACNC registered charities.

In any event, Technical Staff believe the approach detailed below directly addresses ACNC’s concern by referring to the specific regulation setting out AAS that SPFS must apply, which does not apply to small registered charities.

### Professional Bodies

CA ANZ and CPA Australia did not raise concerns with the wording in the proposed paragraph 6.2 of APES 205 (in [Agenda Item 11\(c\)](#)). However, they were concerned that the AAS listed in the footnote was incomplete. They believe trying to list or prioritise AAS would get lengthy and challenging, and some AAS are more relevant than others, depending on the entity type.

They expressed the view that the footnote should refer to paragraph 7(a) of AASB 1057 *Application of Australian Accounting Standards* (AASB 1057) and section 60.30 of the ACNC Regulation for NFPs and paragraph 9C of AASB 1054 *Australian Additional Disclosures* for for-profit entities.

Technical Staff agree that CA ANZ and CPA Australia’s proposal is more helpful for users by including relevant ‘signposts’, rather than just listing AAS. We also believe the references in the footnote suggested by CA ANZ and CPA Australia require refinements, as noted below (refer to the discussion with the AASB Technical Staff).

Whilst the IPA did not raise concerns with the proposals, they reiterated the recommendation in their submission that APESB undertake a holistic post-implementation review of APES 205 due to the complexity of the AASB changes and to ensure APES 205 remains fit for purpose.

### AASB

Technical Staff consulted with AASB Technical Staff before the September 2022 Board meeting and subsequently met with Clark Anstis, Technical Principal and Kim Carney, Senior Manager of the AASB, on 4 October 2022. Based on these discussions and feedback from

the AASB, Technical Staff believe the most appropriate references for the footnote to proposed paragraph 6.2 are:

- [Paragraphs 7\(a\) and 18A\(a\)](#) of AASB 1057, which state the AAS (including AASB 1054) that apply to NFPs required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act (such as companies limited by guarantee), which includes NFPs that are not Reporting Entities and therefore permitted to prepare SPFS;
- [Paragraph 18A\(e\)](#) of AASB 1057 states that AASB 1054 applies to other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with AAS. Where that document was created before 1 July 2021 and not amended on or after that date, such an entity is permitted to prepare SPFS if it is not a Reporting Entity; and
- Section 60.30 of the ACNC Regulations<sup>1</sup> states the specific AAS (including AASB 1054) that medium or large registered charities must comply with when preparing SPFS.

As the above references refer to AASB 1054, there is no need to refer to this standard as suggested by CA ANZ and CPA Australia.<sup>2</sup> Based on the above and AASB feedback, Technical Staff have refined the proposed paragraph 6.2 and footnote (see Agenda Item 1(a)).

#### Other Entities with SPFS Disclosures

Technical Staff considered whether the above is a complete list. For example, one submission on ED 03/22 referred to SPFS for public sector entities reporting under auditor-general legislation (refer SC2), and there are potentially other entities under various federal/state legislation ([AASB Research Report 10](#)).

However, Technical Staff believe the proposed footnote references capture the majority (estimated at 90%) of SPFS subject to AAS disclosures. Moreover, by making the footnote non-exhaustive, it recognises possible other circumstances where there may be SPFS requirements under AAS. The proposed Basis for Conclusions also addresses this matter.

#### Proposed APES 205

A proposed revised APES 205 is attached as Agenda Item 1(a) with mark-ups of proposed changes from what was presented to the Board at the September 2022 Board meeting ([Agenda Item 11\(c\)](#)).

The AASB, ACNC and professional bodies have all confirmed they are comfortable with the amendments to proposed paragraph 6.2 in Agenda Item 1(a).

#### Basis for Conclusions

A proposed Basis for Conclusions for the revised APES 205 is attached as Agenda Item 1(b). Technical Staff believe a Basis for Conclusions is necessary to assist stakeholders in

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<sup>1</sup> [Australian Charities and Not-for-profits Commission Regulation 2013](#) is currently effective, however, the [Australian Charities and Not-for-profits Commission Regulations 2022](#) were made on 29 September 2022 and commence on 1 April 2023. Proposed paragraph 6.2 of APES 205 uses 'Australian Charities and Not-for-profits Commission Regulations' to refer to both sets of regulations.

<sup>2</sup> [Paragraph 9C](#) of AASB 1054 sets out the additional SPFS disclosures for for-profit private sector entities that are required by their constituting document or another document (created before 1 July 2021 and not amended on or after that date) to comply with AAS. However, other paras of AASB 1054 apply to such entities (see para 5 of [AASB 2022-4](#)).

understanding the background to APES 205's revisions. Whilst the proposed changes in APES 205 are not significant, the AASB changes that affect GPFS and SPFS and the reasons for the changes to the standard are complicated.

The AASB, ACNC and professional bodies have all confirmed they are comfortable with the contents of the proposed Basis for Conclusions.

Technical Staff also believe a Basis for Conclusions will assist small to medium practitioners (SMPs) navigate the APESB and AASB changes.

## **Recommendations**

The Board approve, subject to the Board's review comments and editorials, the issue of:

- Revised APES 205 *Conformity with Accounting Standards*; and
- Basis for Conclusions APES 205 *Conformity with Accounting Standards*.

## **Materials presented**

Agenda Item 1(a) Proposed Revised APES 205 Conformity with Accounting Standards (Marked-up)

Agenda Item 1(b) Proposed Basis for Conclusions for Revised APES 205

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