

3 August 2022

Mr Channa Wijesinghe
Chief Executive Officer
Accounting Professional & Ethical Standards Board Ltd
Level 11
99 William Street
Melbourne VIC 3000

Via email: sub@apesb.org.au
channa.wijesinghe@apesb.org.au

Dear Channa

APESB ED 03/22 Proposed Standard: APES 205 Conformity with Accounting Standards

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

CPA Australia and CA ANZ support a revision of APES 205 *Conformity with Accounting Standards*, in light of the recent financial reporting framework reforms introduced by the Australian Accounting Standards Board (AASB) through:

- *AASB 2019-4 Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements* (AASB 2019-4),
- *AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (AASB 2020-2), and
- *AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities* (AASB 2022-4).

As communicated to the AASB during the development of these reforms, it remains essential that the costs of any additional reforms to the requirements imposed on members involved in the preparation of special purpose financial statements (SPFS) do not outweigh the benefits.

Therefore, we support the APESB's decision not to align the general disclosure requirements for SPFS within APES 205 to those being applied to some SPFS by the AASB's amending standards AASB 2019-4 and AASB 2022-4. These additional disclosure requirements introduced by the AASB are a proportionate response to the information needs of users who have sought "compliance with Australian Accounting Standards" as part of their reporting needs and should not be imposed on all others who prepare SPFS.

Nevertheless, we do consider that there are some minor necessary amendments to APES 205 that will ensure all members involved in the production of SPFS clearly understand what minimum disclosures should apply to these SPFS and what those requirements entail going forward. Our suggestions in this regard are explained in our responses to the request for specific comments in the ED in the **Attachment** to this letter.

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

Dr 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**

Attachment

Request for Specific Comment 1

Do you agree with the APESB's approach to not amend subparagraphs 6.1(b) and (c) of APES 205 to align to the terminology in the AASB's SPFS disclosure requirements? Please provide reasons and justification for your response.

We support the APESB's decision not to amend subparagraph 6.1(b) and 6.1(c) to align with the new disclosure requirements contained in AASB 2019-4 and AASB 2022-4. These disclosures introduced by the AASB have been developed to address identified user needs around understanding the content of financial statements which claim, "compliance with Australian Accounting Standards". They are therefore not appropriate for application, on a cost benefit basis, to all other SPFS where there is no user expectation or statement of "compliance with Australian Accounting Standards".

However, it is also important to acknowledge that some SPFS in both the for-profit and not-for-profit sectors now have disclosure requirements that go beyond the general disclosure requirements contained in paragraph 6.1 of APES 205. These expanded disclosure requirements are contained in AASB 1054 *Australian Additional Disclosures* (by way of the amendments made by AASB 2019-4 and AASB 2022-4). Rather than detailing the complicated scope paragraphs of AASB 1054, we believe it would be more helpful if paragraph 6.2 simply referred to the requirements contained in AASB 1054 and made it clear that, if these requirements are complied with, then compliance with paragraph 6.1 is not required.

This approach also has the advantage of allowing the AASB to amend the scope of AASB 1054 in the future without requiring further revision to APES 205.

A draft revised paragraph 6.2 is set out below.

6.2 Some Special Purpose Financial Statements prepared under reporting requirements that specify compliance with Australian Accounting Standards are now required by AASB 1054 Australian Additional Disclosures (give footnote reference to paragraph 9A of AASB 1054 for a not-for-profit entity and paragraph 9C of AASB 1054 for a for-profit entity) to include specific additional disclosures. Members who are involved in, or are responsible for, the preparation, presentation, audit, review or compilation of an entity's Special Purpose Financial Statements in these circumstances shall take all reasonable steps to ensure that the disclosures required by AASB 1054 are made in such Special Purpose Financial Statements, rather than the disclosure requirements specified in paragraph 6.1 of APES 205.

Request for Specific Comment 2

Do you agree with the APESB's approach to not amend subparagraphs 6.1(c) of APES 205 to align to the terminology in AASB 2021-2 and AASB 2021-6? Please provide reasons and justification for your response.

No. We recommend that the APESB use consistent terminology with that of Australian Accounting Standards (AAS) where relevant. The term "significant accounting policies" has been removed from AAS and replaced with the term "material accounting policies" from 1 January 2023. There is international consensus that the latter term is more readily understood by preparers, auditors and users and results in the provision of more meaningful information. Therefore, we suggest using the term "material accounting policies" in subparagraph 6.1(c).

Request for Specific Comment 3

Do you believe there are other entity types than those listed in proposed paragraph 6.2 of APES 205 that should be scoped-out of the SPFS disclosure requirements in APES 205? Please provide reasons and justification for your response.

We believe that it is important that all entities preparing SPFS are required to provide information about the nature of those SPFS as set out in paragraph 6.1. We also acknowledge that, in determining the scope of the additional disclosures required by AASB 1054 for some SPFS, the AASB has carefully sought to balance preparer cost with user need. Therefore, we do not support any alteration to that scope within APES 205 at this time.

However, we note that the AASB is currently undertaking framework reform for the not-for-profit sector and this, and the completion of a post-implementation-review of the AASB's for-profit reforms, may necessitate a reconsideration of the requirements of paragraphs 6.1 and 6.2 when these projects are concluded.