

AASB Standard

AASB 2021-X
December 2021

Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards

[AASB 1049, AASB 1054 and AASB 1060]



Australian Government

**Australian Accounting
Standards Board**

Obtaining a copy of this Accounting Standard

This Standard is available on the AASB website: www.aasb.gov.au.

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ACCOUNTING STANDARD

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BASIS FOR CONCLUSIONS

Australian Accounting Standard AASB 2021-X *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* is set out in paragraphs 1 – 8. All the paragraphs have equal authority.

Preface

Standards amended by AASB 2021-X

This Standard makes amendments to AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007), AASB 1054 *Australian Additional Disclosures* (May 2011) and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020).

Main features of this Standard

Main requirements

AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* amended AASB 101 *Presentation of Financial Statements* and three other Standards to address disclosure of material accounting policy information rather than significant accounting policies. These amendments were designed to help entities provide accounting policy disclosures that are more useful to the users of their financial statements.

Consistent with the amendments made by AASB 2021-2, this Standard amends:

- (a) AASB 1049, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- (b) AASB 1054, to reflect the updated terminology used in AASB 101; and
- (c) AASB 1060, to require entities to disclose their material accounting policy information rather than their significant accounting policies and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.

Application date

This Standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted.

Accounting Standard AASB 2021-X

The Australian Accounting Standards Board makes Accounting Standard AASB 2021-X *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards* under section 334 of the *Corporations Act 2001*.

Dated XX December 2021

Keith Kendall
Chair – AASB

Accounting Standard AASB 2021-X *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*

Objective

1 This Standard amends:

- (a) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007);
- (b) AASB 1054 *Australian Additional Disclosures* (May 2011); and
- (c) AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020);

to require entities to disclose their material accounting policy information rather than their significant accounting policies and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements. These amendments reflect the issuance of AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* (March 2021).

Application

- 2 The amendments set out in this Standard apply to entities and financial statements in accordance with the application of the other Standards set out in AASB 1057 *Application of Australian Accounting Standards*.
- 3 This Standard applies to annual periods beginning on or after 1 January 2023. This Standard may be applied to annual periods beginning before 1 January 2023.
- 4 This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined.

Amendments to AASB 1049

- 5 Paragraphs 39 and 40 and the heading above paragraph 39 are amended. The introduction to the Illustrative Examples accompanying AASB 1049 and Illustrative example C are also amended. Deleted text is struck through and new text is underlined.

Notes

Summary of material significant accounting policy information policies

Commented [KC1]: Note to Board members 1:

Red text indicates a suggested change from ED 312 in response to stakeholder feedback.

See paragraph 14 of Agenda Paper 16.1.

39 In addition to the disclosures required by other Australian Accounting Standards in the notes containing ~~material the summary of significant accounting policy information policies~~, the following disclosures shall be made prominently in ~~the that~~ notes:

...

40 An example of the information to be included in the ~~material summary of significant accounting policy information policies~~ disclosed for the GGS in accordance with paragraph 39 is provided in Illustrative Example C.

...

Illustrative examples

...

C ~~Extract from the notes containing material the summary of significant accounting policy information policies~~ of a General Government Sector ...

...

Illustrative Examples A and B do not purport to identify all possible differences between GAAP and GFS, nor to present in the financial statements all the line items as might be required by a different set of assumptions. Additionally, they do not illustrate the disclosure of comparative period information or the notes required by paragraphs 39,¹ 41 (except the relevant reconciliation notes),² 52(a) and the explanation of differences required by 52(b)(ii)(B). They also do not illustrate all the disclosures required by other Australian Accounting Standards, such as the disclosure of budgetary information required by AASB 1055 *Budgetary Reporting*.

¹ Illustrative Example C provides an example of the information to be included in the ~~summary of material significant accounting policy information policies~~ of the GGS in accordance with paragraph 39(b).

...

Illustrative example C

~~Extract from the notes containing material the summary of significant accounting policy information policies~~ of a General Government Sector

...

Amendments to AASB 1054

6 Paragraph 9B is amended. In the implementation guidance and illustrative examples accompanying AASB 1054, paragraphs IG1 and IG5 and the heading above paragraph IG5 are also amended. Deleted text is struck through and new text is underlined:

9B *Implementation guidance and illustrative examples for not-for-profit private sector entities* accompanies this Standard. It illustrates the application of the requirements in paragraph 9A and their relationship to the requirements in AASB 101 *Presentation of Financial Statements* for the disclosure of an entity's ~~material significant accounting policy information policies~~.

...

Implementation guidance and illustrative examples for not-for-profit private sector entities

...

IG1 The AASB has prepared this guidance and examples to explain and illustrate the application of the requirements in paragraph 9A of this Standard and their relationship to the requirements in AASB 101 *Presentation of Financial Statements* for the disclosure of a not-for-profit private sector entity's ~~material significant accounting policy information policies~~. These requirements apply to

Commented [KC2]: Note to Board members 2:

Red text indicates a suggested change from ED 312 in response to stakeholder feedback.

See paragraphs 14 of Agenda Paper 16.1.

entities applying this Standard, including those required by legislation to comply. An entity preparing special purpose financial statements that is not specifically required to comply with AASB 1054 may elect not to comply with these requirements, however, is encouraged to do so.

...

Disclosure of accounting policy information policies

IG5 Not-for-profit private sector entities required to apply AASB 1054 in their special purpose financial statements (including those lodged with ASIC or the ACNC), whether consolidated or unconsolidated, are also required to apply AASB 101 and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, including:

...

- (c) paragraph 117 of AASB 101, which requires disclosure of material significant-accounting policy information policies comprising the measurement basis (or bases) and the other accounting policies used that are relevant to an understanding of the financial statements.

...

Amendments to AASB 1060

7 Paragraphs 25, 93, 95, 96 and 112, the heading above paragraph 95 and Appendix A are amended. ~~Paragraphs 95A–95E are added.~~ Deleted text is struck through and new text is underlined.

Financial Statement Presentation

...

Complete set of financial statements

25 A complete set of financial statements of an entity shall include all of the following:

...

- (e) notes, comprising material significant-accounting policy information policies and other explanatory information.

[Based on *IFRS for SMEs* Standard paragraph 3.17]

...

Notes to the Financial Statements

...

Structure of the notes

...

93 Examples of systematic ordering or grouping of the notes include:

...

- (c) following the order of the line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position, such as:

...

- (ii) material significant-accounting policy information policies applied (see paragraph 95);

...

Disclosure of accounting policy information policies

95 An entity shall disclose material the following in the significant-accounting policy information (see Appendix A). Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, policies:

- (a) ~~the measurement basis (or bases) used in preparing the financial statements; and~~

Commented [KC3]: Note to Board members 3:

Red text indicates a suggested change from ED 312 in response to stakeholder feedback.

See Note to Board members 4, for more information.

(b) ~~the other accounting policies used that are relevant to an understanding of the financial statements.~~

[Based on *IFRS for SMEs* Standard paragraph 8.5]

95A ~~Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.~~

95B ~~Accounting policy information is expected to be material if users of an entity's financial statements would need it to understand other material information in the financial statements. For example, an entity is likely to consider accounting policy information material to its financial statements if that information relates to material transactions, other events or conditions and:~~

(a) ~~the entity changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;~~

(b) ~~the entity chose the accounting policy from one or more options permitted by Australian Accounting Standards – such a situation could arise if the entity chose to measure investment property at historical cost rather than fair value;~~

(c) ~~the accounting policy was developed in accordance with AASB 108 in the absence of an Australian Accounting Standard that specifically applies;~~

(d) ~~the accounting policy relates to an area for which an entity is required to make significant judgements or assumptions in applying an accounting policy, and the entity discloses those judgements or assumptions in accordance with paragraphs 96 and 97; or~~

(e) ~~the accounting required for them is complex and users of the entity's financial statements would otherwise not understand those material transactions, other events or conditions – such a situation could arise if an entity applies more than one Australian Accounting Standard to a class of material transactions.~~

95C ~~Accounting policy information that focuses on how an entity has applied the requirements of the Australian Accounting Standards to its own circumstances provides entity-specific information that is more useful to users of financial statements than standardised information, or information that only duplicates or summarises the requirements of the Standards.~~

95D ~~If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.~~

95E ~~An entity's conclusion that accounting policy information is immaterial does not affect the related disclosure requirements set out in this Standard other Australian Accounting Standards.~~

Information about judgements

96 An entity shall disclose, in the ~~material significant~~ accounting policy information policies or other notes, the judgements, apart from those involving estimations (see paragraph 97), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. [Based on *IFRS for SMEs* Standard paragraph 8.6]

...

Basic Financial Instruments

...

Disclosure of accounting policies for financial instruments

112 In accordance with paragraph 95, an entity shall disclose ~~material~~ in the significant ~~accounting policy information policies, the measurement basis (or bases) used for financial instruments and the other accounting policies used for financial instruments that are relevant to an understanding of the financial statements. Information about the measurement basis (or bases) for financial instruments used in preparing the financial statements is expected to be material accounting policy information.~~ [Based on *IFRS for SMEs* Standard paragraph 11.40]

...

Commented [KC4]: Note to Board members 4:

Part A

Red text indicates a suggested change from ED 312 in response to stakeholder feedback. In response to stakeholder feedback staff recommend removing the proposed paragraphs 95A-95E from the amending Standard so that they are not added to AASB 1060.

See paragraphs 16-24 of Agenda Paper 16.1.

Part B

If Board members do not agree with the staff recommendation to exclude proposed paragraphs 95A-95E, black text indicates suggested change to paragraph 95E from ED 312 in response to stakeholder feedback.

See paragraphs 15 of Agenda Paper 16.1.

Appendix A Defined terms

This appendix is an integral part of the Standard.

The following terms are used in this Standard with the meanings specified. Except to the extent specifically addressed in this Standard, the definitions in other Australian Accounting Standards also apply.

Presentation of the financial statements

Accounting policies are defined in paragraph 5 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and the term is used in this Standard with the same meaning.

...

Commencement of the legislative instrument

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

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 2021-X Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s considerations in reaching the conclusions in this Standard. It sets out the reasons why the Board developed the Standard, the approach taken to developing the Standard and the key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

Reasons for issuing this Standard

BC1 In March 2021, the Board issued AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*. This Standard amended:

- (a) AASB 7 *Financial Instruments: Disclosures*, to clarify that information about measurement bases for financial instruments is expected to be material to an entity’s financial statements;
- (b) AASB 101 *Presentation of Financial Statements*, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- (c) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- (d) AASB 134 *Interim Financial Reporting*, to identify material accounting policy information as a component of a complete set of financial statements; and
- (e) AASB Practice Statement 2 *Making Materiality Judgements*, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

BC2 The amendments made by AASB 2021-2 principally affect the disclosure requirements and guidance in some Tier 1 Australian Accounting Standards.¹ The Board decided it was appropriate to make similar amendments to domestic Australian Accounting Standards, including the Tier 2 Standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, to ensure there is consistency in the terminology used across Australian Accounting Standards.

Issue of Exposure Draft ED 312

BC3 The Board’s proposals with respect to the amendments finalised in this Standard were exposed for public comment in August 2021 through Exposure Draft ED 312 *Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards*.

BC4 The significant issues considered by the Board in developing ED 312 are addressed in the following sections.

Relevance of the amendments to AASB 1060

BC5 The AASB *For-Profit Entity Standard-Setting Framework* and the AASB *Not-for-Profit Entity Standard-Setting Framework* outline the approach adopted by the Board in considering whether to add to or amend disclosure requirements in AASB 1060 when the IASB makes amendments to full IFRS Standards.

BC6 Applying this approach, ED 312 proposed that in relation to the amendments made by AASB 2021-2 to:

- (a) AASB 101 and AASB 7:
 - (i) where AASB 1060 contains a corresponding paragraph, AASB 1060 should be updated in a similar manner. If the corresponding paragraph in AASB 1060 is not updated, entities

¹ AASB 1053 *Application of Tiers of Australian Accounting Standards* outlines that Australian Accounting Standards consist of two tiers of reporting requirements for preparing general purpose financial statements:
(a) Tier 1: Australian Accounting Standards; and
(b) Tier 2: Australian Accounting Standards – Simplified Disclosures (for annual periods beginning on or after 1 July 2021).

- may interpret and apply the requirements of AASB 1060 differently from the corresponding requirements in those Standards; and
- (ii) where guidance paragraphs were added to AASB 101, these paragraphs should be added to AASB 1060. The intention of these paragraphs is to assist entities in determining whether accounting policy information is material to their financial statements. Therefore, the Board expected this guidance also to be useful for entities preparing Tier 2 financial statements. As AASB 101 does not apply to entities applying AASB 1060, the Board considered that a cross-reference to AASB 101 would be unhelpful to users of AASB 1060 and took the view that these paragraphs should be added to AASB 1060;
- (b) AASB 134 and AASB Practice Statement 2 – no changes to AASB 1060 were required:
- (i) AASB 134 applies to the preparation of interim financial reports, whereas AASB 1060 is intended to be used in the preparation of annual general purpose financial statements. Therefore, AASB 1060 does not include any requirements equivalent to those in AASB 134; and
 - (ii) AASB Practice Statement 2 provides non-mandatory guidance to all entities on making materiality judgments when preparing general purpose financial statements in accordance with Australian Accounting Standards. Therefore, AASB 1060 does not include any requirements equivalent to those in AASB Practice Statement 2; and
- (c) AASB 108 – no changes to AASB 1060 were required. The amended paragraphs in AASB 108 already apply to entities complying with AASB 1060.

Relevance of the amendments to other Australian Accounting Standards

- BC7 The Board reviewed the requirements of all domestic Australian Accounting Standards (including Interpretations) and Australian-specific requirements in Standards, as identified with the 'Aus' prefix. The Board noted that two domestic Standards in addition to AASB 1060 contain references to 'significant accounting policies': AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 1054 *Australian Additional Disclosures*. The Board also considered it appropriate to propose amendments to these Standards to reflect the updated terminology (ie to require or refer to the disclosure of material accounting policy information rather than the disclosure of significant accounting policies) for consistency across all Australian Accounting Standards.

Finalisation of ED 312 proposals

- BC8 Following the consultation period, and after considering the comments received, the Board decided to proceed with issuing this Standard, with minimal changes from the proposals in ED 312.

Feedback from respondents on ED 312

- BC9 The Board received formal comment letters on ED 312 from three stakeholders and verbal feedback from another stakeholder. The feedback received indicated that, in general, all respondents were supportive of the proposals. However, some respondents provided additional feedback:
- (a) one stakeholder noted that ED 312 proposed adding guidance paragraphs to AASB 1060 (proposed paragraphs 95A–95E – corresponding with paragraphs 117A–117E of AASB 101). Although the guidance might be helpful to users, the stakeholder was concerned that guidance paragraphs were not included in AASB 1060 originally and was also unsure whether all of the guidance in proposed paragraphs 95A–95E was necessary. They were also concerned that inclusion of proposed paragraphs 95A–95E might create an expectation that guidance paragraphs would be added to AASB 1060 routinely in the future; and
 - (b) one stakeholder suggested the Board consider whether certain paragraphs in AASB 1060 requiring accounting policy information for specific transactions and balances are necessary, as disclosure of this information is already required by AASB 1060 paragraph 95.² They also suggested that if the disclosure requirements were retained, it might be helpful for users of AASB 1060 if the Board

² For example, AASB 1060 paragraphs 123, 125, 129, 160, 163 and 221 require disclosure of accounting policy information for specific transactions and balances.

clarified that the specific disclosures are required only where they are material to the financial statements.

BC10 The Board considered the feedback and decided:

- (a) not to add proposed paragraphs 95A–95E to AASB 1060. When developing AASB 1060, the Board was aware that replacing certain Standards with sections in AASB 1060 also removed some of the guidance included in those Standards, where such guidance was also not included in the *International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs Standard)*. However, for the sake of maintaining the simplicity of the disclosure requirements in AASB 1060, the Board considered this to be preferable to considering on a case-by-case basis which guidance should be included and which could be omitted.³ Whilst the Board was unable to follow the IASB approach in this case as the *IFRS for SMEs Standard* was last updated in 2015, on balance the Board considered that including the proposed guidance paragraphs in AASB 1060 was not necessary. The Board noted that AASB 1060 paragraph 2 permits an entity applying AASB 1060 to refer to other Australian Accounting Standards (including AASB 101) for guidance where necessary; and
- (b) not to amend the specific accounting policy disclosure requirements in AASB 1060. Whilst the Board could see merit in either deleting them or clarifying that they apply subject to materiality, on balance it decided that such an amendment was not necessary. In particular, the Board noted that the inclusion of the specific accounting policy disclosure requirements, and their drafting, is consistent with the approach adopted in the *IFRS for SMEs Standard*. The Board also noted that AASB 1060 paragraph 23 explicitly states that the requirements of AASB 1060 apply subject to materiality.

Effective date and early application

BC11 To ensure consistency between the amendments in this Standard and the amendments made in AASB 2021-2, the Board decided that this Standard would be effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

³ AASB 1060 paragraph BC55.