

Australian Financial Reporting Framework – AASB Project Plan

May 2015

Project description and objective

The AASB is working to reform the Australian financial reporting framework in terms of who should report and what should be reported. Australia appears to be the only jurisdiction that requires public lodgement of financial statements that are not necessarily general purpose in nature. This arises because the decision about the nature of the financial statements (i.e. general purpose or special purpose) is made by those governing an entity, based on the reporting entity concept. Most jurisdictions use quantitative thresholds to determine which entities should lodge financial statements and the tier of requirements they apply. The threshold levels vary widely, as do the nature of the thresholds.

Australian Accounting Standards provide a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. Tier 1 requirements incorporate International Financial Reporting Standards (IFRSs), including Interpretations. Tier 2 requirements comprise the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements in comparison with Tier 1.

Further reform of the Australian financial reporting framework depends on the involvement of government policymakers and regulators who have the power to identify entities that must report and their reporting requirements. The AASB aims to encourage policymakers and regulators to revisit reporting thresholds to ensure that the benefits of financial reporting requirements exceed the costs. For example, a third tier of reporting requirements may be appropriate for smaller entities required to report, particularly in the not-for-profit sector.

The overall objective of the project is to clarify and simplify the Australian financial reporting framework, so that objective criteria determine which entities would be required to prepare general purpose financial statements and the level of the reporting requirements. The project aims to cover both corporate and non-corporate entities, in conjunction with policymakers and regulators.

Project work plan and timetable

The principal steps and potential timing for progressing the initial phases of the project are as follows. The plan does not specify necessary due process requirements.

Phase 1 – Research Reporting Criteria		
	Project step	Estimated Timing
1	Benchmark reporting requirements and thresholds to other jurisdictions (a) discuss with overseas standard-setters/regulators <ul style="list-style-type: none"> • e.g. Japan, New Zealand (b) comparison report to inform debate <ul style="list-style-type: none"> • alternative thresholds, e.g. revenue, assets, employees, expenses, debt, contributed capital 	April-June 2015

Phase 4 – Non-Corporate Financial Reporting Framework		
	Project step	Estimated Timing
1	Consider research on reporting criteria under Phase 1 and outcomes in Phases 2 and 3 to assess reporting requirements for non-corporate entities (a) remove special purpose financial reporting for some entities? (b) replace special purpose financial reporting for some entities with new, simplified requirements (Tier 3)? <ul style="list-style-type: none"> • for-profit sector • not-for-profit sector (private and public) 	[tbd]
2	Basis for possible Tier 3 requirements (a) potential for relief from some recognition, measurement and presentation requirements in addition to reductions in disclosure requirements (b) AASB involvement as standard-setter <ul style="list-style-type: none"> • standard-by-standard analysis? • adoption of other requirements, e.g. <i>IFRS for SMEs</i> (compare with IFRSs)? 	[tbd]

Question for the Board

Q1 Does the Board support the project plan and have suggestions for its amendment?