

CPA Australia Ltd
ABN 64 008 392 452
Level 20, 28 Freshwater Place
Southbank VIC 3006 Australia
GPO Box 2820 Melbourne
VIC 3001 Australia
T 1300 737 373
Outside Aust +613 9606 9677
cpaaustralia.com.au

3 August 2020

Anthony Heffernan
Director – Accounting Standards
New Zealand Accounting Standards Board
PO Box 11250, Manners St Central
Wellington 6142
NEW ZEALAND

Via website: www.xrb.govt.nz

Dear Anthony,

NZASB Exposure Draft 2020-2 – Going Concern Disclosures (Proposed Amendments to FRS-44)
NZASB Exposure Draft 2020-3 – Going Concern Disclosures (Proposed Amendments to PBE IPSAS 1)

CPA Australia represents the diverse interests of more than 166,000 members working in over 100 countries and regions around the world. We make this submission to the New Zealand Accounting Standards Board (NZASB) on behalf of our members and in the broader public interest.

CPA Australia supports the proposed requirements in the two Exposure Drafts (EDs) even though they largely reiterate the disclosure requirements that are currently set out in NZ IAS 1 *Presentation of Financial Statements* (applicable to the for-profit sector) and PBE IPSAS 1 *Presentation of Financial Reports* (applicable to Public Benefit Entities (PBE)).

In our view the current requirements in the New Zealand Accounting Standards applicable to the for-profit sector and PBE sector adequately address the going concern disclosures that are contemplated in the two EDs. As stated in ED 2020-2, the IFRS Interpretations Committee has previously considered the need for going concern disclosures and has decided that the current requirements in IAS 1 (NZ IAS 1) are adequate.

It is also notable that at its June 2020 meeting the Australian Accounting Standards Board (AASB) considered the NZASB's standard-setting proposals and decided not to proceed with a corresponding project for the reasons set out in the [Action Alert](#) arising from that meeting. In coming to its conclusion to not proceed with a standard-setting initiative, the AASB noted that relevant going concern disclosures had already been addressed through its joint guidance with the Australian Auditing Standards Board, *The Impact of COVID-19 on Going Concern and Related Assessments*. We believe the contrasting approaches taken by the AASB (through guidance) and the NZASB (through proposed additional disclosure requirements) should provide similar outcomes.

CPA Australia agrees with the AASB's views expressed in its Action Alert that any improvements to going concern assessments and disclosures should be undertaken by the International Accounting Standards Board (IASB). In particular, we note there are no current requirements that specify the basis of accounting to a set of financial statements when the going concern basis does not apply. CPA Australia also agrees with the AASB's Action Alert that the IASB should undertake a fundamental review of the requirements related to going concern assessments, disclosures and the basis of accounting where the going concern assumption is no longer appropriate.

Although we believe the current requirements in the New Zealand Accounting Standards applicable to the for-profit and PBE sectors already address the additional disclosures proposed in the two EDs, we see no harm in reiterating these requirements as proposed.

We have provided responses to the specific questions raised in the **Attachment** to this letter. If you require further information on the views expressed above, please contact Ram Subramanian on +61 3 9606 9755 or ram.subramanian@cpaaustralia.com.au.

Your sincerely



Dr. Gary Pflugrath
Executive General Manager, Policy and Advocacy

Attachment

NZASB Exposure Draft 2020-2 – Questions 1-6

As stated in our above cover letter, we support the proposed disclosures that reiterate the existing requirements in the New Zealand Accounting Standards.

We note from paragraph 4 of both EDs, the NZASB's focus on aligning the requirements in accounting standards with the requirements in auditing standards. In principle, we do not believe financial reporting requirements should be influenced by requirements in auditing standards, and accordingly our preference (as stated in the cover letter) that any improvements in going concern disclosures should be addressed by the IASB. However, as these proposals are simply reiterating existing disclosure requirements in New Zealand Accounting Standards, we recommend using the same terminology in paragraph 19(b) of ISA (NZ) 570 *Going Concern* for the disclosure proposed in paragraph 12A.1(d) of ED 2020-2 and paragraph 41.1(d) of ED 2020-3 as follows:

“that as a result of material uncertainties related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business”.

NZASB Exposure Draft 2020-3 – Questions 1-6

As stated above and in our cover letter, we support the proposed disclosures that reiterate the existing requirements in the New Zealand Accounting Standards.

We note some inconsistencies in references to the group of individuals responsible for making the going concern assessments and disclosures, in paragraphs 41.1 and 41.2. Paragraph 41.1(c) refers to “those responsible for governance” whilst paragraph 41.2 refers to “management (clarified as the person/committee responsible for the financial report)”. We suggest ensuring consistent terminology and recommend using the term “those responsible for governance” throughout.