



## Proposed modification (4) to international standard ISA 800

### Proposed modification

Retain inserted Aus A1.1 but update:

Extant:

The *Corporations Act 2001*,<sup>\*</sup> Australian Accounting Standards,<sup>#</sup> other applicable law or regulation, or specific users of the financial report, may determine if a financial report is required to be prepared. Australian Accounting Standards provide the applicable financial reporting framework for determining if the entity is a “reporting entity”<sup>†</sup> or a “non-reporting entity” and consequently if the financial report is required to be general purpose or special purpose. For “reporting entities” preparing a financial report under the *Corporations Act 2001*, the applicable framework is general purpose. For “non-reporting entities” preparing a financial report under the *Corporations Act 2001*, the applicable framework may be general purpose or special purpose.

Replace with:

The *Corporations Act 2001*,<sup>\*</sup> Australian Accounting Standards,<sup>#</sup> other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the *Corporations Act 2001*, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101 *Presentation of Financial Statements* defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 *Australian Additional Disclosures* defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. “Reporting entities” are required to prepare general purpose financial statements. “Non-reporting entities” may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.

### Rationale for the proposed modification

**The international standard is not consistent with Australian regulatory arrangements.**

N/A

OR

**The international standard does not reflect principles and practices that are considered appropriate in Australia.**

The inclusion of the AUS paragraph brings together and clarifies what can be confusing terminology.

### A. Consideration of compelling reason criteria where the international standard is not consistent with Australian regulatory requirements.

#### Compelling reason criteria as per agreed Principles of Convergence

#### Consideration whether the proposed modification meets the criteria

**1. The standard can be modified so as to result in a standard the application of which results in effective and efficient compliance with the legal framework in Australia.**

N/A

\* See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

# See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.

† See, for example, *Glossary of Defined Terms* (June 2009) or Statement of Accounting Concepts 1 *Definition of the Reporting Entity* (August 1990) issued by the AASB.

\* See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

# See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.



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2. The proposed modification does not result in a standard that conflicts with, or results in lesser requirements than the international standard.	N/A.
<b>B. Consideration of compelling reason criteria where the international standard does not reflect principles and practices that are considered appropriate in Australia.</b>	
<u>Compelling reason criteria as per agreed Principles of Convergence</u>	<u>Consideration whether the proposed modification meets the criteria</u>
1. The application of the proposed modification will result in compliance with principles and practices considered appropriate by the AUASB.	Yes
2. The proposed modification results in a standard that is clear and that promotes consistent application by all practitioners. <i>(For example, excluding options not relevant in Australia and New Zealand)</i>	Yes
3. The proposed modification will promote significant improvement in audit quality in Australia (With improvement in audit quality being linked to one or more of the Applicable Elements in the IAASB's Framework for Audit Quality)	Yes – clarity around special purpose accounts
4. The relative benefits of the modification outweigh the cost (with cost being compliance cost and the cost of differing from the international standard, and benefit relating to audit quality).	Yes
5. The proposed modification does not conflict with or result in lesser requirements than the international standard.	No
6. The proposed modification overall does not result in the standard being overly complex and confusing.	No
7. The proposed modification does not inadvertently change the meaning of the international standard wording by placing more onerous requirements on a practitioner in Australia than necessary to meet the intent of the international standard.	No



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**C. Conclusion**

**Compelling reasons test met/not met?**

The compelling reasons test has been met.

**Does the AUASB agree that retaining the proposed “Aus” paragraph modification meet the compelling reason test, and that ASA 800 should consequently retain the “Aus” paragraph?**