



# **Annual Review of APES 205 *Conformity with Accounting Standards* issued in December 2007**

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## **1. Executive Summary**

### **1.1 Background**

The Accounting Professional and Ethical Standards Board (APESB) issued APES 205 *Conformity with Accounting Standards* in December 2007 with an effective date of 1 July 2008. APES 205 replaced APS 1 *Conformity with Accounting Standards and UIG Consensus Views*.

### **1.2. Reason for this report**

In accordance with APESB's constitution, a review needs to be performed on an annual basis after a new standard is effective. This report presents a review of the issues reported to the APESB and a proposed course of action to address the issues identified.

### **1.3. Issue identified**

The concerns raised by stakeholders are summarised below.

#### *Issues carried forward from 2010 annual review*

In 2010 the Australian Accounting Standards Board (AASB) approved a differential reporting regime in Australia.

#### *New issues identified*

No further issues have been identified by stakeholders in relation to APES 205 that would require amendments to the standard.

### **1.4. Summary of Recommendations**

#### *Issues previously identified*

The Board note the annual review and the ongoing work related to the update of APES 205.

#### *New issues identified*

No further issues have been identified by stakeholders in relation to APES 205 that would require amendments to the standard.

## **2 Review of Issues Previously Identified**

### **2.1 *The Australian Accounting Standards Board (AASB) approved a differential reporting regime in Australia.***

#### *Issue*

The AASB approved a differential reporting regime to take effect in Australia from 1 July 2013. Under the differential reporting regime the basis for preparation of disclosures included in general purpose financial statements will be the two tiers introduced by AASB 1053. Under the existing regime all Reporting Entities are required to prepare general purpose financial statements with full note disclosures. Under the differential reporting regime entities that satisfy the tier 2 requirements will still be required to prepare general purpose financial reports however with significantly reduced disclosures. Tier 1 entities will be required to prepare general purpose financial statements with full disclosures under Australian accounting standards.

#### *Analysis of the issue*

APES 205 imposes obligations on members in respect of the Reporting Entity concept. APES 205 specifies that a member has a mandatory obligation to take all reasonable steps to prepare a general purpose financial report in respect of a Reporting Entity. With the introduction of AASB 1053 *Application of Tiers of Australian Accounting Standards* members need to consider whether the entity is a tier 1 or tier 2 entity and on the basis of this determination, apply either full disclosure requirements under accounting standards (tier 1) or reduced disclosure requirements (tier 2).

#### *Impacted Stakeholders*

Members of the professional accounting bodies that are involved in the preparation, audit, review or compilation of financial statements.

#### *Recommendation/Status*

It was recommended that APESB commence a project to update APES 205 to ensure alignment with the requirements of AASB 1053. APESB commenced this project in 2011 and will present a proposed revised standard for review at a 2012 meeting of the Board.