

Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information

[AASB 17]



Australian Government

**Australian Accounting
Standards Board**

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ACCOUNTING STANDARD

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AVAILABLE ON THE AASB WEBSITE

IASB Basis for Conclusions – Amendments

Australian Accounting Standard AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information* is set out on pages 5 – 7. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2022-1

This Standard makes amendments to AASB 17 *Insurance Contracts* (July 2017).

These amendments arise from the issuance of International Financial Reporting Standard *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (Amendment to IFRS 17) by the International Accounting Standards Board (IASB) in December 2021.

Main features of this Standard

Main requirements

This Standard amends AASB 17 to add a transition option referred to as ‘a classification overlay’ relating to comparative information about financial assets presented on initial application of AASB 17 and AASB 9 *Financial Instruments* at the same time. The amendments relate to financial assets for which comparative information presented on initial application of AASB 17 and AASB 9 has not been restated for AASB 9. Applying the transition option would permit an entity to present comparative information about such a financial asset as if the classification and measurement requirements of AASB 9 had been applied to that financial asset. This enables insurers to reduce potentially significant accounting mismatches between financial assets and insurance contract liabilities in the comparative period (or periods), to improve the usefulness of the comparative information in the general purpose financial statements.

Application date

This Standard applies to annual periods beginning on or after 1 January 2023. Earlier application is permitted.

Accounting Standard AASB 2022-1

The Australian Accounting Standards Board makes Accounting Standard AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information* under section 334 of the *Corporations Act 2001*.

Dated 18 March 2022

Keith Kendall
Chair – AASB

Accounting Standard AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information*

Objective

This Standard amends AASB 17 *Insurance Contracts* (July 2017) as a consequence of the issuance of International Financial Reporting Standard *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (Amendment to IFRS 17) by the International Accounting Standards Board in December 2021.

Application

The amendments set out in this Standard apply to entities and financial statements in accordance with the application of AASB 17 set out in AASB 1057 *Application of Australian Accounting Standards*.

This Standard applies to annual periods beginning on or after 1 January 2023. This Standard may be applied to annual reporting periods beginning before 1 January 2023.

Ellipses (...) are used in this Standard to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to AASB 17 *Insurance Contracts*

Paragraphs C2A, C28A–C28E and C33A and the heading before paragraph C28A are added. For ease of reading these paragraphs have not been underlined as new text. Paragraph C29 is not amended, but is included for reference.

Appendix C Effective date and transition

...

Effective date

...

C2A AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information*, issued in March 2022, added paragraphs C28A–C28E and C33A. An entity that chooses to apply paragraphs C28A–C28E and C33A shall apply them on initial application of AASB 17.

Transition

...

Comparative information

...

Entities that first apply AASB 17 and AASB 9 at the same time

- C28A An entity that first applies AASB 17 and AASB 9 at the same time is permitted to apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information about a financial asset if the comparative information for that financial asset has not been restated for AASB 9. Comparative information for a financial asset will not be restated for AASB 9 if either the entity chooses not to restate prior periods (see paragraph 7.2.15 of AASB 9), or the entity restates prior periods but the financial asset has been derecognised during those prior periods (see paragraph 7.2.1 of AASB 9).
- C28B An entity applying the classification overlay to a financial asset shall present comparative information as if the classification and measurement requirements of AASB 9 had been applied to that financial asset. The entity shall use reasonable and supportable information available at the transition date (see paragraph C2(b)) to determine how the entity expects the financial asset would be classified and measured on initial application of AASB 9 (for example, an entity might use preliminary assessments performed to prepare for the initial application of AASB 9).
- C28C In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements in Section 5.5 of AASB 9. If, based on the classification determined applying paragraph C28B, the financial asset would be subject to the impairment requirements in Section 5.5 of AASB 9 but the entity does not apply those requirements in applying the classification overlay, the entity shall continue to present any amount recognised in respect of impairment in the prior period in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. Otherwise, any such amounts shall be reversed.
- C28D Any difference between the previous carrying amount of a financial asset and the carrying amount at the transition date that results from applying paragraphs C28B–C28C shall be recognised in opening retained earnings (or other component of equity, as appropriate) at the transition date.
- C28E An entity that applies paragraphs C28B–C28D shall:
- (a) disclose qualitative information that enables users of financial statements to understand:
 - (i) the extent to which the classification overlay has been applied (for example, whether it has been applied to all financial assets derecognised in the comparative period);
 - (ii) whether and to what extent the impairment requirements in Section 5.5 of AASB 9 have been applied (see paragraph C28C);
 - (b) only apply those paragraphs to comparative information for reporting periods between the transition date to AASB 17 and the date of initial application of AASB 17 (see paragraphs C2 and C25); and
 - (c) at the date of initial application of AASB 9, apply the transition requirements in AASB 9 (see Section 7.2 of AASB 9).

Redesignation of financial assets

- C29 At the date of initial application of AASB 17, an entity that had applied AASB 9 to annual reporting periods before the initial application of AASB 17:
- (a) may reassess whether an eligible financial asset meets the condition in paragraph 4.1.2(a) or paragraph 4.1.2A(a) of AASB 9. A financial asset is eligible only if the financial asset is not held in respect of an activity that is unconnected with contracts within the scope of AASB 17. Examples of financial assets that would not be eligible for reassessment are financial assets held in respect of banking activities or financial assets held in funds relating to investment contracts that are outside the scope of AASB 17.
 - (b) shall revoke its previous designation of a financial asset as measured at fair value through profit or loss if the condition in paragraph 4.1.5 of AASB 9 is no longer met because of the application of AASB 17.
 - (c) may designate a financial asset as measured at fair value through profit or loss if the condition in paragraph 4.1.5 of AASB 9 is met.
 - (d) may designate an investment in an equity instrument as at fair value through other comprehensive income applying paragraph 5.7.5 of AASB 9.

- (e) may revoke its previous designation of an investment in an equity instrument as at fair value through other comprehensive income applying paragraph 5.7.5 of AASB 9.

...

C33A For a financial asset derecognised between the transition date and date of initial application of AASB 17, an entity may apply paragraphs C28B–C28E (classification overlay) for the purpose of presenting comparative information as if paragraph C29 had been applied to that asset. Such an entity shall adapt the requirements of paragraphs C28B–C28E so that the classification overlay is based on how the entity expects the financial asset would be designated applying paragraph C29 at the date of initial application of AASB 17.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 31 December 2022.