

31 March 2023

Dr Keith Kendall  
Chair  
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AUSTRALIA

Via website: [www.aasb.gov.au](http://www.aasb.gov.au)

Dear Keith

**Invitation to Comment 51, Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements**

As the representatives of over 300,000 professional accountants, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia thank you for the opportunity to comment on Invitation to Comment (ITC) 51 (“the ITC”). We make this submission on behalf of our members and in the public interest.

We appreciate and welcome the AASB’s efforts to conduct a thorough post-implementation review (PIR) of not-for-profit (NFP) topics raised in the ITC. We have consulted extensively with our members and stakeholder groups to develop our views which are set out below.

**Control, structured entities, and basis of preparation of special purpose financial statements**

Despite some of the implementation concerns outlined in the ITC, feedback we have received indicates that there is not a need for any further standard-setting activities to address these concerns.

Feedback we have received is that Appendix E *Australian implementation guidance for Australian not-for-profit entities* to AASB 10 *Consolidated Financial Statements* is useful in dealing with control issues in the NFP sector. However, there is also a recognition that the issues discussed in the ITC concerning control and structured entities may not have been fully explored by many NFP entities because preparers continue to have the option to prepare special purpose financial statements (SPFS) where they have assessed themselves to not be a reporting entity as set out in Statement of Accounting Concepts 1 *Definition of the Reporting Entity* (SAC 1). This choice allows them to not produce consolidated financial statements where they have identified that users do not need them, meaning that the adequacy of the existing guidance for different circumstances is not well tested.

Similarly, the disclosures in relation to compliance with accounting standards required to be included in SPFS by paragraph 9A of AASB 1054 *Australian Additional Disclosures* allow a “have not assessed” disclosure option for both consolidation and accounting policies more generally. Feedback we have received is that this option is being widely used in the NFP sector, resulting in a lack of evidence around the problems with the disclosures envisaged by paragraph 9A.

For the reasons stated above, we believe that rather than focusing on amendments in response to this PIR, the AASB could better serve the NFP sector by focusing its efforts on the completion and implementation of its Simplified Accounting Requirements (Tier 3 Standard for Not-for-Profit Private Sector Entities) project.

This recommendation to prioritise the Tier 3 Standard for NFP Entities—coupled with the progress on international NFP-related reporting activities noted below, along with a subsequent review of AASB 1058 *Income of Not-for-profit Entities* as recommended in our submission on ITC 50 Post-implementation Review – Income of Not-for-Profit Entities, will provide a firmer basis on which to address the issues raised in the ITC:

- the International Public Sector Accounting Standards Board (IPSASB) revenue recognition project
- the International Financial Reporting for Non-Profit Organisations (IFR4NPO) project to develop NFP-specific financial reporting guidance

### Related party disclosures

Feedback we have received is that implementation complexity being encountered by NFP public sector entities in relation to related party disclosures is largely a direct result of the nature of the related party relationships in this sector, rather than it being related to deficiencies in the standard's requirements. We therefore do not believe there is a need for further standard-setting activity in this regard.

If you have any questions about our submission, please contact either Amir Ghandar (CA ANZ) at [amir.ghandar@charteredaccountantsanz.com](mailto:amir.ghandar@charteredaccountantsanz.com) or Ram Subramanian (CPA Australia) at [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely

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