

AGENDA PAPER

Item Number: 15(a)
Date of Meeting: 14 June 2018
Subject: Annual review of APES 205 *Conformity with Accounting Standards* (APES 205)

Action required For discussion For noting For information

Purpose

In accordance with APESB's constitution, an annual review of APES 205 has been performed to identify and resolve any issues identified by stakeholders.

Background

APESB issued APES 205 in December 2007 and the revised the standard in October 2015 which was effective from 1 January 2016.

Consideration of Issues

Technical Staff have completed the following procedures to identify any issues associated with APES 205:

- Consulted with the Professional Bodies to identify whether Members or other stakeholders have raised any issues in respect of APES 205;
- Reviewed the APESB Issues Register for any reported matters for APES 205;
- Performed an internal technical review of APES 205 including considering the technological neutrality of the Standard; and
- Considered the results of the Quality Reviews conducted by the Professional Bodies in respect of APES 205.

The issues identified through completion of the above procedures are set out below.

Conceptual Framework for Financial Reporting

APESB will need to consider the potential impact on APES 205 of a current AASB project on the conceptual framework for financial reporting. The AASB project is focused on introducing a conceptual framework for financial reporting which aligns with the framework in the International Financial Reporting Standards (IFRSs).

The revised conceptual framework will describe the objective and concepts for general purpose financial reporting under IFRSs and will help preparers develop consistent accounting policies when no standard applies to a transaction or event, or when a standard allows a choice of accounting policy.

The revised framework will be implemented in two phases - short-term and medium-term – and will require amendments to extant Australian specific content on the reporting entity concept and the use of special purpose financial statements.

In the short-term, the AASB will focus on establishing the reporting conceptual framework for a specific subset of preparers of general purpose financial statements (i.e. publicly accountable for-profit entities and other entities who voluntarily comply with IFRS). The revised framework for these entities is expected to be issued in late 2018 and will be effective from 1 January 2020.

In the medium-term, the AASB will establish how the reporting conceptual framework will apply to all other entities required under legislation (or other means) to prepare financial statements that comply with Australian Accounting Standards (AAS).

As part of this phase, it is proposed that a tiered system for general purpose financial statements will be introduced, and the reporting entity concept will be removed (AAS). There will also be a change to the types of entities that can prepare special purpose financial reports. For example, entities such as large propriety companies will need to prepare a form of general purpose financial reports. The amendments from the medium-term phase are expected to become effective in 2021.

Both phases of the AASB project are expected to impact APES 205, which establishes obligations for Members based on the current Australian Financial Reporting Framework and reporting entity concept. APES 205 also refers to obligations when preparing either General Purpose Financial Statements or Special Purpose Financial Statements.

Technical Staff will continue to monitor the progress of this AASB project and any potential impacts to APES 205. It is likely that the planned revision for APES 205 as part of the Restructured Code project will need to be delayed to occur later than planned in order to consider the outcomes of the AASB project.

This matter is recorded on the APESB Issues Register with reference to AASB's long standing project on differential reporting project. However, Technical Staff propose to update the wording to reflect recent international and AASB developments and to clarify the expected impacts to APES 205.

Statements of Accounting Concepts

[This issue is carried forward from the prior year.]

A Professional Body noted that APES 205 contains references to *Statements of Accounting Concepts* (in Section 2 *Definitions* and paragraph 4.1) and to the withdrawn SAC 2 *Objective of General Purpose Financial Reporting* (SAC 2).

Technical Staff are of the view that the term *Statements of Accounting Concepts* in paragraph 4.1 and the *Definitions* section should not be changed as the AASB continue to refer to *Statements of Accounting Concepts* in plural form. However, the definition of *Statements of Accounting Concepts* could be revised to remove the reference to SAC 2.

This proposed change is not substantive and will not impact the way the Standard is applied. It is recommended that this matter be recorded on the APESB Issues Register and considered in the next revision of APES 205.

Former Auditing and Assurance Standards Board

[This issue is carried forward from the prior year.]

Some of the definitions in APES 205 include references to the former Auditing and Assurance Standards Board of the Australian Accounting Research Foundation (AuASB) and the auditing standards and guidance statements they issued, which have all been withdrawn or reissued by the AUASB.

Therefore, Technical Staff propose the following changes to APES 205:

- remove the definition of the term *AuASB*; and
- remove reference to auditing standards issued by the AuASB in the definition of the term *Auditing and Assurance Standards*.

These revisions to the Definitions section are not expected to affect any other section in APES 205. It is recommended that these changes be processed at the next revision of APES 205.

This matter is currently recorded on the APESB Issues Register.

Staff Recommendation

Technical Staff recommend that:

- the APESB Issues Register is updated to include a matter relating to the withdrawal of SAC 2 and to revise the current matter that refers to the AASB's differential reporting project; and
- changes to definitions to reflect changes to the Statement of Accounting Concepts and the former Auditing and Assurance Standards Board be considered in the next revision of APES 205.

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Date: 23 May 2018