

GAAP Consulting

New Reduced Disclosure Regime But Much More – Be Prepared!

Colin Parker FCA, Independent Expert in Financial Reporting and Auditing Standards



Fundamental Changes to Differential Reporting Landscape Imminent

Part 1 of the 'Reduced Disclosure Regime' (RDR) has been released by the AASB. The rules governing financial reporting have fundamentally changed. The reporting entity as a differential reporting concept is dead. The focus is now on General Purpose Financial Statements: full AASB application (Tier 1) or the new RDR (Tier 2), based on the new concept of a publicly accountable entity. Some entities will become publicly accountable for the first time, while many 'reporting entities' will opt for the RDR to lessen their financial reporting disclosures in the annual report.

AASB 1053 'Application of Different Tiers of Australian Accounting Standards' sets out the application of Australian Accounting Standards to different categories of entities preparing general purpose financial statements. AASB 2010-4 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' makes amendments to 28 Australian Accounting Standards and 10 Interpretations for the RDR. The new and amending accounting standards stem from ED 192 'Revised Differential Reporting Framework'.

There are also related developments that need to be understood, including:

- > New threshold tests for companies limited by guarantee which are operative for 30 June 2010
- > 'Public interest' test in the compilation engagement standard
- > Role of 'IFRS for SMEs' in the Australian context, and
- > Use of the phrase 'in accordance with accounting standards' in agreements.

“The most important change to the differential reporting regime since the introduction of the reporting entity concept in 1992”

Colin Parker FCA, Principal GAAP Consulting and a member of the AASB 2006-9.

10 Actions Items

Does your 'Differential Reporting' action item list look like this?

1. Understand the key concepts of new differential reporting now
2. Identify which entities have additional, unchanged, or reduced reporting obligations
3. Discuss implications with key stakeholders
4. Consider early adoption of Reduced Disclosure Regime for 30 June 2010
5. Train staff
6. Ensure that systems can produce the required financial information
7. Revise financial reporting template and compliance statements for Tier 1 or Tier 2
8. Consider quality control processes for template and system changes
9. Prepare for the transition on 1 July 2012
10. Seek independent advice

Do you have the time, resources and skills to achieve all of the above? Do you want to reinvent the wheel? If not, then let GAAP Consulting help.

Our team of experts offers you:

- a 200+ page implementation guide with checklists
- training, and
- implementation assistance.

The New Differential Reporting Regime – Key Changes

The new differential reporting regime being introduced by the AASB involves:

- > The introduction of a new concept 'Publicly Accountable Entity' which is far narrower than the reporting entity
- > A focus on general purpose financial statements rather than the reporting entity
- > Two types of general purpose financial statements (full AASB application or Reduced Disclosure Regime)
- > A new Reduced Disclosure Regime requires that application of all recognition and measurement rules of the AASB Standards to those entities that are not publicly accountable but prepare general purpose financial statements and substantially reduced disclosures
- > General purpose financial reporting when lodging financial statements on the public record e.g., public companies and large proprietary companies
- > Early adoption considerations of the Reduced Disclosure Regime Standard
- > Understanding the interrelationship with the Corporations Act requirements, in particular companies limited by guarantee, grandfathered companies, wholly-owned subsidiaries, entities lodging financial statements on the public record, and
- > Understanding the impacts for other reporting mandates, such as Associations, Superannuation Funds (including SMSF), Cooperatives, and Public and Not-for-profit entities.

“Every accountant involved in financial reporting and those charged with governance will need to know about the new reporting rules now”

David Sauer FCA, Associate, GAAP Consulting Network.

GAAP Services and Products for New Differential Reporting Regime

The *GAAP Consulting* team understands these landscape changes and is ready to assist with the transition to the new reporting regime through the following services and products:

Briefing and Training

- > High level briefings on the reporting regime changes
- > In-depth in house tailored training on the Reduced Disclosure Regime Standards
- > Refresher courses on the recognition and measurement rules of specific accounting standards

Entity Specific Engagements

- > Diagnostic reviews of individual entity financial statements for the impact of the changes
- > Compliance review of financial statements with the new regime

Public Practitioner Specific

- > Client seminars
- > Assistance with application of public accountable concept in individual entity circumstances
- > Preparing clients for the transition to new reporting regime
- > Revision to internal policies and procedures regarding client financial reporting
- > Quality assurance reviews of financial reporting templates and individual financial statements, and

Publication

- > *Reduced Disclosure Regime: A Practical Guide to Implementation* includes disclosure checklists and application flowcharts.

“My colleagues and I have developed a suite of services and products specifically designed to address the new reporting regime. Our publication ‘*Reduced Disclosure Regime: A Practical Guide to Implementation*’ will be of particular assistance to all those involved financial reporting supply chain”

Carmen Ridley CA, Associate, *GAAP Consulting* Network.

About the GAAP Consulting Financial Reporting Team

GAAP Consulting uses the services of a network of independent colleagues to assist with engagements; all of whom are partner-equivalents. They include:

Colin Parker – Principal, *GAAP Consulting*, is currently providing consulting and training services to listed entities, companies, not-for-profit and public sector entities, and accounting firm on the revised differential reporting regime

David Sauer – an expert in financial reporting and auditing standards and a registered company auditor who was previously a senior manager (technical) with Moore Stephens

Jim Dixon – an expert in accounting standards who was previously Assistant Auditor-General with the Victorian Auditors-General’s Office, and senior policy adviser with the National Australia Bank, and has held senior positions with CPA Australia and Pitcher Partners

Stephen LaGreca – an expert in accounting and auditing standards who was previously Chairman of the Accounting and Audit Committee of BDO, the Australian representative to its international technical committee, and an audit partner

Susan Orchard – specialises in providing superannuation services to accountants, financial planners and fund trustees. The services offered include audit, compliance, consulting and training, and

Carmen Ridley – an expert in financial reporting who was previously Associate Director in the Technical Team at Grant Thornton and is author of ‘*Reduced Disclosure Regime: A Practical Guide to Implementation*’.



Contact Us

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