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Dear Channa

### **APES205 Conformity with Accounting Standards - Exposure Draft 03/22**

I am pleased to make this submission on APES205 Conformity with Accounting Standards - Exposure Draft 03/22.

I have extensive experience in accounting advice on Australian and International Financial Reporting Standards across a wide range of clients, industries and issues in the for-profit, not-for-profit, private and public sectors.

My clients have included listed companies, unlisted and private companies, charitable and not-for-profit organisations, federal, state and local government departments and agencies in the public sector, and government owned corporations (government business enterprises). I also have some commercial, standard setting and academic experience.

#### ***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.***

#### ***Special purpose financial statement terminology***

I agree with retaining the special purpose financial statements terminology, rather than changing to something along the lines of user-defined financial statements (something I have seen references to given the 'removal' of special purpose financial statements.)

#### ***Failure of intended approach***

I believe that the apparent intention of the proposals will fail. The apparent intention "to avoid unnecessary duplication" appears to be that if accounting standards are followed, then "Path A" (paragraph 6.2) is followed, and if not "Path B" (paragraph 6.1) is followed – with no entity required to follow both "Path A" and "Path B".

Entities following accounting standards, and in particular disclosures similar to (but possibly different to) paragraphs 6.1(b) and 6.1(c) include public sector entities preparing special purpose financial statements for audit purposes, for example:

- Corporations Act registered entities (controlled entities) not required to prepare financial statements under the Corporations Act (i.e. small proprietary companies or small companies limited by guarantee), but prepares special purpose financial statements that are audited under an auditor-general act
- ACNC registered entities (controlled entities) not required to prepare financial statements under the ACNC Act (i.e. small registered entity), but prepares special purpose financial statements that are audited under an auditor-general act
- Trusts (that are not registered under either the Corporations Act or ACNC Act) (controlled entities) that prepare special purpose financial statements under their trust deed.

While special purpose financial statements, such entities listed above will likely comply with the relevant requirements of AASB 108 for disclosure of accounting policies. If audited, the auditor's report will include an emphasis of mater paragraph describing "the purpose for which the financial report is prepared".

APES 205 should be drafted such that compliance with AASB 101 paragraph 117 (as modified by AASB 2019-1) or AASB 1060 paragraph 95 (as modified by AASB 2019-6) is sufficient to comply with APES 205 paragraph 6.1(c).

A similar exemption should be given for APES 205 paragraph 6.1(b).

*Wording introduced by the AASB SPFS Disclosure Requirements (AASB 2019-4 and AASB 2022-4).*

I agree with not amending APES 205 paragraphs 6.1(b) and 6.1(c) to the new requirements.

I believe that my suggestion above, that compliance with AASB 101 (as amended) and AASB 1060 (as amended) means compliance with paragraph 6.1(c) should be sufficient – with a similar amendment for paragraph 6.1(b).

While there has been criticism of how SPFRs are prepared, particularly for financial statements prepared under legislation, I agree with the APESB not imposing additional disclosures beyond those the AASB is requiring.

### ***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.***

I agree with not amending APES 205 paragraph 6.1(c) from "significant accounting policies" to "material accounting policies". While a change, given the recent change in accounting standards, has an appeal, I believe there will be unintended consequences.

Technically, the change in accounting standards is from "significant accounting policies" to "material accounting policy information". That is, the change in wording is not to "material accounting policies". This change is expected to change reporting practices. Given the intention of the APESB is not to change existing practice for entities not required to change under the accounting standards, I agree that the existing APES 205 terminology should be retained.

I believe that my suggestion above, that compliance with AASB 101 (as amended) and AASB 1060 (as amended) means compliance with paragraph 6.1(c) should be sufficient.

**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.**

As I included under Specific Comment 1, there will be various public sector entities complying with accounting standards that provide equivalent disclosures to paragraphs 6.1(b) and 6.1(c).

That was not a complete list of entities affected. The AASB Research Report 10 “Legislative And Regulatory Financial Reporting Requirements”, September 2019, 2nd edition includes numerous references to NFP and other entities required to prepare financial statements complying with accounting standards under legislation.

I also believe that private sector for-profit entities will often comply with accounting standards equivalent to (but not the same wording) as those paragraphs for “voluntarily” prepared financial statements (e.g. for banks).

I believe that exemption from APES 205 paragraphs 6.1(b) and 6.1(c) should be based on compliance with the equivalent accounting standard disclosures, and not by the type of entity.

Yours sincerely,

David Hardidge

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