PRE-BALLOT DRAFT
For Board members comment at M171 (June 2019)

AASB Exposure Draft

ED 2XX
xxx 2019

New Accounting Standard: General Purpose Financial Statements – Simplified Disclosures for Tier 2 Entities

Comments to the AASB by x xx 20xx

Commented [DS1]:
Major judgements made – for the Board to consider
Agenda Item 3 - Question 3a: key decisions made in drafting the ED

For ease of referencing in the application paragraphs and clear differentiation from the current reduced disclosure regime, staff propose using the title **AASB 10xx *Simplified Disclosures for Tier 2 Entities.***

In deciding on the proposed title, staff considered and rejected the following options:
- Condensed disclosures – already used in the context of AASB 134 *Interim Financial Reporting;*
- Concise disclosures – used in context of AASB 1039 *Concise Disclosures*
- Reduced disclosures – already used in AASB 1053 *Application of Tiers of Australian Accounting Standards* and would be too confusing in particular if the reduced disclosure regime is initially retained for not-for-profit (NFP) entities;
- Specified disclosures – used in ITC 39 to refer to full disclosures of specified accounting standards;
- "Limited" or "Restricted" disclosures – could be read to imply that the disclosure framework provides an upper limit of what should be disclosed, and may not permit provision of additional disclosures above and beyond what is required under the standard.

Australian Government
Australian Accounting Standards Board

Commenting on this AASB Exposure Draft

Comments on this Exposure Draft are requested by x xx 20xx.

Formal Submissions

Submissions should be lodged online via the "Work in Progress – Open for Comment" page of the AASB website (www.aasb.gov.au/comment) as a PDF document and, if possible, a Word document (for internal use only).

Other Feedback

Other feedback is welcomed and may be provided via the following methods:

E-mail: standard@aasb.gov.au
Phone: (03) 9617 7600

All submissions on possible, proposed or existing financial reporting requirements, or on the standard-setting process, will be placed on the public record unless the Chair of the AASB agrees to submissions being treated as confidential. The latter will occur only if the public interest warrants such treatment.

ISSN 1030-588

INTRODUCTION

Australian Accounting Standards

The Australian Accounting Standards Board (AASB) develops, issues and maintains Australian Accounting Standards.

The AASB is a Commonwealth entity under the *Australian Securities and Investments Commission Act 2001*. AASB 1053 *Application of Tiers of Australian Accounting Standards* explains the two tiers of Australian Accounting Standards.

Exposure Drafts

The publication of an Exposure Draft (ED) is part of the due process that the AASB follows before making a new Australian Accounting Standard or amending an existing one. Exposure Drafts are designed to seek public comment on the AASB's proposals for new Australian Accounting Standards or amendments to existing Standards.

What we are proposing

This ED proposes:

(a) a new set of principles and methodology to be used in determining Tier 2 disclosures that are necessary for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework (see paragraphs BC29-BC37 for details);

(b) Tier 2 disclosure requirements that are the result of applying those principles that will replace the current RDR; and

(c) a new approach to presenting the Tier 2 disclosure requirements in Australian Accounting Standards (AAS). This approach will result in a separate disclosure standard (i.e. Simplified Disclosure Standard) for entities that report under Tier 2 of the differential reporting framework set out in AASB 1053.

The ED does not change:

- which entities are permitted to apply Tier 2 reporting requirements; and
- the recognition and measurement requirements of Tier 2, which are the same as for Tier 1.

Consequential amendments will be made to the individual standards to identify which standards or paragraphs will not apply to entities that apply the proposed Simplified Disclosure Standard.

The AASB notes that while the proposed Simplified Disclosure Standard will apply to all Tier 2 entities[1], including not-for-profit private sector entities and public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments, this does not replace the AASB's separate project of revising the Australian Financial Reporting Framework for not-for-profit entities. Further outreach and consultation in relation to this project is currently taking place in consultation with relevant regulators and stakeholders in the not-for-profit sector. See also the further discussion under *Who will be affected* below.

Why we are making these proposals

AASB 1053 sets out the application of two tiers of General Purpose Financial Statements (GPFS) both with the same recognition and measurement requirements, but different levels of disclosure. In this context:

(a) for-profit private sector entities with 'public accountability' (such as listed companies) and governments at the federal, state/territory and local levels must apply Tier 1 reporting requirements; and

(b) Other for-profit private sector entities (other than those with public accountability), not-for-profit (NFP) private sector entities and public sector entities other than governments have the option to apply Tier 2 reporting requirements.

1 See paragraph 13 of AASB 1053 Application of Tiers of Australian Accounting Standards

At present, entities that are required to prepare financial statements in compliance with Australian Accounting Standards (AAS) but have assessed that they are not a reporting entity as defined in SAC 1 *Definition of the Reporting Entity*, can also prepare special purpose financial statements (SPFS). SPFS only need to comply with the disclosure requirements of specified standards[2].

In the context of adopting the IASB's Revised Conceptual Framework, the AASB issued ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* which considered various options for a new financial reporting framework. After considering the feedback received on ITC 39, the AASB tentatively decided in February 2019 to remove the ability for for-profit private sector entities to self-assess whether they can prepare special purpose financial statements (SPFS), such that these entities would be required to prepare general purpose financial statements (GPFS) that comply with all R&M requirements going forward.

A separate exposure draft will be issued later in the year which will propose replacing the existing Tier 2 GPFS RDR framework with a new single Tier 2 GPFS framework that would still require compliance with all R&M requirements in AAS – including consolidation and equity accounting. In making this decision, the AASB noted the strong preference expressed by the majority of respondents for a single framework that includes full R&M in AAS on the grounds that it would enhance the comparability, consistency and transparency of the financial statements. Separate targeted consultations are being undertaken in relation to the implementation of the Revised Conceptual Framework for not-for-profit entities.

To help reduce the cost burden for entities that would be affected by these proposals, the AASB decided to propose further reductions to the disclosures that apply to Tier 2 entities compared to the current RDR, using the principles and methodology proposed in this ED. The Board regards the proposed Simplified Disclosure Standard as a substantive response to further reduce the burden of disclosure requirements for Tier 2 entities and assist entities that are having to step up from SPFS to Tier 2 GPFS[3]. Although there is a need for GPFS to cater for the information needs of a wide range of users, the information needs of users of Tier 2 entities might not be the same as users of Tier 1 entities. The objective is to find a balance between the benefits of financial information to users of Tier 2 entities and the costs to the preparers of providing that information. There is also a need to ensure that users are not overburdened with unnecessary information that clutter the financial statements and make them less understandable to them.

The current Tier 2 disclosure requirements in Australia (i.e. RDR) and New Zealand are essentially the same and are based on the approach developed by the AASB in 2010. That approach uses the IFRS for SMEs Standard as the starting point and:

(a) draws directly on the disclosure requirements in the IFRS for SMEs Standard when the recognition and measurement requirements in AAS are the same as those under the IFRS for SMEs Standard; and

(b) applies the "user needs" and "cost-benefit" principles applied by the IASB in developing its IFRS for SMEs Standard when the recognition and measurement requirements in AAS are not the same as those available under the IFRS for SMEs Standard.

Shading is used in the AAS to identify those disclosures that do not apply to Tier 2 entities based on the approach described in the previous paragraph.

In 2016, the AASB carried out a post-implementation review of the current Tier 2 framework (i.e RDR), which identified:

(a) that using the approach described above to reduce the disclosures for Tier 2 entities has not delivered the outcome expected; and

(b) a need to refine the principles used in determining the level of RDR to achieve an appropriate balance between the benefits of financial information to users and the costs to preparers of providing that information.[4]

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2 AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards* and AASB 1054 *Australian Additional Disclosures*

3 The AASB further intends to provide transitional relief to entities moving from SPFS to GPFS, which will be exposed in the forthcoming ED that will propose removing the ability for entities to prepare SPFS in accordance with AAS.

4 Further details about the post-implementation review are included in the preface to ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*.

In response to the findings of the post implementation review, the AASB issued ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*[5] in January 2017 as a joint project with the New Zealand Accounting Standards Board (NZASB). ED 277 proposed adopting a revised RDR decision-making framework, together with accompanying operational guidance. This framework was then applied to the disclosure requirements in Australian Accounting Standards/New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) to identify which of those disclosure requirements should be reduced for Tier 2 entities in each jurisdiction.

The framework was based on Key Disclosure Areas (KDAs) which were meant to result in information that meets user needs. Judgement was required when applying this framework, and the overarching principles of user needs and cost-benefit were considered when determining the disclosures that relevant Tier 2 entities in each jurisdiction should make. However, after reviewing the comment letters received on ED 277, the Board decided to conduct further outreach and consultation on the proposals in ED 277 at its August 2017 meeting. Any further work or outreach on ED 277 was subsequently put on hold with the commencement of the *Revised Conceptual Framework and Solving the Special Purpose Financial Statement Problems* project that resulted in the issue of ITC 39 in May 2018.

In ITC 39, the AASB proposed an alternative Tier 2 framework which combined full recognition and measurement requirements with specified disclosures from some Accounting Standards, including consolidation and equity accounting where applicable ('Specified Disclosure Requirements'; SDR).

Feedback received on the proposals in ITC 39 through roundtable discussions, a user and preparer survey and submissions was that the majority preferred retaining full recognition and measurement requirements to maintain transparency and comparability of the financial statements, but did not like either the current RDR framework or the proposed alternative SDR framework. Instead, respondents felt that something in between the RDR and SDR framework would better satisfy user needs.

In summary, the following shortfalls were identified in the different options used and considered in the past as a possible Tier 2 GPFS framework:

(a) Current Tier 2 disclosure framework (RDR)

Refining the principles used in determining the level of RDR to achieve an appropriate balance between the benefits of financial information to the users and the costs to the preparers of providing that information is crucial. The feedback from the roundtables, surveys and submissions on ITC 39 indicated that RDR has too many disclosure requirements. A mechanism of shading the disclosures not applicable to Tier 2 entities is used in the RDR framework. While originally starting with IFRS for SMEs disclosures, this top-down approach, which uses the full AAS/IFRS disclosures and then identifies those that can be removed, has resulted in retaining disclosures in circumstances where a direct comparison has not been possible.

(b) Proposed Tier 2 framework in ED 277

The approach taken in this ED was to include an Australian Appendix in each AAS to identify disclosures that Tier 2 entities are required to provide, thereby addressing concerns by those that find the shading confusing. However, while ED 277 was based on clear disclosure principles, it still resulted in too many disclosures. The cost-benefit analysis was difficult to apply in the context of disclosures and the top-down approach (starting with full AAS/IFRS and removing disclosures) resulted in too many retained disclosures, as removal was difficult to justify with the KDAs.

(c) Specified disclosure framework (SDR) as proposed in ITC 39

The feedback has been that the SDR is too much in some ways but falls short in many other ways. For example, the feedback received from roundtables, survey and submissions on ITC 39 Phase 2 was that whilst the disclosures in SDR are important, requiring full disclosure of those nine standards was too much. Most participants further suggested that SDR might not be appropriate for all industry sectors and is missing some critical disclosures to help predict the viability of an entity such as liquidity, contingent liabilities, subsequent events and commitment disclosures.

5 See ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*

After considering the shortfalls of the RDR and the other two alternatives previously suggested, and the disclosure principles applied by the IASB for the IFRS for SMEs standard, the AASB decided to develop a new Tier 2 disclosure framework using the disclosure requirements in IFRS for SMEs Standard as a base. Under this approach, disclosures that are relevant to Tier 2 entities are set out in a separate standard, and have been developed via a 'bottom-up' approach based on the IFRS for SMEs disclosures and the broad principles underlying these disclosures, as explained in BC29-BC37. Noting the principles applied by the IASB in developing the IFRS for SMEs disclosures[6], the AASB considers that the disclosures resulting from the application of these requirements would be appropriate for GPFS that are publicly lodged or are required to comply with AAS, but do not relate to entities that are publicly accountable.

A comparison performed by AASB staff confirms that the adoption of the Simplified Disclosure Standard would address stakeholders concerns by providing a disclosure framework that lies between current RDR and the SDR proposed in ITC 39.

Commented [DS2]: Staff note to the Board
See agenda paper 3.6 *Comparison with RDR and SDR disclosures* for staff analysis. (included in the supplementary folder for Board's noting only)

Advantages and disadvantages of the proposed approach

Advantages of using IFRS for SMEs Standard as a base in developing the Simplified Disclosure Standard are as follows:

(a) The IASB considers IFRS for SMEs disclosures adequate to meet the needs of users of for-profit private sector entities that are not publicly accountable entities.

(b) It introduces more flexibility as it would allow drafting of disclosures suited to the circumstances and not restricted by existing full IFRS disclosures.

(c) It uses a bottom-up approach in developing disclosures and avoids needing to identify specific full IFRS disclosures that should be retained and those that can be excluded.

(d) It makes it easier for users to identify the required disclosures as set out in a separate standard, as it avoids having to identify applicable disclosures via shading in between the full disclosures. It will also improve readability where parts of sentences are currently shaded (ie excluded).

(e) It is a more effective and easier way of reducing disclosures to an appropriate level (based on previous experiences with RDR approach), as it involves needing to justify additional disclosures rather than the removal of disclosures from full IFRS.

(f) The IASB may develop a similar disclosure standard targeted at subsidiaries of entities that are reporting under full IFRS that would be suitable for adoption in Australia.[7] .

However, there are also some disadvantages in this approach:

(a) New Tier 2 disclosures will be contained in a separate standard which might not be welcomed by preparers who prefer seeing the disclosure requirements together with the recognition and measurement in each Standard.

(b) Some users may feel the level of disclosures is inadequate.

(c) Adopting this approach will result in a divergence from New Zealand RDR Framework. As per the AASB's For-Profit Standard-setting Framework, differences between accounting standards issued in Australia and New Zealand for For-Profit entities should be minimised wherever possible to reduce the costs for entities operating trans-Tasman.

(d) The IFRS for SMEs standard requires reconciliations in certain instances, where ED 277 had proposed not to require such reconciliations.

(e) The IFRS for SMEs standard is not updated as frequently as the other standards and it will therefore take additional time and effort to consider whether and how any new R&M differences between full IFRS and the IFRS for SMEs standard may affect the required disclosures.

(f) Australian specific standards will have to be addressed separately as they are not covered in the IFRS for SMEs standard.

6 see paragraphs BC44-BC47, BC157 and BC158 of IFRS for SMEs Standard Part B
7 The IASB added a research project on SMEs that are subsidiaries to their agenda in March 2019. The Board is currently gathering evidence to help it decide whether to start a project to develop a proposal permitting subsidiaries that are SMEs to apply the recognition and measurement requirements of full IFRS with the disclosure requirements of the *IFRS for SMEs Standard*.

Having considered both advantages and disadvantages, the AASB is of the view that the proposed simplified disclosures strike the right balance between user needs and cost to preparers. They will be beneficial for entities currently applying the RDR framework, as the proposals in this ED will lead to a reduction in the extent of the disclosures required for Tier 2 entities. The ED will therefore also assist entities that will have to step up from SPFS to Tier 2 GPFS when the AASB's proposals in the forthcoming ED for for-profit private sector entities that are required to prepare financial statements that comply with AAS or accounting standards are implemented. These latter proposals will be subject to separate consultation via a separate ED and the AASB notes that the proposals in this ED are solely related to disclosure issues.

Who will be affected

The ED has been drafted to apply to the GPFS of all entities that are eligible to report under Tier 2 of the differential reporting framework set out in AASB 1053[8]. These entities may elect to apply Tier 1 reporting requirements in preparing GPFS. While the AASB decided in September 2018 to defer the consultation on the Australian Financial Reporting Framework for not-for-profit (NFP) entities, the AASB is of the view that that all Tier 2 entities, whether for-profit or NFP, should benefit from being able to apply the proposed Simplified Disclosure Standard before a revised NFP Financial Reporting Framework is developed.

Making the proposed Simplified Disclosure Standard applicable to all Tier 2 entities, whether for-profit or NFP, would result in an immediate reduction in disclosures compared to the current RDR framework, and NFP entities would be able to benefit from this reduction in disclosures while waiting for legislative action on the ACNC legislative review recommendations and for a revised NFP Financial Reporting Framework to be determined.

The Tier 2 disclosure framework is likely to be still relevant to NFP entities as one of the tiers of reporting for that sector even after a revised NFP Financial Reporting Framework is developed.

To identify disclosures that need to be added to the IFRS for SMEs based disclosures in order to make this new Tier 2 Standard applicable also to NFP private sector entities and to public sector entities other than the Australian Government and State, Territory and Local Governments, the AASB has analysed the NFP specific requirements included in AAS and Interpretations (see Agenda Paper 3.3 *Analysis of NFP modifications paragraphs in AAS and NFP specific AASB Standards* for detailed analysis) and considered:

(a) when a NFP modification paragraph leads to an R&M difference which would warrant additional disclosures;

(b) when a NFP modification paragraph leads to a disclosure requirement applicable to NFP entities only and whether this would need to be included in the Tier 2 Standard; and

(c) to what extent NFP specific disclosure standards such as AASB 1049, AASB 1052 or AASB 1055 need to be incorporated into the new Tier 2 Standard.

The additional disclosures for Tier 2 NFP private sector entities and public sector entities that have been developed on this basis are included in Appendix A to this ED.

Commented [DS3]: Staff note to the Board
This staff paper will be included as part of the ED in the 'open for comment' on the AASB website and a link will be provided in the ED at the time of issue.

We need your feedback

Comments are invited on any of the proposals in this Exposure Draft by x xx 20xx. Submissions play an important role in the decisions that the AASB will make in regard to a Standard. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or otherwise, on the major issues. The AASB regards supportive and non-supportive comments as essential to a balanced review of the issues and will consider all submissions, whether they address some or all specific matters, additional issues or only one issue (whether an issue specifically identified below or another issue).

8 As per paragraph 13 of AASB 1053, Tier 2 reporting requirements shall, as a minimum, apply to the general purpose financial statements of the following types of entities:
(a) for-profit private sector entities that do not have public accountability;
(b) not-for-profit private sector entities; and
(c) public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.
These entities are referred to as 'Tier 2 entities' in this ED.

Application date

It is proposed that this [draft] Standard be applicable to annual reporting periods beginning on or after 1 July 2020, and available for early adoption.

Specific matters for comment

The AASB would particularly value comments on the following:

1 Do you agree with the overarching principles on which the proposed new Tier 2 Standard is based and the methodology described in paragraphs BC29-BC38 to this ED? If you disagree, please explain why.

2 Do you agree that these proposals should replace the current Reduced Disclosure Requirements Framework? If you disagree, please explain why.

3 Do you agree with the following key decisions made and judgements exercised by the AASB in drafting the proposed new Tier 2 Standard:

a) that AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows, AASB 7 Financial Instruments: Disclosures, AASB 124 Related Party Disclosures and AASB 12 Disclosure of Interests in Other Entities should be replaced in their entirety as explained in BC42?

b) in relation to adding, removing or amending disclosures, (for example the disclosures for lessees, revenue, borrowing costs, revalued PPE and intangible assets, and certain disclosures retained from IFRS for SMEs that are not currently required under RDR framework) as explained in BC42-BC57?

c) in relation to not including certain Australian Accounting Standards and Interpretations in this new Tier 2 Standard as explained in BC59-BC61?

If you disagree with any of the decisions, please explain why.

4 Do you agree that replacing AASB 101 and AASB 107 in their entirety by the respective sections in the IFRS for SMEs Standard would not create any issues for subsidiaries that are consolidated by parent entities reporting under Tier 1 or full AAS, as explained in BC49? If you disagree, please explain why.

5 Do you agree with the disclosures for Tier 2 entities as set out in Sections 3 to 35 of the proposed new Tier 2 Standard that have been identified by applying the proposed methodology and principles? If you disagree with the outcome, please identify, with reasons:

a) which of the disclosures proposed should not be required for Tier 2 entities; and

b) which disclosures not proposed in this ED should be required for Tier 2 entities.

(See Agenda paper 3.2 *Detailed comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis of impact on disclosures – For for-profit private sector entities with no public accountability*)

6 Do you agree that the proposed new Tier 2 Standard should also be made available to NFP and public sector entities that can apply Tier 2 reporting requirements as set out in AASB 1053? If you disagree, please explain why.

7 Do you agree:

a) with the principles applied to identify the additional disclosures for NFP entities in Appendix A (as explained in paragraph BC40)? If you disagree, please explain why.

b) that previous decisions made under the RDR Framework in relation to the cost vs the benefits of these disclosures do not need to be revisited (as explained in BC64) If you disagree, please explain why.

8 Do you agree with the disclosures identified for NFP entities in Appendix A? If you disagree, please identify, with reasons:

a) which of the disclosures proposed should not be required for NFP private sector and public sector Tier 2 entities; and

b) which disclosures not proposed in the ED should be required for NFP private sector and public sector Tier 2 entities.

(See Agenda Paper 3.3: *Analysis of NFP modifications paragraphs in AAS and NFP specific AASB Standards* for detailed analysis)

9 Do you agree that the additional disclosures identified for NFP entities should be set out separately in Appendix A for the reasons given in BC65? If you disagree, please explain why.

Commented [DS4]:
Major judgements made – for the Board to consider
Agenda Item 3 - Question 3b: key decisions made in drafting the ED

Do the Board members agree with the Specific Matters for Comments listed below?

Do the Board members think that there should be a SMC on "Approach to numbering of paragraphs applied in this Standard" which is explained in page 11 of this ED?

Commented [DS5]: Staff note to the Board
This staff paper will be included as part of the ED in the 'open for comment' on the AASB website and a link will be provided in the ED at the time of issue.

Commented [DS6]: Staff note to the Board
This staff paper will be included as part of the ED in the 'open for comment' on the AASB website and a link will be provided in the ED at the time of issue.

10 Do you agree with the approach taken in this ED to include all the disclosure requirements for Tier 2 entities in one stand-alone standard (as explained in BC37)? If you disagree, please explain why.

11 Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 July 2020 with early application permitted (as explained BC75-BC77)?

12 Do you agree with the transitional requirements proposed in this ED (as explained in BC69-BC74? If you disagree, please explain why.

General matters for comment

The AASB would also particularly value comments on the following general matters:

13 Whether *The AASB's For-Profit Standard-Setting Framework* and *Not-for-Profit Standard-Setting Framework* have been applied appropriately in developing the proposals in this Exposure Draft?

14 Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, including Government Financial Statistics (GFS) implications?

15 Whether, overall, the proposals would result in financial statements that would be useful to users?

16 Whether the proposals are in the best interests of the Australian economy?

17 Unless already provided in response to specific matters for comment above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative? In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements.

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PREFACE

[DRAFT] ACCOUNTING STANDARD
AASB 10xx *SIMPLIFIED DISCLOSURES FOR TIER 2 ENTITIES*

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OBJECTIVE	**X**
SCOPE	**X**
TIER 2 DISCLOSURES	**X**
COMMENCEMENT OF THE LEGISLATIVE INSTRUMENT	**X**

APPENDICES

A. Additional disclosures for not-for-profit private sector entities and public sector entities, whether for-profit or not-for-profit, other than the Australian government and state, territory and local governments

B. Effective date

C. Amendments to other Standards

D. Summary of disclosures in other Standards and Interpretations not applicable

[DRAFT] BASIS FOR CONCLUSIONS	**X**

Australian Accounting Standard AASB 10xx *Simplified Disclosures for Tier 2 Entities* is set out in paragraphs x – x and Appendices A - D. All the paragraphs have equal authority. AASB 10xx is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations, and AASB 1057 *Application of Australian Accounting Standards.*

PREFACE

Introduction

The Australian Accounting Standards Board (AASB) develops, issues and maintains Australian Accounting Standards, including Interpretations. The AASB is a Commonwealth entity under the *Australian Securities and Investments Commission Act 2001*.

AASB 1057 *Application of Australian Accounting Standards* identifies the application of Standards to entities and financial statements. AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.

Main features of this Standard

Main requirements

This [draft] Standard sets out a new, separate disclosure standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 *Application of Tiers of Australian Accounting Standards*. The standard has been developed based on a new methodology and principles to be used in determining the level of Tier 2 disclosures that are necessary for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework. The methodology and principles applied are outlined in the Basis for Conclusions to this Exposure Draft (ED).

This [draft] Standard does not change

- which entities are permitted to apply Tier 2 reporting requirements; and
- the recognition and measurement requirements of Tier 2, which are the same as for Tier 1.

The disclosures that are relevant to Tier 2 entities are set out in this separate standard (ie will not be shaded in the body or the appendix of each AASB Standard).

Entities applying this standard will not need to comply with certain standards in full, and will be exempt from applying specified paragraphs in other standards. Consequential amendments will be made to the relevant standards as set out Appendix C, but for ease of reference, the relevant standards and paragraphs are also summarised in Appendix D of this ED.

Approach to numbering of paragraphs applied in this Standard

To allow easy comparison to the IFRS for SMEs disclosures, the paragraph numbering used in this [draft] Standard uses the following approach:

- Section headings have been taken from the IFRS for SMEs standard.
- Disclosure paragraphs use the equivalent number from the IFRS for SMEs Standard.
- Paragraphs that have been added by the AASB and that therefore do not have an equivalent number in the IFRS for SMEs standard are preceded with Aus.

Any paragraphs covering R&M requirements in the IFRS for SMEs Standard have been excluded and also most of the paragraphs covering presentation requirements, with some exceptions in sections 3-8 and 29. As a consequence, the paragraph numbers in this document are not consecutive. Sections 1 and 2 of the IFRS -for SMEs standard have been excluded in their entirety, as they discuss general topics such as the concepts and basic principles underlying the financial statements, scope of the IFRS for SMEs standard, and relevant definitions.

Application date

This [draft] Standard applies to annual periods beginning on or after 1 July 2020, with earlier application permitted.

[Draft] Accounting Standard AASB 10xx

The Australian Accounting Standards Board makes Accounting Standard AASB 10xx *Simplified Disclosures for Tier 2 entities* under section 334 of the *Corporations Act 2001*.

Kris Peach

Chair – AASB

Dated … [date]

[Draft] Accounting Standard AASB 10xx *SIMPLIFIED DISCLOSURES FOR TIER 2 ENTITIES*

Objective

Aus1.1 AASB 10xx *Simplified Disclosures for Tier 2 Entities* establishes disclosure requirements applicable to entities that are preparing general purpose financial statements and are eligible to apply the Tier 2 reporting requirements under AASB 1053 *Application of Tiers of Australian Accounting Standards.*

Scope

Aus1.2 This Standard applies to all entities that are eligible to apply the Tier 2 reporting requirements under AASB 1053, including those that present consolidated financial statements in accordance with AASB 10 *Consolidated Financial Statements* and those that present separate financial statements in accordance with AASB 127 *Separate Financial Statements.* However, this standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with AASB 1034 *Interim Financial Statements.*

Aus1.3 Entities applying this Standard are required to apply all the recognition and measurement requirements in Australian Accounting Standards and apply this Standards in relation to disclosure requirements only.

Aus1.4 This Standard uses terminology that is suitable for profit-oriented entities, including public sector business entities. If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they may need to amend the descriptions used for particular line items in the financial statements and for the financial statements themselves.

Aus1.5 Similarly, entities that do not have equity as defined in AASB 132 *Financial Instruments: Presentation* (eg some mutual funds) and entities whose share capital is not equity (eg some co-operative entities) may need to adapt the financial statement presentation of members' or unit holders' interests.

Commented [RM7]: Staff note to the Board
These scope paragraphs are based on the scope paragraphs in AASB 101.

Tier 2 disclosures

Commented [RM8]: Staff note to the Board
In preparing this draft ED, staff have retained the mark-ups from agenda paper 3.2 which identify any changes made to the IFRS for SMEs disclosures.

However, staff intends to remove these mark-ups from the ED before publishing it, as the mark-ups could be confusing for those who read the disclosures 'cold' without knowledge of the IFRS for SMEs standard. The mark-ups will be retained for future reference in the analysis in agenda paper 3.2 and 3.3.

Sections 1 and 2

Aus1.6 Paragraphs 1.1-1.7 and 2.1-2.52 are deleted by the AASB.

Section 3

Financial Statement Presentation[9]

Scope of this section

3.1 This section explains fair presentation of financial statements, what compliance with the Australian Accounting Standards, including ~~IFRS for SMEs~~ this Standard, requires and what a complete set of financial statements is.

Fair presentation

3.2 Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in

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accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in ~~Section 2 Concepts and Pervasive Principles:~~ the *Conceptual Framework for Financial Reporting*:

(a) the application of the recognition and measurement requirements in the Australian Accounting Standards and the disclosures in ~~the~~ ~~IFRS for SMEs~~ this Standard, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation of the financial position, financial performance and cash flows of Tier 2 entities ~~of SMEs~~.

(b) ~~as explained in paragraph 1.5, the application of this Standard by an entity with public accountability does not result in a fair presentation in accordance with this Standard~~. As explained in paragraph 13 of AASB 1053 *Application of Tiers of Australian Accounting Standards*, this Standard does not apply to an entity with public accountability.

The additional disclosures referred to in (a) are necessary when compliance with the specific requirements in this Standard is insufficient to enable users to understand the effect of particular transactions, other events and conditions on the entity's financial position and financial performance.

Compliance with Australian Accounting Standards, including this Standard ~~the IFRS for SMEs~~

3.3 An entity whose financial statements comply with Australian Accounting Standards and the disclosure requirements in this Standard ~~IFRS for SMEs~~ shall make an explicit and unreserved statement of such compliance in the notes. Financial statements shall not be described as complying with Australian Accounting Standards, including this Standard, ~~the IFRS for SMEs~~ unless they comply with all the requirements of these ~~is~~ Standards.

Aus3.3.1 An entity shall disclose in the notes:

(a) the statutory basis or other reporting framework, if any, under which the financial statements are prepared; and

(b) whether, for the purposes of preparing the financial statements, it is a for-profit or not-for-profit entity.

3.4 In the extremely rare circumstances when management concludes that compliance with Australian Accounting Standards, including this Standard, would be so misleading that it would conflict with the objective of financial statements ~~of~~ ~~SMEs~~ set out in ~~Section 2~~ the *Conceptual Framework for Financial Reporting*, the entity shall depart from that requirement in the manner set out in paragraph 3.5 unless the relevant regulatory framework prohibits such a departure.

Aus3.4.1 In relation to paragraph 3.4, the following shall not depart from a requirement in an Australian Accounting Standard:

(a) entities required to prepare financial reports under Part 2M.3 of the Corporations Act;

(b) private and public sector not-for-profit entities; and

(c) entities applying Australian Accounting Standards – Simplified Disclosure Requirements.

3.5 When an entity departs from a requirement of Australian Accounting Standards, including this Standard, in accordance with paragraph 3.4, it shall disclose the following:

(a) that management has concluded that the financial statements present fairly the entity's financial position, financial performance and cash flows;

(b) that it has complied with applicable Australian Accounting Standards, including ~~the IFRS for SMEs~~ this Standard, except that it has departed from a particular requirement to achieve a fair presentation; and

(c) the title of the Australian Accounting Standard from which the entity has departed, the nature of the departure, including the treatment that ~~the IFRS for SMEs~~ the Australian Accounting Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in ~~Section 2~~ the *Conceptual Framework for Financial Reporting* and the treatment adopted.

3.6 When an entity has departed from a requirement of an Australian Accounting Standard, including this Standard, in a prior period, and that departure affects the amounts recognised in the financial statements for the current period, it shall make the disclosures set out in paragraph 3.5(c).

3.7 In the extremely rare circumstances when management concludes that compliance with a requirement in an Australian Accounting Standard, including this Standard, would be so misleading that it would conflict with the objective of financial statements of ~~SMEs~~ set out in ~~Section 2~~ the *Conceptual Framework for Financial Reporting*, but the relevant regulatory framework prohibits departure from the requirement, the entity shall, to the maximum extent possible, reduce the perceived misleading aspects of compliance by disclosing the following:

(a) the title of the Australian Accounting Standard in question, the nature of the requirement, ~~in this Standard~~ and the reason why management has concluded that complying with that requirement is so misleading in the circumstances that it conflicts with the objective of financial statements set out in ~~Section 2~~ the *Conceptual Framework for Financial Reporting*; and

(b) for each period presented, the adjustments to each item in the financial statements that management has concluded would be necessary to achieve a fair presentation.

Going concern

3.8 When preparing financial statements, the management of an entity using this Standard shall make an assessment of the entity's ability to continue as a going concern. An entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the reporting date.

3.9 When management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.

Frequency of reporting

3.10 An entity shall present a complete set of financial statements (including comparative information–see paragraph 3.14) at least annually. When the end of an entity's reporting period changes and the annual financial statements are presented for a period longer or shorter than one year, the entity shall disclose the following:

(a) that fact;

(b) the reason for using a longer or shorter period; and

(c) the fact that comparative amounts presented in the financial statements (including the related notes) are not entirely comparable.

Consistency of presentation

3.11 An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless:

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in ~~Section 10~~ ~~*Accounting Policies, Estimates and Errors*~~ AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*; or

(b) this Standard requires a change in presentation.

3.12 When the presentation or classification of items in the financial statements is changed, an entity shall reclassify comparative amounts unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the following:

(a) the nature of the reclassification;

(b) the amount of each item or class of items that is reclassified; and

(c) the reason for the reclassification.

3.13 If it is impracticable to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable.

Comparative information

3.14 Except when this Standard permits or requires otherwise, an entity shall disclose comparative information in respect of the previous comparable period for all amounts presented in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Materiality and aggregation

3.15 An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

3.16 ~~Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions of users made on the basis of the financial statements. Materiality depends on the size and~~

~~nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.~~ Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Commented [DS9]: Staff note to the Board
The definition of materiality has been replaced with the new definition from AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material* to avoid any potential R&M differences that could result from the different definition.

Consistent with the style of drafting of the IFRS for SMEs standard, we have only included the black letter part of the definition, but not the additional guidance also added by AASB 2018-7.

Offsetting

Aus3.16.1 An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by an Australian Accounting Standard.

Complete set of financial statements

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

(a) a statement of financial position as at the reporting date;

(b) either:

(i) a single statement of comprehensive income for the reporting period displaying all items of income and expense recognised during the period including those items recognised in determining profit or loss (which is a subtotal in the statement of comprehensive income) and items of other comprehensive income.

(ii) a separate income statement and a separate statement of comprehensive income. If an entity chooses to present both an income statement and a statement of comprehensive income, the statement of comprehensive income begins with profit or loss and then displays the items of other comprehensive income.

(c) a statement of changes in equity for the reporting period;

(d) a statement of cash flows for the reporting period; and

(e) notes, comprising a summary of significant accounting policies and other explanatory information.

3.18 If the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy, the entity may present a single statement of income and retained earnings in place of the statement of comprehensive income and statement of changes in equity (see paragraph 6.4).

3.19 If an entity has no items of other comprehensive income in any of the periods for which financial statements are presented, it may present only an income statement or it may present a statement of comprehensive income in which the 'bottom line' is labelled 'profit or loss'.

3.20 Because paragraph 3.14 requires comparative amounts in respect of the previous period for all amounts presented in the financial statements, a complete set of financial statements means that an entity shall present, as a minimum, two of each of the required financial statements and related notes.

3.21 In a complete set of financial statements, an entity shall present each financial statement with equal prominence.

3.22 An entity may use titles for the financial statements other than those used in this Standard as long as they are not misleading.

Identification of the financial statements

3.23 An entity shall clearly identify each of the financial statements and the notes and distinguish them from other information in the same document. In addition, an entity shall display the following information prominently and repeat it when necessary for an understanding of the information presented:

(a) the name of the reporting entity and any change in its name since the end of the preceding reporting period;

(b) whether the financial statements cover the individual entity or a group of entities;

(c) the date of the end of the reporting period and the period covered by the financial statements;

(d) the presentation currency, as defined in ~~Section 30 Foreign Currency Translation~~ AASB 121 *The Effects of Changes in Foreign Exchange Rates*; and

(e) the level of rounding, if any, used in presenting amounts in the financial statements.

3.24 An entity shall disclose the following in the notes:

(a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office); and

(b) a description of the nature of the entity's operations and its principal activities.

Commented [DS10]: Staff note for the Board
This is an additional disclosure in IFRS for SMEs. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Presentation of information not required by this Standard

3.25 This Standard does not address presentation of segment information (AASB 8 *Operating Segments*), earnings per share (AASB 133 *Earnings per Share*), or interim financial reports (AASB 134 *Interim Financial Reporting*) ~~by a small or medium-sized entity~~. An entity making such disclosures shall apply the relevant standards in ~~describe the basis for~~ preparing and presenting the information.

Section 4

Statement of Financial Position[10]

Scope of this section

4.1 This section sets out the information that is to be presented in a statement of financial position and how to present it. The statement of financial position (sometimes called the balance sheet) presents an entity's assets, liabilities and equity as of a specific date—the end of the reporting period.

Information to be presented in the statement of financial position

4.2 As a minimum, the statement of financial position shall include line items that present the following amounts:

(a) cash and cash equivalents;

(b) trade and other receivables;

(c) financial assets (excluding amounts shown under (a), (b), (j) and (k));

(d) inventories;

(e) property, plant and equipment;

(ea) investment property ~~carried at cost less accumulated depreciation and impairment;~~

(f) ~~investment property carried at fair value through profit or loss;~~ Deleted by the AASB

(g) intangible assets;

(h) biological assets ~~carried at cost less accumulated depreciation and impairment;~~

(i) ~~biological assets carried at fair value through profit or loss;~~ Deleted by the AASB

(j) investments in associates;

(k) investments in joint ventures

(l) trade and other payables;

(m) financial liabilities (excluding amounts shown under (l) and (p));

(n) liabilities and assets for current tax;

(o) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current);

(p) provisions;

(q) non-controlling interest, presented within equity separately from the equity attributable to the owners of the parent;

(r) equity attributable to the owners of the parent.

4.3 An entity shall present additional line items, headings and subtotals in the statement of financial position when such presentation is relevant to an understanding of the entity's financial position.

Current/non-current distinction

4.4 An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position in accordance with paragraphs 4.5–4.8, except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, all assets and liabilities shall be presented in order of approximate liquidity (ascending or descending).

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Current assets

4.5 An entity shall classify an asset as current when:

(a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle;

(b) it holds the asset primarily for the purpose of trading;

(c) it expects to realise the asset within twelve months after the reporting date; or

(d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

4.6 An entity shall classify all other assets as non-current. When the entity's normal operating cycle is not clearly identifiable, its duration is assumed to be twelve months.

Current liabilities

4.7 An entity shall classify a liability as current when:

(a) it expects to settle the liability in the entity's normal operating cycle;

(b) it holds the liability primarily for the purpose of trading;

(c) the liability is due to be settled within twelve months after the reporting date; or

(d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

Commented [DS11]: Staff note to the Board:
AASB 101 paragraph 69(d) (which is equivalent to 4.7(d)) further says "Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification". This part of the sentence is not included in this Standard.

Staff are of the view that it only provides guidance and hence does not need to be added here. This is consistent with the other IFRS for SMEs disclosures which do not include some of the additional guidance provided eg in IAS 1 or IAS 7.

4.8 An entity shall classify all other liabilities as non-current.

Sequencing of items and format of items in the statement of financial position

4.9 This Standard does not prescribe the sequence or format in which items are to be presented. Paragraph 4.2 simply provides a list of items that are sufficiently different in nature or function to warrant separate presentation in the statement of financial position. In addition:

(a) line items are included when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of the entity's financial position; and

(b) the descriptions used and the sequencing of items or aggregation of similar items may be amended according to the nature of the entity and its transactions, to provide information that is relevant to an understanding of the entity's financial position.

4.10 The judgement on whether additional items are presented separately is based on an assessment of all of the following:

(a) the amounts, nature and liquidity of assets;

(b) the function of assets within the entity; and

(c) the amounts, nature and timing of liabilities.

Information to be presented either in the statement of financial position or in the notes

4.11 An entity shall disclose, either in the statement of financial position or in the notes, the following subclassifications of the line items presented:

(a) property, plant and equipment in classifications appropriate to the entity;

(b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties and receivables arising from accrued income not yet billed;

(c) inventories, showing separately amounts of inventories:

(i) held for sale in the ordinary course of business;

(ii) in the process of production for such sale; and

(iii) in the form of materials or supplies to be consumed in the production process or in the rendering of services.

(d) trade and other payables, showing separately amounts payable to trade suppliers, payable to related parties, deferred income and accruals;

(e) provisions for employee benefits and other provisions; and

(f) classes of equity, such as paid-in capital, share premium, retained earnings and items of income and expense that, as required by this Standard, are recognised in other comprehensive income and presented separately in equity.

4.12 An entity with share capital shall disclose the following, either in the statement of financial position or in the notes:

(a) for each class of share capital:

(i) the number of shares authorised.

(ii) the number of shares issued and fully paid, and issued but not fully paid.

(iii) par value per share or that the shares have no par value.

(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period. This reconciliation need not be presented for prior periods.

(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital.

(vi) shares in the entity held by the entity or by its subsidiaries or associates.

(vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.

(b) a description of each reserve within equity.

4.13 An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that required by paragraph 4.12(a), showing changes during the period in each category of equity, and the rights, preferences and restrictions attaching to each category of equity.

4.14 If, at the reporting date, an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities, the entity shall disclose the following information:

(a) a description of the asset(s) or the group of assets and liabilities;

(b) a description of the facts and circumstances of the sale or plan; and

(c) the carrying amount of the assets or, if the disposal involves a group of assets and liabilities, the carrying amounts of those assets and liabilities.

Section 5

Statement of Comprehensive Income and Income Statement[11]

Scope of this section

5.1 This section requires an entity to present its total comprehensive income for a period—ie its financial performance for the period—in one or two financial statements. It sets out the information that is to be presented in those statements and how to present it.

Presentation of total comprehensive income

5.2 An entity shall present its total comprehensive income for a period either:

(a) in a single statement of comprehensive income, in which case the statement of comprehensive income presents all items of income and expense recognised in the period; or

(b) in two statements—an income statement and a statement of comprehensive income—in which case the income statement presents all items of income and expense recognised in the period except those that are recognised in total comprehensive income outside of profit or loss as permitted or required by this Standard.

5.3 A change from the single-statement approach to the two-statement approach, or vice versa, is a change in accounting policy to which ~~Section 10 *Accounting Policies, Estimates and Errors*~~ AASB 108 applies.

Single-statement approach

5.4 Under the single-statement approach, the statement of comprehensive income shall include all items of income and expense recognised in a period unless ~~this Standard~~ other Australian Accounting Standards requires

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otherwise. ~~This Standard~~ The Australian Accounting Standards provide~~s~~ different treatment for the following circumstances:

(a) the effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods instead of as part of profit or loss in the period in which they arise (see ~~Section 10~~ AASB 108); and

(b) ~~four~~ nine types of other comprehensive income are recognised as part of total comprehensive income, outside of profit or loss, when they arise:

(i) ~~some~~ gains and losses arising on translating the financial statements of a foreign operation (see ~~Section 30 Foreign Currency Translation~~ AASB 121;

(ii) ~~some actuarial gains and losses~~ remeasurements of defined benefit plans (see ~~Section 28~~ AASB 119 *Employee Benefits*);

(iii) ~~some changes in fair values of hedging instruments (see Section 12 Other Financial Instrument Issues)~~ the effective portion of gains and losses on hedging instruments in a cash flow hedge and the gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9 *Financial Instruments* (see Chapter 6 of AASB 9);

(iv) changes in the revaluation surplus ~~for property, plant and equipment measured in accordance with the revaluation model~~ (see ~~Section 17~~ AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*);

Aus5.4.b.(v) gains and losses from investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9;

Aus5.4.b.(vi) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9.

Aus5.4.b(vii) for particular liabilities designated as at fair value through profit or loss, the amount of the change in fair value that is attributable to changes in the liability's credit risk (see paragraph 5.7.7 of AASB 9);

Aus5.4.b.(viii) changes in the value of the time value of options when separating the intrinsic value and time value of an option contract and designating as the hedging instrument only the changes in the intrinsic value (see Chapter 6 of AASB 9);

Aus5.4.b.(ix) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of AASB 9);

5.5 As a minimum, an entity shall include, in the statement of comprehensive income, line items that present the following amounts for the period:

(a) revenue.

(b) finance costs.

(c) share of the profit or loss of investments in associates ~~(see Section 14 Investments in Associates)~~ and ~~jointly controlled entities (see Section 15 Investments in Joint Ventures)~~ and joint ventures accounted for using the equity method (see AASB 128 *Investments in Associates and Joint Ventures.)*

(d) tax expense ~~excluding tax allocated to items (e), (g) and (h) (see paragraph 29.35).~~

(e) a single amount for the total of ~~comprising the total of:~~

~~(i) the post-tax profit or loss of a~~ discontinued operations (see AASB 5 *Non-current Assets Held for Sale and Discontinued Operations)*; and

(ii) the post-tax gain or loss attributable to an impairment, or reversal of an impairment, of the assets in the discontinued operation (see AASB 5 ~~Section 27 Impairment of Assets~~), both at the time and subsequent to being classified as a discontinued operation and to the disposal of the net assets constituting the discontinued operation.

(f) profit or loss (if an entity has no items of other comprehensive income, this line need not be presented).

(g) each item of other comprehensive income (see paragraph 5.4(b)) classified by nature (excluding amounts in (h)). Such items shall be grouped into those that, in accordance with this Standard:

(i) will not be reclassified subsequently to profit or loss—ie those in paragraph ~~5.4(b)(i) (ii) and (iv)~~ 5.4(b)(i), 5.4(b)(iii) and Aus5.4.(b).(vi) and

(ii) will be reclassified subsequently to profit or loss when specific conditions are met—ie those in paragraph ~~5.4(b)(iii)~~ 5.4(b)(ii), 5.4(b)(iv), Aus5.4.(b).(v), Aus5.4.(b).(vii), Aus5.4.(b).(viii) and Aus5.4.(b).(ix).

(h) share of the other comprehensive income of associates and ~~jointly controlled entities~~ joint ventures accounted for by the equity method~~.~~

(i) total comprehensive income (if an entity has no items of other comprehensive income, it may use another term for this line such as profit or loss).

5.6 An entity shall disclose separately the following items in the statement of comprehensive income as allocations for the period:

(a) profit or loss for the period attributable to

(i) non-controlling interest; and

(ii) owners of the parent.

(b) total comprehensive income for the period attributable to

(i) non-controlling interest; and

(ii) owners of the parent.

Two-statement approach

5.7 Under the two-statement approach, the income statement shall display, as a minimum, line items that present the amounts in paragraph 5.5(a)–5.5(f) for the period, with profit or loss as the last line. The statement of comprehensive income shall begin with profit or loss as its first line and shall display, as a minimum, line items that present the amounts in paragraph 5.5(g)–5.5(i) and paragraph 5.6 for the period.

Requirements applicable to both approaches

5.8 Under this Standard, the effects of corrections of errors and changes in accounting policies are presented as retrospective adjustments of prior periods instead of as part of profit or loss in the period in which they arise (see AASB 108 ~~Section 10~~).

5.9 An entity shall present additional line items, headings and subtotals in the statement of comprehensive income (and in the income statement, if presented), when such presentation is relevant to an understanding of the entity's financial performance.

5.10 An entity shall not present or describe any items of income and expense as 'extraordinary items' in the statement of comprehensive income (or in the income statement, if presented) or in the notes.

Analysis of expenses

5.11 An entity shall present an analysis of expenses using a classification based on either the nature of expenses or the function of expenses within the entity, whichever provides information that is reliable and more relevant.

Analysis by nature of expense

(a) Under this method of classification, expenses are aggregated in the statement of comprehensive income according to their nature (for example, depreciation, purchases of materials, transport costs, employee benefits and advertising costs) and are not reallocated among various functions within the entity.

Analysis by function of expense

(b) Under this method of classification, expenses are aggregated according to their function as part of cost of sales or, for example, the costs of distribution or administrative activities. At a minimum, an entity discloses its cost of sales under this method separately from other expenses.

Section 6

Statement of Changes in Equity and Statement of Income and Retained Earnings[12]

Scope of this section

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6.1 This section sets out requirements for presenting the changes in an entity's equity for a period, either in a statement of changes in equity or, if specified conditions are met and an entity chooses, in a statement of income and retained earnings.

Statement of changes in equity

Purpose

6.2 The statement of changes in equity presents an entity's profit or loss for a reporting period, other comprehensive income for the period, the effects of changes in accounting policies and corrections of errors recognised in the period and the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners during the period.

Information to be presented in the statement of changes in equity

6.3 The statement of changes in equity includes the following information:

(a) total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with ~~Section 10 *Accounting Policies, Estimates and Errors*~~ AASB 108; and

(c) for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:

(i) profit or loss;

(ii) other comprehensive income; and

(iii) the amounts of investments by, and dividends and other distributions to, owners in their capacity as owners, showing separately issues of shares, treasury share transactions, dividends and other distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Statement of income and retained earnings

Purpose

6.4 The statement of income and retained earnings presents an entity's profit or loss and changes in retained earnings for a reporting period. Paragraph 3.18 permits an entity to present a statement of income and retained earnings in place of a statement of comprehensive income and a statement of changes in equity if the only changes to its equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.

Information to be presented in the statement of income and retained earnings

6.5 An entity shall present, in the statement of income and retained earnings, the following items in addition to the information required by Section 5 Statement of Comprehensive Income and Income Statement:

(a) retained earnings at the beginning of the reporting period;

(b) dividends declared and paid or payable during the period;

(c) restatements of retained earnings for corrections of prior period errors;

(d) restatements of retained earnings for changes in accounting policy; and

(e) retained earnings at the end of the reporting period.

Commented [DS12]: Staff note for the Board
This is an additional disclosure in IFRS for SMEs which only applies where an entity has elected not to include a separate statement of changes in equity as permitted under paragraph 3.18.

If the Board should agree to remove the option in paragraph 3.18, then this disclosure should also be deleted.

Section 7

Statement of Cash Flows[13]

Scope of this section

7.1 This section sets out the information that is to be presented in a statement of cash flows and how to present it. The statement of cash flows provides information about the changes in cash and cash equivalents of an entity for a reporting period, showing separately changes from operating activities, investing activities and financing activities.

Cash equivalents

12 Equivalent AASB Standard: AASB 107 *Statement of Cash Flows*

7.2 Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. They are held to meet short-term cash commitments instead of for investment or other purposes. Consequently, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition. Bank overdrafts are normally considered financing activities similar to borrowings. However, if they are repayable on demand and form an integral part of an entity's cash management, bank overdrafts are a component of cash and cash equivalents.

Information to be presented in the statement of cash flows

7.3 An entity shall present a statement of cash flows that presents cash flows for a reporting period classified by operating activities, investing activities and financing activities.

Operating activities

7.4 Operating activities are the principal revenue-producing activities of the entity. Consequently, cash flows from operating activities generally result from the transactions and other events and conditions that enter into the determination of profit or loss. Examples of cash flows from operating activities are:

(a) cash receipts from the sale of goods and the rendering of services;

(b) cash receipts from royalties, fees, commissions and other revenue;

(c) cash payments to suppliers for goods and services;

(d) cash payments to and on behalf of employees;

(e) cash payments or refunds of income tax, unless they can be specifically identified with financing and investing activities; and

(f) cash receipts and payments from investments, loans and other contracts held for dealing or trading purposes, which are similar to inventory acquired specifically for resale.

Some transactions, such as the sale of an item of plant by a manufacturing entity, may give rise to a gain or loss that is included in profit or loss. However, the cash flows relating to such transactions are cash flows from investing activities.

Investing activities

7.5 Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Examples of cash flows arising from investing activities are:

(a) cash payments to acquire property, plant and equipment (including self-constructed property, plant and equipment), intangible assets and other long-term assets;

(b) cash receipts from sales of property, plant and equipment, intangibles and other long-term assets;

(c) cash payments to acquire equity or debt instruments of other entities and interests in joint ventures (other than payments for those instruments classified as cash equivalents or held for dealing or trading);

(d) cash receipts from sales of equity or debt instruments of other entities and interests in joint ventures (other than receipts for those instruments classified as cash equivalents or held for dealing or trading);

(e) cash advances and loans made to other parties;

(f) cash receipts from the repayment of advances and loans made to other parties;

(g) cash payments for futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the payments are classified as financing activities; and

(h) cash receipts from futures contracts, forward contracts, option contracts and swap contracts, except when the contracts are held for dealing or trading, or the receipts are classified as financing activities.

When a contract is accounted for as a hedge (see ~~Section 12 Other *Financial* Issues~~ AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurements*), an entity shall classify the cash flows of the contract in the same manner as the cash flows of the item being hedged.

Financing activities

7.6 Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of an entity. Examples of cash flows arising from financing activities are:

(a) cash proceeds from issuing shares or other equity instruments;

(b) cash payments to owners to acquire or redeem the entity's shares;

(c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;

(d) cash repayments of amounts borrowed; and

(e) cash payments by a lessee for the reduction of the outstanding liability relating to a ~~finance~~ lease.

Reporting cash flows from operating activities

7.7 An entity shall present cash flows from operating activities using either:

(a) the indirect method, whereby profit or loss is adjusted for the effects of non-cash transactions, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows; or

(b) the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed.

Indirect method

7.8 Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of:

(a) changes during the period in inventories and operating receivables and payables;

(b) non-cash items such as depreciation, provisions, deferred tax, accrued income (expenses) not yet received (paid) in cash, unrealised foreign currency gains and losses, undistributed profits of associates and non-controlling interests; and

(c) all other items for which the cash effects relate to investing or financing.

Direct method

7.9 Under the direct method, net cash flow from operating activities is presented by disclosing information about major classes of gross cash receipts and gross cash payments. Such information may be obtained either:

(a) from the accounting records of the entity; or

(b) by adjusting sales, cost of sales and other items in the statement of comprehensive income (or the income statement, if presented) for:

(i) changes during the period in inventories and operating receivables and payables;

(ii) other non-cash items; and

(iii) other items for which the cash effects are investing or financing cash flows.

Reporting cash flows from investing and financing activities

7.10 An entity shall present separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. The aggregate cash flows arising from acquisitions and from disposals of subsidiaries or other business units shall be presented separately and classified as investing activities.

Foreign currency cash flows

7.11 An entity shall record cash flows arising from transactions in a foreign currency in the entity's functional currency by applying to the foreign currency amount the exchange rate between the functional and the foreign currency at the date of the cash flow. Paragraph ~~30.19~~ 40 in AASB 121 explains when an exchange rate that approximates the actual rate can be used.

7.12 The entity shall translate cash flows of a foreign subsidiary at the exchange rates between the entity's functional currency and the foreign currency at the dates of the cash flows.

7.13 Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, to reconcile cash and cash equivalents at the beginning and the end of the period, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency must be presented in the statement of cash flows. Consequently, the entity shall remeasure cash and cash equivalents held during the reporting period (such as amounts of foreign currency held and foreign currency bank accounts) at period-end exchange rates. The entity shall present the resulting unrealised gain or loss separately from cash flows from operating, investing and financing activities.

Interest and dividends

7.14 An entity shall present separately cash flows from interest and dividends received and paid. The entity shall classify cash flows consistently from period to period as operating, investing or financing activities.

7.15 An entity may classify interest paid and interest and dividends received as operating cash flows because they are included in profit or loss. Alternatively, the entity may classify interest paid and interest and dividends received as financing cash flows and investing cash flows respectively, because they are costs of obtaining financial resources or returns on investments.

7.16 An entity may classify dividends paid as a financing cash flow because they are a cost of obtaining financial resources. Alternatively, the entity may classify dividends paid as a component of cash flows from operating activities because they are paid out of operating cash flows.

Income tax

7.17 An entity shall present separately cash flows arising from income tax and shall classify them as cash flows from operating activities unless they can be specifically identified with financing and investing activities. When tax cash flows are allocated over more than one class of activity, the entity shall disclose the total amount of taxes paid.

Non-cash transactions

7.18 An entity shall exclude from the statement of cash flows investing and financing transactions that do not require the use of cash or cash equivalents. An entity shall disclose such transactions elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities.

7.19 Many investing and financing activities do not have a direct impact on current cash flows even though they affect the capital and asset structure of an entity. The exclusion of non-cash transactions from the statement of cash flows is consistent with the objective of a statement of cash flows because these items do not involve cash flows in the current period. Examples of non-cash transactions are:

(a) the acquisition of assets either by assuming directly related liabilities or by means of a ~~finance~~ lease;

(b) the acquisition of an entity by means of an equity issue; and

(c) the conversion of debt to equity.

Components of cash and cash equivalents

7.20 An entity shall present the components of cash and cash equivalents and shall present a reconciliation of the amounts presented in the statement of cash flows to the equivalent items presented in the statement of financial position. However, an entity is not required to present this reconciliation if the amount of cash and cash equivalents presented in the statement of cash flows is identical to the amount similarly described in the statement of financial position.

Other disclosures

7.21 An entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the entity. Cash and cash equivalents held by an entity may not be available for use by the entity because of, among other reasons, foreign exchange controls or legal restrictions.

Section 8

Notes to the Financial Statements[14]

Scope of this section

8.1 This section sets out the principles underlying information that is to be presented in the notes to the financial statements and how to present it. Notes contain information in addition to that presented in the statement of financial position, the statement of comprehensive income (if presented), the income statement (if presented), the combined statement of income and retained earnings (if presented), the statement of changes in equity (if presented) and the statement of cash flows. Notes provide narrative descriptions or disaggregations of items presented in those statements and information about items that do not qualify for recognition in those statements. In addition to the requirements of this section, nearly every other section of this Standard requires disclosures that are normally presented in the notes.

Structure of the Notes

8.2 The notes shall:

(a) present information about the basis of preparation of the financial statements and the specific accounting policies used, in accordance with paragraphs 8.5–8.7;

13 Equivalent AASB Standard: AASB 1 *Presentation of Financial Statements*

(b) disclose the information required by this Standard that is not presented elsewhere in the financial statements; and

(c) provide information that is not presented elsewhere in the financial statements but is relevant to an understanding of any of them.

8.3 An entity shall, as far as practicable, present the notes in a systematic manner. An entity shall cross-reference each item in the financial statements to any related information in the notes.

8.4 An entity normally presents the notes in the following order:

(a) a statement that the financial statements have been prepared in compliance with ~~the IFRS for SMEs~~ this Standard (see paragraph 3.3);

(b) a summary of significant accounting policies applied (see paragraph 8.5);

(c) supporting information for items presented in the financial statements, in the sequence in which each statement and each line item is presented; and

(d) any other disclosures.

Commented [DS13]: Staff note to the Board:
Subsequent amendments made to AASB 101/IAS 1 as a result of the IASB's Disclosure Initiative, which clarified that preparers have some flexibility in presenting the information in their financial reports, are not included in the IFRS for SMEs Standard.

Consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard, staff have retained the current wording from the IFRS for SMEs standard. Staff also note that the amendments were identified as clarifications rather than substantive changes to the requirements. Therefore, the difference in wording should not result in substantive differences in application.

However, staff will also flag this to the IASB staff.

Disclosure of accounting policies

8.5 An entity shall disclose the following in the summary of significant accounting policies:

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

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

Information about judgements

8.6 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), 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.

Information about key sources of estimation uncertainty

8.7 An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

(a) their nature; and

(b) their carrying amount as at the end of the reporting period.

Section 9

Consolidated and Separate Financial Statements[15]

Disclosures in consolidated financial statements

9.23 The following disclosures shall be made in consolidated financial statements:

(a) the fact that the statements are consolidated financial statements;

(b) the basis for concluding that control exists when the parent does not own, directly or indirectly through subsidiaries, more than half of the voting power;

(c) any difference in the reporting date of the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements; and

(d) the nature and extent of any significant restrictions (for example resulting from borrowing arrangements or regulatory requirements) on the ability of subsidiaries to transfer funds to the parent in the form of cash dividends or to repay loans.

14 Equivalent AASB Standards:
AASB 3 *Business Combinations*
AASB 10 *Consolidated Financial Statements*
AASB 12 *Disclosure of Interests in Other Entities*
AASB 127 *Separate Financial Statements*

9.23A ~~In addition to the disclosure requirements in Section 11 IFRS 9, a parent entity shall disclose the carrying amount of investments in subsidiaries that are not consolidated (see paragraphs 9.3A–9.3C) at the reporting date, in total, either in the statement of financial position or in the notes.~~ Deleted by the AASB.

Disclosures in separate financial statements

9.27 When a parent, an investor in an associate or a venturer with an interest in a ~~jointly controlled entity~~ joint venture prepares separate financial statements, those separate financial statements shall disclose:

(a) that the statements are separate financial statements; and

(b) a description of the methods used to account for the investments in subsidiaries, ~~jointly controlled entities~~ joint ventures and associates, and shall identify the consolidated financial statements or other primary financial statements to which they relate.

Disclosures in combined financial statements

~~9.30 The combined financial statements shall disclose the following:~~

~~(a) the fact that the financial statements are combined financial statements;~~

~~(b) the reason why combined financial statements are prepared;~~

~~(c) the basis for determining which entities are included in the combined financial statements;~~

~~(d) the basis of preparation of the combined financial statements; and~~

~~(e) the related party disclosures required by Section 33 Related Party Disclosures.~~ Deleted by the AASB.

Section 10

Accounting Policies, Estimates and Errors[16]

Disclosure of a change in accounting policy

10.13 When an amendment to this Standard has an effect on the current period or any prior period, or might have an effect on future periods, an entity shall disclose the following:

(a) the nature of the change in accounting policy;

(b) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;

(c) the amount of the adjustment relating to periods before those presented, to the extent practicable; and

(d) an explanation if it is impracticable to determine the amounts to be disclosed in (b) or (c).

Financial statements of subsequent periods need not repeat these disclosures.

10.14 When a voluntary change in accounting policy has an effect on the current period or any prior period, an entity shall disclose the following:

(a) the nature of the change in accounting policy;

(b) the reasons why applying the new accounting policy provides reliable and more relevant information;

(c) to the extent practicable, the amount of the adjustment for each financial statement line item affected, shown separately:

(i) for the current period;

(ii) for each prior period presented; and

(iii) in the aggregate for periods before those presented.

(d) an explanation if it is impracticable to determine the amounts to be disclosed in (c).

Financial statements of subsequent periods need not repeat these disclosures.

Disclosure of a change in estimate

10.18 An entity shall disclose the nature of any change in an accounting estimate and the effect of the change on assets, liabilities, income and expense for the current period. If it is practicable for the entity to estimate the effect of the change in one or more future periods, the entity shall disclose those estimates.

15 Equivalent AASB Standard: AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

Disclosure of prior period errors

10.23 An entity shall disclose the following about prior period errors:

(a) the nature of the prior period error;

(b) for each prior period presented, to the extent practicable, the amount of the correction for each financial statement line item affected;

(c) to the extent practicable, the amount of the correction at the beginning of the earliest prior period presented; and

(d) an explanation if it is not practicable to determine the amounts to be disclosed in (b) or (c).

Financial statements of subsequent periods need not repeat these disclosures.

Section 11

Basic Financial Instruments Disclosures[17]

~~Disclosures~~

11.39 The following disclosures make reference to disclosures for financial liabilities measured at fair value through profit or loss. Entities that have only basic financial instruments (and therefore do not apply Section 12) will not have any financial liabilities measured at fair value through profit or loss and hence will not need to provide such disclosures.

Disclosure of accounting policies for financial instruments

11.40 In accordance with paragraph 8.5, an entity shall disclose, in the summary of significant accounting 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.

Statement of financial position—categories of financial assets and financial liabilities

11.41 An entity shall disclose the carrying amounts of each of the following categories of financial assets and financial liabilities at the reporting date, in total, either in the statement of financial position or in the notes:

(a) financial assets measured at fair value through profit or loss ~~(paragraph 11.14(c)(i) and paragraphs 12.8 and 12.9)~~;

(b) financial assets ~~that are debt instruments~~ measured at amortised cost ~~(paragraph 11.14(a))~~;

(c) ~~financial assets that are equity instruments measured at cost less impairment (paragraph 11.14(c)(ii) and paragraphs 12.8 and 12.9);~~ Deleted by the AASB

(d) financial liabilities measured at fair value through profit or loss ~~(paragraphs 12.8 and 12.9)~~;

(e) financial liabilities measured at amortised cost ~~(paragraph 11.14(a))~~; and

(f) ~~loan commitments measured at cost less impairment (paragraph 11.14(b)).~~

Aus11.41.(g) financial assets measured at fair value through other comprehensive income, showing separately:

(i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9; and

(ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of AASB 9.

11.42 An entity shall disclose information that enables users of its financial statements to evaluate the significance of financial instruments for its financial position and performance. For example, for long-term debt such information would normally include the terms and conditions of the debt instrument (such as interest rate, maturity, repayment schedule, and restrictions that the debt instrument imposes on the entity).

11.43 For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, for example, quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each

17 Equivalent AASB Standards:
AASB 139 *Financial Instruments: Recognition and Measurement*
AASB 7 *Financial Instruments: Disclosures*
AASB 9 *Financial Instruments*

class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

11.44 ~~If a reliable measure of fair value is no longer available, or is not available without undue cost or effort when such an exemption is provided, for any financial instruments that would otherwise be required to be measured at fair value through profit or loss in accordance with this Standard, the entity shall disclose that fact, the carrying amount of those financial instruments and, if an undue cost or effort exemption has been used, the reasons why a reliable fair value measurement would involve undue cost or effort.~~ Deleted by the AASB

Derecognition

11.45 If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraph ~~section~~ ~~11.33–11.35~~ 3.2.15 of AASB 9), the entity shall disclose the following for each class of such financial assets:

(a) the nature of the assets;

(b) the nature of the risks and rewards of ownership to which the entity remains exposed; and

(c) the carrying amounts of the assets and of any associated liabilities that the entity continues to recognise.

Collateral

11.46 When an entity has pledged financial assets as collateral for liabilities or contingent liabilities, it shall disclose the following:

(a) the carrying amount of the financial assets pledged as collateral; and

(b) the terms and conditions relating to its pledge.

Defaults and breaches on loans payable

11.47 For loans payable recognised at the reporting date for which there is a breach of terms or a default of principal, interest, sinking fund or redemption terms that have not been remedied by the reporting date, an entity shall disclose the following:

(a) details of that breach or default;

(b) the carrying amount of the related loans payable at the reporting date; and

(c) whether the breach or default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorised for issue.

Items of income, expense, gains or losses

11.48 An entity shall disclose the following items of income, expense, gains or losses:

(a) income, expense, gains or losses, including changes in fair value, recognised on:

(i) financial assets measured at fair value through profit or loss;

(ii) financial liabilities measured at fair value through profit or loss;

(iii) financial assets measured at amortised cost; and

(iv) financial liabilities measured at amortised cost.

Aus11.48.(v) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9

Aus11.48.(vi) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

(b) total interest income and total interest expense (calculated using the effective interest method) for financial assets or financial liabilities that are not measured at fair value through profit or loss; and

(c) the amount of any impairment loss for each class of financial asset.

Section 12

Other Financial Instrument Issues – Hedging disclosures[18]

Disclosures

12.26 The ~~An entity applying this section shall make all of the~~ disclosures required in Section 11 apply to all financial instruments within the scope of AASB 9. ~~incorporating in those disclosures financial instruments that are within the scope of this section as well as those within the scope of Section 11.~~ In addition, if the entity uses hedge accounting, it shall make the additional disclosures in paragraphs 12.27–12.29.

12.27 An entity shall disclose the following separately for each category of risk exposures that it decides to hedges ~~s~~ and for which hedge accounting is applied: ~~of each of the four types of risks described in paragraph 12.17:~~

(a) a description of the hedge;

(b) a description of the financial instruments designated as hedging instruments and their fair values at the reporting date; and

(c) the nature of the risks being hedged, including a description of the hedged item.

12.28 ~~If an entity uses hedge accounting for a hedge of fixed interest rate risk or commodity price risk of a commodity held (paragraphs 12.19–12.22) it~~ For fair value hedges, the entity shall disclose the following:

(a) the amount of the change in fair value of the hedging instrument recognised in profit or loss for the period; and

(b) the amount of the change in fair value of the hedged item recognised in profit or loss for the period.

Commented [DS14]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

12.29 ~~If an entity uses hedge accounting for a hedge of variable interest rate risk, foreign exchange risk, commodity price risk in a firm commitment or highly probable forecast transaction or a net investment in a foreign operation (paragraphs 12.23–12.25), it~~ For cash flow hedges, an entity shall disclose the following:

(a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;

Commented [DS15]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

(b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;

(c) the amount of the change in fair value of the hedging instrument that was recognised in other comprehensive income during the period ~~(paragraph 12.23);~~

(d) the amount that was reclassified to profit or loss for the period ~~(paragraphs 12.23 and 12.25);~~ and

(e) the amount of any excess of the cumulative change in fair value of the hedging instrument over the cumulative change in the fair value of the expected cash flows that was recognised in profit or loss for the period ~~(paragraph 12.23).~~

Section 13

Inventories[19]

Disclosures

13.22 An entity shall disclose the following:

(a) the accounting policies adopted in measuring inventories, including the cost formula used;

(b) the total carrying amount of inventories and the carrying amount in classifications appropriate to the entity;

(c) the amount of inventories recognised as an expense during the period;

(d) impairment losses recognised or reversed in profit or loss in accordance with ~~Section 27 *Impairment of Assets*~~ AASB 102 *Inventories*; and

(e) the total carrying amount of inventories pledged as security for liabilities.

18 Equivalent AASB Standards:
AASB 7 *Financial Instruments: Disclosures*
AASB 9 *Financial Instruments*
AASB 139 *Financial Instruments: Recognition and Measurement*

19 Equivalent AASB Standard: AASB 102 *Inventories*

Section 14

Investments in Associates[20]

Disclosures

14.12 An entity shall disclose the following:

(a) its accounting policy for investments in associates;

(b) the carrying amount of investments in associates (see paragraph 4.2(j)); and

(c) the fair value of investments in associates accounted for using the equity method for which there are published price quotations.

14.13 For investments in associates accounted for by the cost model, an investor shall disclose the amount of dividends and other distributions recognised as income.

Commented [DS16]: Staff note for the Board
This is an additional disclosure in IFRS for SMEs. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

14.14 For investments in associates accounted for by the equity method, an investor shall disclose separately its share of the profit or loss of such associates and its share of any discontinued operations of such associates.

14.15 For investments in associates accounted for by the fair value model, an investor shall make the disclosures required by paragraphs 11.41–11.43 ~~11.44~~. ~~If an investor applies the undue cost or effort exemption in paragraph 14.10 for any associates it shall disclose that fact, the reasons why fair value measurement would involve undue cost or effort and the carrying amount of investments in associates accounted for under the cost model.~~

Section 15

Investments in Joint Ventures[21]

Disclosures

15.19 An entity shall disclose the following:

(a) the accounting policy it uses for recognising its interests in ~~jointly controlled entities~~ joint ventures;

(b) the carrying amount of investments in ~~jointly controlled entities~~ joint ventures (see paragraph 4.2(k));

(c) the fair value of investments in joint ventures ~~ly controlled entities~~ accounted for using the equity method for which there are published price quotations; and

(d) the aggregate amount of its commitments relating to joint ventures, including its share in the capital commitments that have been incurred jointly with other venturers, as well as its share of the capital commitments of the joint ventures themselves.

15.20 For joint ventures ~~y controlled entities~~ accounted for in accordance with the equity method, the venturer shall also make the disclosures required by paragraph 14.14 for equity method investments.

15.21 For joint ventures ~~ly controlled entities~~ accounted for in accordance with the fair value model, the venturer shall make the disclosures required by paragraphs 11.41–11.43 ~~11.44. If a venturer applies the undue cost or effort exemption in paragraph 15.15 for any jointly controlled entity it shall disclose that fact, the reasons why fair value measurement would involve undue cost or effort and the carrying amount of investments in jointly controlled entities accounted for under the cost model.~~

Section 16

Investment Property[22]

Disclosures

16.10 An entity shall disclose the following for all investment property accounted for at fair value through profit or loss ~~(paragraph 16.7)~~ (paragraph 33 of AASB 140 *Investment Property)*:

20 Equivalent AASB Standards:
AASB 12 *Disclosure of Interests in Other Entities*
AASB 128 *Investment in Associates*

21 Equivalent AASB Standards:
AASB 11 Joint Arrangements
AASB 128 Investments in Associates and Joint Ventures
AASB 12 Disclosure of Interests in Other Entities

22 Equivalent AASB Standard: AASB 140 *Investment Property*

(a) the methods and significant assumptions applied in determining the fair value of investment property.

(b) the extent to which the fair value of investment property (as measured or disclosed in the financial statements) is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property being valued. If there has been no such valuation, that fact shall be disclosed.

(c) the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

(d) contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

(e) a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately:

    (i) additions, disclosing separately those additions resulting from acquisitions through business combinations;

    (ii) net gains or losses from fair value adjustments;

    (iii) transfers to and from investment property carried at cost less accumulated depreciation and impairment (see paragraph ~~16.8~~ 57 of AASB 140);

    (iv) transfers to and from inventories and owner-occupied property; and

    (v) other changes.

This reconciliation need not be presented for prior periods.

16.11 In accordance with Section 20 the owner of an investment property provides lessors' disclosures about leases into which it has entered. ~~An entity that holds an investment property under a finance lease or operating lease provides lessees' disclosures for finance leases and lessors' disclosures for any operating leases into which it has entered~~. A lessee that holds a right-of-use asset that is an investment property provides lessees' disclosures as required by Section 20 leases for any leases into which it has entered.

Section 17

Property, Plant and Equipment[23]

Disclosures

17.31 An entity shall disclose the following for each class of property, plant and equipment determined in accordance with paragraph 4.11(a) and separately for investment property carried at cost less accumulated depreciation and impairment:

(a) the measurement bases used for determining the gross carrying amount;

(b) the depreciation methods used;

(c) the useful lives or the depreciation rates used;

(d) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period; and

(e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:

    (i) additions;

    (ii) disposals;

    (iii) acquisitions through business combinations;

    (iv) increases or decreases resulting from revaluations under paragraphs ~~17.15B–17.15D~~ 39 and 40 of AASB 116 and from impairment losses recognised or reversed in other comprehensive income in accordance with ~~Section 27~~ AASB 136 *Impairment of Assets*;

    (v) transfers to and from investment property carried at fair value through profit or loss (see paragraph ~~16.8~~ 57 of AASB 140);

23 Equivalent AASB Standard: AASB 116 *Property, Plant and Equipment*

(vi) impairment losses recognised or reversed in profit or loss in accordance with ~~Section 27~~ AASB 136;

(vii) depreciation; and

(viii) other changes.

This reconciliation need not be presented for prior periods.

17.32 An entity shall also disclose the following:

(a) the existence and carrying amounts of property, plant and equipment to which the entity has restricted title or that is pledged as security for liabilities;

(b) the amount of contractual commitments for the acquisition of property, plant and equipment; and

(c) if an entity has investment property whose fair value cannot be measured reliably ~~without undue cost or effort~~ it shall disclose that fact and the reasons why fair value ~~measurement would involve undue cost or effort~~ cannot be measured reliably for those items of investment property.

17.33 If items of property, plant and equipment are stated at revalued amounts, an entity shall disclose the following:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values;

(d) ~~for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model;~~ and

(e) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Commented [DS17]: Staff note for the Board
This is an additional disclosure in IFRS for SMEs which is shaded in the RDR disclosures. Staff are recommending removing this disclosure for the reasons set out in BC58.

Section 18

Intangible Assets other than Goodwill[24]

Disclosures

18.27 An entity shall disclose the following for each class of intangible assets:

(a) the useful lives or the amortisation rates used;

(b) the amortisation methods used;

(c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the reporting period;

(d) the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which any amortisation of intangible assets is included; and

(e) a reconciliation of the carrying amount at the beginning and end of the reporting period showing separately:

(i) additions;

(ii) disposals;

(iii) acquisitions through business combinations;

(iv) amortisation;

(v) impairment losses; and

(vi) other changes.

This reconciliation need not be presented for prior periods.

18.28 An entity shall also disclose:

(a) a description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements;

24 Equivalent AASB Standard: AASB 138 *Intangible Assets*

(b) for intangible assets acquired by way of a government grant and initially recognised at fair value (see paragraph 44 of AASB 138 ~~18.12~~):

(i) the fair value initially recognised for these assets; and

(ii) their carrying amounts.

(c) the existence and carrying amounts of intangible assets to which the entity has restricted title or that are pledged as security for liabilities; and

(d) the amount of contractual commitments for the acquisition of intangible assets.

18.29 An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period ~~(ie the amount of expenditure incurred internally on research and development that has not been capitalised as part of the cost of another asset that meets the recognition criteria in this Standard).~~ Research and development expenditure comprises all expenditure that is directly attributable to research or development activities. (see paragraphs 66 and 67 of AASB 138 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 18.29)

Aus18.29.1 If items of intangible assets are stated at revalued amounts, an entity shall disclose the following:

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

(c) the methods and significant assumptions applied in estimating the items' fair values;

(e) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders; and

(f) increases or decreases during the period resulting from revaluations under paragraphs 75, 85 and 86 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136 (if any).

Aus18.29.2 An entity shall also disclose for an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life.

Section 19

Business Combinations and Goodwill[25]

Disclosures

For business combination(s) during the reporting period

19.25 For each business combination during the period, the acquirer shall disclose the following:

(a) the names and descriptions of the combining entities or businesses;

(b) the acquisition date;

(c) the percentage of voting equity instruments acquired;

(d) the cost of the combination and a description of the components of that cost (such as cash, equity instruments and debt instruments);

(e) the amounts recognised at the acquisition date for each class of the acquiree's assets, liabilities and contingent liabilities, including goodwill;

(f) the amount of any excess recognised in profit or loss in accordance with paragraph ~~19.24~~ 34 of AASB 3 *Business Combinations* and the line item in the statement of comprehensive income (and in the income statement, if presented) in which the excess is recognised; and

(g) a qualitative description of the factors that make up the goodwill recognised, such as expected synergies from combining operations of the acquiree and the acquirer, or intangible assets or other items not recognised in accordance with paragraphs ~~19.15~~ 10-14 of AASB 3.

Aus19.25.(h) for each business combination in which the acquirer holds less than 100 per cent of the equity interests in the acquiree at the acquisition date, the acquirer shall disclose the amount of the non-controlling interest in the acquiree recognised at the acquisition date and the measurement basis for that amount.

Commented [DS18]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs which is shaded in RDR. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

25 Equivalent AASB Standard: AASB 3 *Business Combinations*

For all business combinations

19.26 An acquirer shall disclose ~~the useful lives used for goodwill and~~ a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period, showing separately:

(a) changes arising from new business combinations;

(b) impairment losses;

(c) disposals of previously acquired businesses; and

(d) other changes.

This reconciliation need not be presented for prior periods.

Section 20

Leases[26]

Disclosures

20.13 A lessee shall make the following disclosures for ~~finance~~ leases:

(a) for each class of right-of-use asset, the net carrying amount at the end of the reporting period;

(b) the total of future minimum lease payments at the end of the reporting period, for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years; and

(iii) later than five years.

(c) a general description of the lessee's significant leasing arrangements including, for example, information about variable lease payments, extension and termination options, residual value guarantees, ~~contingent rent, renewal or purchase options and escalation clauses,~~ subleases and restrictions imposed by lease arrangements.

20.14 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessees for the right-of-use assets ~~leased under finance leases~~.

20.16 A lessee shall make the following disclosures for ~~operating leases~~ short-term leases and leases of low-value assets that are not recognised as right-of-use assets under the exemption in paragraph 6 of AASB 16 *Leases*:

(a) ~~the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:~~

~~(i) not later than one year;~~

~~(ii) later than one year and not later than five years; and~~

~~(iii) later than five years;~~and~~.~~

the amount of its lease commitments for short-term leases if the portfolio of short-term leases if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph (b) below relates; and

(b) lease payments recognised as an expense; ~~and~~

(c) ~~a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.~~ Deleted by AASB.

~~Operating Leases- Disclosures~~

~~20.16 A lessee shall make the following disclosures for operating leases:~~

~~(a) the total of future minimum lease payments under non-cancellable operating leases for each of the following periods:~~

~~(i) not later than one year;~~

26 Equivalent AASB Standard: AASB 16 *Leases*

Commented [DS19]: Staff note to the Board:
Staff considered that where the IASB has removed disclosures from full IFRS after the IFRS for SMEs standard was finalised, similar reductions in disclosures should also be carried over to the new Tier 2 Standard. See BC 53 below.

Commented [DS20]: Staff note for the Board
This is an additional disclosure in IFRS for SMEs that is not currently required for RDR entities under AASB 16, but was required under AASB 117. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Staff note that while IFRS 16 no longer requires this disclosure, paragraph 58 now refers to the disclosure of the maturity analysis that is required under IFRS 7. In AASB 16, this reference to AASB 7 has been shaded (ie excluded) for RDR entities on the basis that the respective AASB 7 disclosure is also not required for RDR entities.

However, the disclosure satisfies the principles set out in BC33, and as the IASB has not yet considered how to incorporate IFRS 16 into the IFRS for SMEs standard, staff recommends retaining this disclosure.

Staff note that this would also be consistent with proposals made by IASB staff at the IASB in May 2019 to substantially carry forward the finance lease disclosures for all leases (agenda item 30B – for educational purposes only, no decisions made).

~~(ii) later than one year and not later than five years; and~~

~~(iii) later than five years.~~

~~(b) lease payments recognised as an expense; and~~

~~(c) a general description of the lessee's significant leasing arrangements including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.~~ Deleted by the AASB

Finance Lease- Lessor

Disclosures

20.23 A lessor shall make the following disclosures for finance leases:

(a) a reconciliation between the gross investment in the lease at the end of the reporting period and the present value of minimum lease payments receivable at the end of the reporting period. In addition, a lessor shall disclose the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period, for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years; and

(iii) later than five years.

(b) unearned finance income.

(c) the unguaranteed residual values accruing to the benefit of the lessor.

(d) the accumulated allowance for uncollectable minimum lease payments receivable.

(e) contingent rents recognised as income in the period.

(f) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

Operating Leases- Lessor

Disclosures

20.30 A lessor shall disclose the following for operating leases:

(a) the future minimum lease payments under non-cancellable operating leases for each of the following periods:

(i) not later than one year;

(ii) later than one year and not later than five years; and

(iii) later than five years.

(b) total contingent rents recognised as income; and

(c) a general description of the lessor's significant leasing arrangements, including, for example, information about contingent rent, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements.

20.31 In addition, the requirements for disclosure about assets in accordance with Sections 17, 18, 27 and 34 apply to lessors for assets provided under operating leases.

Sale and leaseback transactions

Disclosures

20.35 Disclosure requirements for lessees and lessors apply equally to sale and leaseback transactions. The required description of significant leasing arrangements includes description of unique or unusual provisions of the agreement or terms of the sale and leaseback transactions.

Commented [DS21]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Commented [DS22]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Commented [DS23]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Section 21

Provisions and Contingencies[27]

Disclosures

Disclosures about provisions

21.14 For each class of provision, an entity shall disclose all of the following:

(a) a reconciliation showing:

(i) the carrying amount at the beginning and end of the period;

(ii) additions during the period, including adjustments that result from changes in measuring the discounted amount;

(iii) amounts charged against the provision during the period; and

(iv) unused amounts reversed during the period.

(b) a brief description of the nature of the obligation and the expected amount and timing of any resulting payments;

(c) an indication of the uncertainties about the amount or timing of those outflows; and

(d) the amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Comparative information for prior periods is not required.

Disclosures about contingent liabilities

21.15 Unless the possibility of any outflow of resources in settlement is remote, an entity shall disclose, for each class of contingent liability at the reporting date, a brief description of the nature of the contingent liability and, when practicable:

(a) an estimate of its financial effect, measured in accordance with paragraphs ~~21.7–21.11~~ 36-52 of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*;

(b) an indication of the uncertainties relating to the amount or timing of any outflow; and

(c) the possibility of any reimbursement.

If it is impracticable to make one or more of these disclosures, that fact shall be stated.

Disclosures about contingent assets

21.16 If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period and, ~~unless it would involve undue cost or effort,~~ an estimate of their financial effect, measured using the principles set out in paragraphs ~~21.7–21.11~~ 36-52 of AASB 137. ~~If such an estimate would involve undue cost or effort, the entity shall disclose that fact and the reasons why estimating the financial effect would involve undue cost or effort.~~ Where any of the information required by paragraphs 21.16 is not disclosed because it is not practicable to do so, that fact shall be stated.

Prejudicial disclosures

21.17 In extremely rare cases, disclosure of some or all of the information required by paragraphs 21.14–21.16 can be expected to prejudice seriously the position of the entity in a dispute with other parties on the subject matter of the provision, contingent liability or contingent asset. In such cases, an entity need not disclose the information, but shall disclose the general nature of the dispute, together with the fact that, and reason why, the information has not been disclosed.

Section 22

Liabilities and Equity[28]

~~Disclosures~~

27 Equivalent AASB Standard: AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*

28 Equivalent AASB Standard: AASB 132 *Financial Instruments: Presentation*

22.20 ~~If the fair value of the assets to be distributed as described in paragraphs 22.18–22.18A cannot be measured reliably without undue cost or effort, the entity shall disclose that fact and the reasons why a reliable fair value measurement would involve undue cost or effort.~~ Deleted by the AASB

Section 23

Revenue[29]

Disclosures

General disclosures about revenue

23.30 An entity shall disclose:

(a) information about its performance obligations in contracts with customers, including a description of when the entity typically satisfies its performance obligations, the significant payment terms, the nature of the goods or services that the entity has promised to transfer, obligations for returns, refunds and other similar obligations and types of warranties and related obligations ~~the accounting policies adopted for the recognition of revenue, including the methods adopted to determine the stage of completion of transactions involving the rendering of services~~; and

(b) the amount of each category of revenue recognised during the period, disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity may apply the guidance in AASB 15 *Revenue from Contracts with Customers* paragraphs B87-B89 when selecting the categories to use to disaggregate revenue. ~~showing separately, at a minimum, revenue arising from:~~

~~(i) the sale of goods;~~

~~(ii) the rendering of services;~~

~~(iii) interest;~~

~~(iv) royalties;~~

~~(v) dividends;~~

~~(vi) commissions;~~

~~(vii) government grants; and~~

~~(viii) any other significant types of revenue.~~

Disclosures relating to performance obligations satisfied over time ~~revenue from construction contracts~~

23.31 For performance obligations that an entity satisfies over time, an ~~An~~ entity shall disclose the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied). ~~following:~~

~~(a) the amount of contract revenue recognised as revenue in the period;~~

~~(b) the methods used to determine the contract revenue recognised in the period; and~~

~~(c) the methods used to determine the stage of completion of contracts in progress.~~

23.32 An entity shall disclose the closing balances of contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. ~~present:~~

~~(a) the gross amount due from customers for contract work, as an asset; and~~

~~(b) the gross amount due to customers for contract work, as a liability.~~

Section 24

Government Grants[30]

Disclosures

24.6 A~~n~~ ~~entity~~ for-profit entity shall disclose the following:

29 Equivalent AASB Standard: AASB 15 *Revenue from Contracts with Customers*
30 Equivalent AASB Standard: AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*

(a) the nature and amounts of government grants recognised in the financial statements;

~~(~~b) unfulfilled conditions and other contingencies attaching to government grants that have ~~not~~ been recognised in income; and

(c) an indication of other forms of government assistance from which the entity has directly benefited.

Aus24.6.(d) the accounting policy adopted for government grants, including the methods of presentation adopted in the financial statements.

24.7 For the purpose of the disclosure required by paragraph 24.6(c), government assistance is action by government designed to provide an economic benefit specific to an entity or range of entities qualifying under specified criteria. Examples include free technical or marketing advice, the provision of guarantees and loans at nil or low interest rates.

Section 25

Borrowing Costs[31]

Disclosures

25.3 Paragraph 5.5(b) requires disclosure of finance costs. Paragraph 11.48(b) requires disclosure of total interest expense (using the effective interest method) for financial liabilities that are not at fair value through profit or loss. This section does not require any additional disclosure.

Section 26

Share-based Payment[32]

Disclosures

26.18 An entity shall disclose the following information about the nature and extent of share-based payment arrangements that existed during the period:

(a) a description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (for example, whether in cash or equity). An entity with substantially similar types of share-based payment arrangements may aggregate this information.

(b) the number and weighted average exercise prices of share options for each of the following groups of options:
 (i) outstanding at the beginning of the period;
 (ii) granted during the period;
 (iii) forfeited during the period;
 (iv) exercised during the period;
 (v) expired during the period;
 (vi) outstanding at the end of the period; and
 (vii) exercisable at the end of the period.

26.19 For equity-settled share-based payment arrangements, an entity shall disclose information about how it measured the fair value of goods or services received or the value of the equity instruments granted. If a valuation methodology was used, the entity shall disclose the method and its reason for choosing it.

26.20 For cash-settled share-based payment arrangements, an entity shall disclose information about how the liability was measured.

26.21 For share-based payment arrangements that were modified during the period, an entity shall disclose an explanation of those modifications.

~~26.22 If the entity is part of a group share-based payment plan, and it measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group, it shall disclose that fact and the basis for the allocation (see paragraph 26.16).~~ Deleted by the AASB

26.23 An entity shall disclose the following information about the effect of share-based payment transactions on the entity's profit or loss for the period and on its financial position:

31 Equivalent AASB Standard: AASB 123 *Borrowing Costs*
32 Equivalent AASB STANDARD: AASB 2 *Share-based Payment*

(a) the total expense recognised in profit or loss for the period; and

(b) the total carrying amount at the end of the period for liabilities arising from share-based payment transactions.

Section 27

Impairment of Assets[33]

Disclosures

27.32 An entity shall disclose the following for each class of assets indicated in paragraph 27.33:

(a) the amount of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are included; and

(b) the amount of reversals of impairment losses recognised in profit or loss during the period and the line item(s) in the statement of comprehensive income (and in the income statement, if presented) in which those impairment losses are reversed.

27.33 An entity shall disclose the information required by paragraph 27.32 for each of the following classes of asset:

(a) inventories;

(b) property, plant and equipment (including investment property accounted for by the cost method);

(c) goodwill;

(d) intangible assets other than goodwill;

(e) investments in associates; and

(f) investments in joint ventures.

Section 28

Employee Benefits[34]

Disclosures

Disclosures about short-term employee benefits

28.39 This section does not require specific disclosures about short-term employee benefits.

Disclosures about defined contribution plans

28.40 An entity shall disclose the amount recognised in profit or loss as an expense for defined contribution plans. If an entity treats a defined benefit multi-employer plan as a defined contribution plan because sufficient information is not available to use defined benefit accounting (see paragraph ~~28.11~~ 34 of AASB 119) it shall disclose the fact that it is a defined benefit plan and the reason why it is being accounted for as a defined contribution plan, along with any available information about the plan's surplus or deficit and the implications, if any, for the entity.

Disclosures about defined benefit plans

28.41 An entity shall disclose the following information about defined benefit plans (except for any defined multi-employer benefit plans that are accounted for as a defined contribution plans in accordance with paragraph ~~28.11~~34 of AASB 119, for which the disclosures in paragraph 28.40 apply instead). If an entity has more than one defined benefit plan, these disclosures may be made in total, separately for each plan, or in such groupings as are considered to be the most useful:

(a) a general description of the type of plan, including funding policy;

33 Equivalent AASB Standards:
AASB 102 *Inventories*,
AASB 116 *Property, Plant, and Equipment*,
AASB 136 *Impairment of Assets*, and
AASB 138 *Intangible Assets*

34 Equivalent AASB Standard: AASB 119 *Employee Benefits*

~~(b) the entity's accounting policy for recognising actuarial gains and losses (either in profit or loss or as an item of other comprehensive income) and the amount of actuarial gains and losses recognised during the period;~~ Deleted by the AASB

~~(c) if the entity uses any of the simplifications in paragraph 28.19 in measuring its defined benefit obligation, it shall disclose that fact and the reasons why using the projected unit credit method to measure its obligation and cost under defined benefit plans would involve undue cost or effort;~~ Deleted by the AASB

~~(d) the date of the most recent comprehensive actuarial valuation and, if it was not as of the reporting date, a description of the adjustments that were made to measure the defined benefit obligation at the reporting date;~~ Deleted by the AASB

(e) a reconciliation of opening and closing balances of the defined benefit obligation showing separately benefits paid and all other changes;

(f) a reconciliation of the opening and closing balances of the fair value of plan assets and of the opening and closing balances of any reimbursement right recognised as an asset, showing separately, if applicable:

(i) contributions;

(ii) benefits paid; and

(iii) other changes in plan assets.

(g) the total cost relating to defined benefit plans for the period, disclosing separately the amounts:

(i) recognised in profit or loss as an expense; and

(ii) included in the cost of an asset.

(h) for each major class of plan assets, which shall include, but is not limited to, equity instruments, debt instruments, property, and all other assets, the percentage or amount that each major class constitutes of the fair value of the total plan assets at the reporting date;

(i) the amounts included in the fair value of plan assets for:

(i) each class of the entity's own financial instruments; and

(ii) any property occupied by, or other assets used by, the entity.

(j) the actual return on plan assets; and

(k) the principal actuarial assumptions used, including, when applicable:

(i) the discount rates;

(ii) the expected rates of return on any plan assets for the periods presented in the financial statements;

(iii) the expected rates of salary increases;

(iv) medical cost trend rates; and

(v) any other material actuarial assumptions used.

The reconciliations in (e) and (f) need not be presented for prior periods. A subsidiary that recognises and measures employee benefit expense on the basis of a contractual agreement or stated policy for charging the net defined benefit cost or based on their contributions payable for the period, ~~reasonable allocation of the expense recognised for the group~~ (see paragraph 41 of AASB 119 ~~28.38~~) shall, in its separate financial statements, describe the contractual agreement or stated policy for charging the net defined benefit cost or the fact that there is no such policy, the policy for determining the contributions to be paid by the entity and ~~its policy for making the allocation~~ and shall make the disclosures in (a)~~–~~(k) for the plan as a whole.

Disclosures about other long-term benefits

28.42 For each category of other long-term benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.

Disclosures about termination benefits

28.43 For each category of termination benefits that an entity provides to its employees, the entity shall disclose the nature of the benefit, the amount of its obligation and the extent of funding at the reporting date.

28.44 When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. Section 21 *Provisions and Contingencies* requires an entity to disclose information about its contingent liabilities unless the possibility of an outflow in settlement is remote.

Commented [DS24]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Commented [DS25]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Commented [DS26]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs which is shaded in RDR. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Commented [DS27]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Section 29

Income Tax[35]

Presentation

Allocation in comprehensive income and equity

29.35 An entity shall recognise tax expense in the same component of total comprehensive income (ie continuing operations, discontinued operations or other comprehensive income) or equity as the transaction or other event that resulted in the tax expense.

Current/non-current distinction

29.36 When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify any deferred tax assets (liabilities) as current assets (liabilities).

Commented [RM28]: Staff note to the Board: This requirements is included in AASB 101 paragraph 56, but had to be retained here, as AASB 101 is replaced in its entirety.

Offsetting

29.37 An entity shall offset current tax assets and current tax liabilities, or offset deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off the amounts and ~~the entity can demonstrate without undue cost or effort that~~ it plans either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Disclosures

29.38 An entity shall disclose information that enables users of its financial statements to evaluate the nature and financial effect of the current and deferred tax consequences of recognised transactions and other events.

29.39 An entity shall disclose separately the major components of tax expense (income). Such components of tax expense (income) may include:

(a) current tax expense (income);

(b) any adjustments recognised in the period for current tax of prior periods;

(c) the amount of deferred tax expense (income) relating to the origination and reversal of temporary differences;

(d) the amount of deferred tax expense (income) relating to changes in tax rates or the imposition of new taxes;

(e) the amount of the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period that is used to reduce tax expense;

(f) adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders;

(g) deferred tax expense (income) arising from the write-down, or reversal of a previous write-down, of a deferred tax asset in accordance with paragraph 56 of AASB 112 *Income Taxes* ~~29.31~~; and

(h) the amount of tax expense (income) relating to those changes in accounting policies and errors that are included in profit or loss in accordance with ~~Section 10*Accounting Policies, Estimates and Errors*~~ AASB 108, because they cannot be accounted for retrospectively.

29.40 An entity shall disclose the following separately:

(a) the aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income.

(b) the aggregate current and deferred tax relating to items that are charged or credited directly to equity.

(c) an explanation of any significant differences between the tax expense (income) and accounting profit multiplied by the applicable tax rate. For example such differences may arise from transactions such as revenue that are exempt from taxation or expenses that are not deductible in determining taxable profit (tax loss).

(d) an explanation of changes in the applicable tax rate(s) compared with the previous reporting period.

(e) for each type of temporary difference and for each type of unused tax losses and tax credits:

35 Equivalent AASB Standard: AASB 112 *Income Taxes*

(i) the amount of deferred tax liabilities and deferred tax assets at the end of the reporting period; and

(ii) an analysis of the change in deferred tax liabilities and deferred tax assets during the period.

(f) the amount (and expiry date, if any) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position.

(g) in the circumstances described in paragraph 52A of AASB 112 ~~29.33~~, an explanation of the nature of the potential income tax consequences that would result from the payment of dividends to its shareholders.

~~29.41 If an entity does not offset tax assets and liabilities in accordance with paragraph 29.37 because it is unable to demonstrate without undue cost or effort that it plans to settle them on a net basis or realise them simultaneously, the entity shall disclose the amounts that have not been offset and the reasons why applying the requirement would involve undue cost or effort.~~ Deleted by the AASB

Section 30

Foreign currency translation[36]

Disclosures

30.24 In paragraphs 30.26 and 30.27, references to 'functional currency' apply, in the case of a group, to the functional currency of the parent.

30.25 An entity shall disclose the following:

(a) the amount of exchange differences recognised in profit or loss during the period, except for those arising on financial instruments measured at fair value through profit or loss in accordance with AASB 9~~Section 11 Basic Financial Instruments and Section 12~~; and

(b) the amount of exchange differences arising during the period and classified in a separate component of equity at the end of the period.

30.26 An entity shall disclose the currency in which the financial statements are presented. When the presentation currency is different from the functional currency, an entity shall state that fact and shall disclose the functional currency and the reason for using a different presentation currency.

30.27 When there is a change in the functional currency of either the reporting entity or a significant foreign operation, the entity shall disclose that fact and the reason for the change in functional currency.

Section 31

Hyperinflation[37]

Disclosures

31.15 An entity to which this section applies shall disclose the following:

(a) the fact that financial statements and other prior period data have been restated for changes in the general purchasing power of the functional currency;

(b) the identity and level of the price index at the reporting date and changes during the current reporting period and the previous reporting period; and

~~(c) amount of gain or loss on monetary items.~~ Deleted by the AASB

Aus31.15.1 The entity shall also disclose whether the financial statements are based on a historical cost approach or a current cost approach.

Section 32

Events after the End of the Reporting Period[38]

Disclosure

Adjusting events after the end of the reporting period

32.4 An entity shall adjust the amounts recognised in its financial statements, including related disclosures, to reflect adjusting events after the end of the reporting period.

Commented [DS29]: Staff note for the Board
In AASB 101, there are two paragraphs: one for updating amounts recognised in respect of adjusting events (para 8) and one for updating disclosures about conditions at the end of the reporting period (para 19 – which is shaded for RDR/Tier 2 entities).

In contrast, IFRS for SMEs covers all this in one paragraph which is why staff have included this paragraph in the disclosures, consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Staff have confirmed that the definition of 'adjusting event' is the same in both AASB 101 and the IFRS for SMEs standard.

36 Equivalent AASB Standard: AASB 121 *The Effects of Changes in Foreign Exchange Rates*
37 Equivalent AASB Standard: AASB 129 *Financial Reporting in Hyperinflationary Economies*
38 Equivalent AASB Standard: AASB 110 *Events after the Reporting Period*

Date of authorisation for issue

32.9 An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact.

Non-adjusting events after the end of the reporting period

32.10 An entity shall disclose the following for each category of non-adjusting event after the end of the reporting period:

(a) the nature of the event; and

(b) an estimate of its financial effect or a statement that such an estimate cannot be made.

32.11 The following are examples of non-adjusting events after the end of the reporting period that would generally result in disclosure; the disclosures will reflect information that becomes known after the end of the reporting period but before the financial statements are authorised for issue:

(a) a major business combination or disposal of a major subsidiary;

(b) announcement of a plan to discontinue an operation;

(c) major purchases of assets, disposals or plans to dispose of assets, or expropriation of major assets by government;

(d) the destruction of a major production plant by a fire;

(e) announcement, or commencement of the implementation, of a major restructuring;

(f) issues or repurchases of an entity's debt or equity instruments;

(g) abnormally large changes in asset prices or foreign exchange rates;

(h) changes in tax rates or tax laws enacted or announced that have a significant effect on current and deferred tax assets and liabilities;

(i) entering into significant commitments or contingent liabilities, for example, by issuing significant guarantees; and

(j) commencement of major litigation arising solely out of events that occurred after the end of the reporting period.

Section 33

Related Party Disclosures[39]

Scope of this section

33.1 This section requires an entity to include in its financial statements the disclosures necessary to draw attention to the possibility that its financial position and profit or loss have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Related party defined

Commented [RM30]: **Staff note to board**
Staff have confirmed that this definition is consistent with the definition in AASB 124. The definition is needed here if AASB 124 is being replaced in its entirety, as per the proposal.

33.2 A related party is a person or entity that is related to the entity that is preparing its financial statements (the reporting entity):

(a) a person or a close member of that person's family is related to a reporting entity if that person:

(i) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;

(ii) has control or joint control over the reporting entity; or

(iii) has significant influence over the reporting entity.

(b) an entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

39 Equivalent AASB Standard: AASB 124 *Related Party Disclosures*

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third entity.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

(viii) a person identified in (a)(ii) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

33.3 In considering each possible related party relationship, an entity shall assess the substance of the relationship and not merely the legal form.

33.4 In the context of this Standard, the following are not necessarily related parties:

(a) two entities simply because they have a director or other member of key management personnel in common;

(b) two venturers simply because they share joint control over a joint venture;

(c) any of the following simply by virtue of their normal dealings with an entity (even though they may affect the freedom of action of an entity or participate in its decision-making process):

(i) providers of finance;

(ii) trade unions;

(iii) public utilities; or

(iv) government departments and agencies.

(d) a customer, supplier, franchisor, distributor or general agent with whom an entity transacts a significant volume of business, merely by virtue of the resulting economic dependence.

Disclosures

Disclosure of parent-subsidiary relationships

33.5 Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been related party transactions. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so (if any) shall also be disclosed.

Disclosure of key management personnel compensation

33.6 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Compensation includes all employee benefits (as defined in ~~Section 28~~ AASB 119) including those in the form of share-based payment (see ~~Section 26~~ AASB 2 *Share-based Payment*). Employee benefits include all forms of consideration paid, payable or provided by the entity, or on behalf of the entity (for example, by its parent or by a shareholder), in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of goods or services provided to the entity.

33.7 An entity shall disclose key management personnel compensation in total.

Aus33.7.1 If an entity obtains key management personnel services from another entity (the 'management entity'), the entity is not required to apply the requirements in paragraph 33.7 to the compensation paid or payable by the management entity to the management entity's employees or directors.

Aus33.7.2 Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

Commented [RM31]: Staff note for the Board
Staff recommend adding this exemption on the basis that Tier 2 entities should not be subject to stricter requirements than Tier 1 entities.

Disclosure of related party transactions

33.8 A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Examples of related party transactions that are common to ~~SMEs~~ entities within the scope of this Standard include, but are not limited to:

(a) transactions between an entity and its principal owner(s);

(b) transactions between an entity and another entity when both entities are under the common control of a single entity or person; and

(c) transactions in which an entity or person that controls the reporting entity incurs expenses directly that otherwise would have been borne by the reporting entity.

33.9 If an entity has related party transactions, it shall disclose the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements. Those disclosure requirements are in addition to the requirements in paragraph 33.7 to disclose key management personnel compensation. At a minimum, disclosures shall include:

(a) the amount of the transactions;

(b) the amount of outstanding balances and:

(i) their terms and conditions, including whether they are secured and the nature of the consideration to be provided in settlement; and

(ii) details of any guarantees given or received.

(c) provisions for uncollectable receivables related to the amount of outstanding balances; and

(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Such transactions could include purchases, sales or transfers of goods or services; leases; guarantees; and settlements by the entity on behalf of the related party or vice versa.

33.10 An entity shall make the disclosures required by paragraph 33.9 separately for each of the following categories:

(a) entities with control, joint control or significant influence over the entity;

(b) entities over which the entity has control, joint control or significant influence;

(c) key management personnel of the entity or its parent (in the aggregate); and

(d) other related parties.

33.11 An entity is exempt from the disclosure requirements of paragraph 33.9 in relation to:

(a) a state (a national, regional or local government) that has control, joint control or significant influence over the reporting entity; and

(b) another entity that is a related party because the same state has control, joint control or significant influence over both the reporting entity and the other entity.

However, the entity must still disclose a parent-subsidiary relationship as required by paragraph 33.5.

Commented [DS32]: Staff note to the Board
This is an additional disclosure in IFRS for SMEs which is shaded in RDR. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

33.12 The following are examples of transactions that shall be disclosed if they are with a related party:

(a) purchases or sales of goods (finished or unfinished);

(b) purchases or sales of property and other assets;

(c) rendering or receiving of services;

(d) leases;

(e) transfers of research and development;

(f) transfers under licence agreements;

(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);

(h) provision of guarantees or collateral;

(i) settlement of liabilities on behalf of the entity or by the entity on behalf of another party; and

(j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities.

33.13 An entity shall not state that related party transactions were made on terms equivalent to those that prevail in arm's length transactions unless such terms can be substantiated.

33.14 An entity may disclose items of a similar nature in the aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.

Section 34

Specialised Activities[40]

Disclosures – fair value model

34.7 An entity shall disclose the following with respect to its biological assets measured at fair value:

(a) a description of each class of its biological assets.

(b) the methods and significant assumptions applied in determining the fair value of each category of agricultural produce at the point of harvest and each category of biological assets.

(c) a reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period. The reconciliation shall include:

(i) the gain or loss arising from changes in fair value less costs to sell;

(ii) increases resulting from purchases;

(iii) decreases resulting from harvest;

(iv) increases resulting from business combinations;

(v) net exchange differences arising on the translation of financial statements into a different presentation currency and on the translation of a foreign operation into the presentation currency of the reporting entity; and

(vi) other changes.

This reconciliation need not be presented for prior periods.

Disclosures—cost model

34.10 An entity shall disclose the following with respect to its biological assets measured using the cost model:

(a) a description of each class of its biological assets;

(b) an explanation of why fair value cannot be measured reliably ~~without undue cost or effort;~~

(c) the depreciation method used;

(d) the useful lives or the depreciation rates used; and

(e) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period.

Section 35

Transition to ~~the IFRS for SMEs~~ Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities [41]

The following disclosures must be provided where an entity has not previously complied with the full recognition and measurement requirements in Australian Accounting Standards, and has applied the transitional requirements of paragraph 18A(a)(i) of AASB 1053 *Application of Tiers of Australian Accounting Standards.*

Disclosures

Explanation of transition to Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities ~~the IFRS for SMEs~~

40 Equivalent AASB Standard:
AASB 141 *Agriculture*

41 Equivalent AASB Standard: AASB 1 *First-time Adoption of Australian Accounting Standards*

35.12 An entity shall explain how the transition from its previous financial reporting framework to this Standard affected its reported financial position, financial performance and cash flows.

35.12A An entity that has applied the ~~IFRS for SMEs~~ Australian Accounting Standards or IFRSs in a previous period, as described in paragraph ~~35.2~~ 4A of AASB 1, shall disclose:

(a) the reason it stopped applying the ~~IFRS for SMEs~~ Australian Accounting Standards or IFRSs;

(b) the reason it is resuming the application of the ~~IFRS for SMEs~~ Australian Accounting Standards or IFRSs; and

(c) whether it has applied this section or has applied ~~the IFRS for SMEs~~ this Standard retrospectively in accordance with ~~Section 10~~ AASB 108.

Reconciliations

35.13 ~~To comply with paragraph 35.12~~, An entity's first financial statements prepared using this Standard shall include:

(a) a description of the nature of each change in accounting policy;

(b) reconciliations of its equity determined in accordance with its previous financial reporting framework to its equity determined in accordance with this Standard for both of the following dates:

(i) the date of transition to ~~this Standard~~ Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities ; and

(ii) the end of the latest period presented in the entity's most recent annual financial statements determined in accordance with its previous financial reporting framework.

(c) a reconciliation of the profit or loss determined in accordance with its previous financial reporting framework for the latest period in the entity's most recent annual financial statements to its profit or loss determined in accordance with this Standard for the same period.

35.14 If an entity becomes aware of errors made under its previous financial reporting framework, the reconciliations required by paragraph 35.13(b) and (c) shall, to the extent practicable, distinguish the correction of those errors from changes in accounting policies.

35.15 If an entity did not present financial statements for previous periods, it shall disclose that fact in its first financial statements that conform to this Standard.

Commented [DS33]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs which is shaded in RDR. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Commented [DS34]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Commented [DS35]: **Staff note for the Board**
This is an additional disclosure in IFRS for SMEs which is shaded in RDR. Staff has retained this disclosure consistent with the principle to minimise differences between the IFRS for SMEs standard and the new Tier 2 Disclosure Standard.

Staff note that this is consistent with the original RDR proposals in ED192 (see link below). We will endeavour to find out before the Board meeting why the Board subsequently decided to remove these disclosures when finalising the proposals in 2010.
https://www.aasb.gov.au/admin/file/content105/c9/ED_192_Revised_Differential_Reporting_Framework.pdf

Commencement of the legislative instrument

Aus1.7 For legal purposes, this legislative instrument commences on 30 June 2020.

Appendix A

Additional disclosures for not-for-profit private sector entities and public sector entities, whether for-profit or not-for-profit, other than the Australian government and state, territory and local government

This appendix is an integral part of the Standard.

AASB 1 *First-time Adoption of Australian Accounting Standards*

~~Aus3.2~~AusNFP1.1 In rare circumstances, a not-for-profit public sector entity may experience extreme difficulties in complying with the requirements of certain Australian Accounting Standards due to information deficiencies that have caused the entity to state non-compliance with previous GAAP. In these cases, the conditions specified in paragraph 3 of AASB 1 for the application of ~~this Standard~~ AASB 1 are taken to be satisfied provided the entity:

(a) discloses in its first Australian-Accounting-Standards financial statements:

 (i) an explanation of information deficiencies and its strategy for rectifying those deficiencies; and

 (ii) the Australian Accounting Standards that have not been complied with; and

(b) makes an explicit and unreserved statement of compliance with other Australian Accounting Standards for which there are no information deficiencies.

AASB 16 *Leases*

~~Aus59.1~~AusNFP2.1 In addition to the disclosures required in paragraphs ~~53–59~~ 20.13-20.16 of AASB 10xx, where a lessee is a not-for-profit entity and elects to measure a class or classes of right-of-use assets at initial recognition at cost in accordance with paragraphs 23–25 of AASB 16 for leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives, the lessee shall disclose additional qualitative and quantitative information about those leases necessary to meet the disclosure objective in ~~paragraph 51~~ AASB 16. This additional information shall include, but is not limited to, information that helps users of financial statements to assess:

(a) the entity's dependence on leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives; and

(b) the nature and terms of the leases, including:

 (i) the lease payments;

 (ii) the lease term;

 (iii) a description of the underlying assets; and

 (iv) restrictions on the use of the underlying assets specific to the entity.

~~Aus59.2~~AusNFP2.2 The disclosures provided by a not-for-profit entity in accordance with paragraph AusNFP2.1 shall be provided individually for each material lease that has significantly below-market terms and conditions principally to enable the entity to further its objectives or in aggregate for leases involving right-of-use assets of a similar nature. An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

AASB 102 *Inventories*

~~Aus36.1~~AusNFP3.1 Not-for-profit entities shall disclose the basis on which any loss of service potential of inventories held for distribution is assessed, or the bases when more than one basis is used following, in addition to the information required by paragraph 13.22 of AASB 10xx.

Commented [RM36]: Staff note to the Board: This disclosure is based on Aus36.1 in AASB 102, but instead of repeating the list of required information, staff have referred to paragraph 13.22 in the main standard instead.

AASB 123 *Borrowing Costs*

~~Aus26.1~~ AusNFP4.1 **A not-for-profit public sector entity shall disclose the accounting policy adopted for borrowing costs.**

AASB 1004 *Contributions*

~~43A~~ AusNFP5.1 **A government department shall disclose liabilities that were assumed during the reporting period by the government or other entity.**

AASB 1050 *Administered Items*

~~7~~ AusNFP6.1 **A government department shall disclose the following in its complete set of financial statements in relation to activities administered by the government department:**

(a) **administered income, showing separately:**

  (i) **each major class of income;~~ and~~**
  ~~(ii) in respect of each major class of income, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities;~~

(b) **administered expenses, showing separately:**

  (i) **each major class of expense~~; and~~**
  ~~(ii) in respect of each major class of expense, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities;~~

(c) **administered assets, showing separately each major class of asset; and**

(d) **administered liabilities, showing separately each major class of liability.**

~~22~~ AusNFP6.2 **Details of the broad categories of recipients and the amounts transferred to those recipients shall be disclosed in the government department's complete set of financial statements.**

AASB 1051 *Land Under Roads*

~~11~~ AusNFP7.1 **An entity shall disclose its accounting policy for land under roads acquired before the end of the first reporting period ending on or after 31 December 2007, in each reporting period to which ~~this Standard~~ AASB 1051 *Land Under Roads* is applied.**

AASB 1055 *Budgetary Reporting*

Commented [DS37]: Staff note to the Board
While staff recommend retaining the disclosures requirements in relation to budgetary reporting for the reasons noted in agenda paper 3.3, staff note that the majority of the paragraphs in AASB 1055 merely provide guidance on how to disclose this information.

To keep the Tier 2 Standard concise, staff propose including only the actual requirement to provide budgetary information, but to refer to AASB 1055 for further guidance.

~~6~~ AusNFP8.1 **Where an entity's budgeted:**

(a) **statement of financial position;**

(b) **statement of profit or loss and other comprehensive income;**

(c) **statement of changes in equity; or**

(d) **statement of cash flows; reflecting controlled items is presented to parliament and is separately identified as relating to that entity, the entity shall disclose for the reporting period:**

(e) **that original budgeted financial statement presented to parliament, presented and classified on a basis that is consistent with the presentation and classification adopted in the corresponding financial statement prepared in accordance with Australian Accounting Standards; and**

(f) **explanations of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts.**

~~7~~ AusNFP8.2 **Where an entity within the GGS's budgeted financial information reflecting major classes of administered income and expenses, or major classes of administered assets and liabilities, is presented to parliament and is separately identified as relating to that entity, the entity shall disclose for the reporting period:**

(a) that original budgeted financial information presented to parliament, presented and classified on a basis that is consistent with the presentation and classification adopted for the corresponding information about administered items disclosed in accordance with AASB *1050 Administered Items*; and

(b) explanations of major variances between the actual amounts disclosed in the financial statements in accordance with AASB 1050 and the corresponding original budget amounts.

~~8~~ AusNFP8.3 Comparative budgetary information in respect of the previous period need not be disclosed.

When disclosing budgetary information under AusNFP8.1-8.3, the entity must comply with the requirements in AASB 1055 *Budgetary Reporting.*

AASB 1058 *Income of Not-for-Profit Entities*

~~23~~ AusNFP9.1 The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the effects of volunteer services and other transactions where an entity acquires an asset for consideration that is significantly less than fair value principally to enable the entity to further its objectives on the financial position, financial performance and cash flows of the entity. Paragraphs ~~24–41~~ AusNFP9.2- AusNFP9.16 specify requirements relating to this objective.

~~24~~ AusNFP9.2 An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

~~25~~ AusNFP9.3 An entity need not disclose information in accordance with ~~this Standard~~ AASB 1058 if it has provided the information in accordance with another Standard.

~~26~~ AusNFP9.4 An entity shall disclose income recognised during the period, disaggregated into categories that reflect how the nature and amount of income (and the resultant cash flows) are affected by economic factors. An entity considers disclosing separately the following categories of income:

(a) grants, bequests and donations of cash, other financial assets and goods;

(b) recognised volunteer services; and

(c) for government departments and other public sector entities, appropriation amounts recognised as income, by class of appropriation.

~~27~~ ~~To assist users to make informed judgements about the contribution of volunteer services and inventories to the achievement of the entity's objectives during the reporting period, and the entity's dependence on such contributions for the achievement of its objectives in the future, an entity is encouraged to disclose qualitative information, by major class of transaction, about the nature of the entity's dependence arising from:~~

~~(a) volunteer services it receives, including those not recognised; and~~

~~(b) inventories held but not recognised as assets during the period.~~

Commented [DS38]: Staff note to the Board:
The AASB considered the disclosures in 2018 (AASB 2018-3) and agreed that this information was not required for tier 2 entities on the basis that this only an encouraged disclosure.

Consistent with the principle not to revisit previous AASB decisions regarding user benefit and cost analysis on disclosures for NFP Tier 2 entities (See BC64), this disclosure is not included in AASB 10xx.

Non-contractual income arising from statutory requirements

~~28~~ AusNFP9.5 An entity shall disclose income arising from statutory requirements (such as taxes, rates and fines) recognised during the period, disaggregated into categories that reflect how the nature and amount of income (and the resultant cash flows) are affected by economic factors.

~~29~~ AusNFP9.6 To meet the objective in paragraph AusNFP9.1 ~~23~~, an entity shall consider disclosing information about assets and liabilities recognised at the reporting date in accordance with ~~this Standard~~ AASB 1058, including the amounts of:

(a) receivables that are not a financial asset as defined in AASB 132 *Financial Instruments*: Presentation (eg income tax receivable from a taxpayer), and:

(i) interest income recognised in relation to such receivables during the period; and

(ii) impairment losses recognised in relation to such receivables during the period; and

(b) financial liabilities relating to prepaid taxes or rates for which the taxable event has yet to occur, and the future period(s) to which those taxes or rates relate.

~~30~~ AusNFP9.7 Other information that may be appropriate for an entity to disclose includes, for each class of taxation income that the entity cannot measure reliably during the period in which the taxable event occurs (see paragraphs B28–B31 of AASB 1058):

(a) information about the nature of the tax;

(b) the reason(s) why that income cannot be measured reliably; and

(c) when that uncertainty might be resolved.

Transfers to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity

~~31~~ AusNFP9.8 An entity shall disclose the opening and closing balances of financial assets arising from transfers to enable an entity to acquire or construct recognisable non-financial assets to be controlled by the entity and the associated liabilities arising from such transfers, if not otherwise separately presented or disclosed. An entity shall also disclose income recognised in the reporting period arising from the reduction of an associated liability.

~~32~~ AusNFP9.9 An entity shall disclose information about its obligations under such transfers, including a description of when the entity typically satisfies its obligations (for example, as the asset is constructed, upon completion of construction or when the asset is acquired).

~~33~~ ~~An entity shall disclose an explanation of when it expects to recognise as income any liability for unsatisfied obligations as at the end of the reporting period. An entity may disclose this information in either of the following ways:~~

~~(a) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining obligations; or~~

~~(b) through qualitative information.~~

~~34~~ AusNFP9.10 An entity shall disclose the judgements, and changes in the judgements, made in applying ~~this Standard~~ AASB 1058 that significantly affect the determination of the amount and timing of income arising from transfers to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity. In particular, an entity shall explain the judgements, and changes in the judgements, made in determining the timing of satisfaction of obligations (see paragraphs ~~35 and 36~~ AusNFP9.11 and AusNFP9.12).

~~35~~AusNFP9.11 For obligations that an entity satisfies over time, an entity shall disclose ~~both of~~ the following:

(a) the methods used to recognise income (for example, a description of the output methods or input methods used and how those methods are applied); ~~and~~

~~(b) an explanation of why the methods used provide a faithful depiction of the entity's progress toward satisfying its obligations~~

~~36~~ AusNFP9.12 For obligations satisfied at a point in time, an entity shall disclose the significant judgements made in evaluating when it has satisfied its obligations.

~~Restrictions~~

~~37~~ ~~An entity is encouraged to disclose information about externally imposed restrictions that limit or direct the purpose for which resources controlled by the entity may be used. For example, an entity may elect to disclose an explanation of the judgements used in determining whether funds are restricted and any of, or any combination of, the following:~~

~~(a) assets to be used for specified purposes;~~

~~(b) components of equity divided into restricted and unrestricted amounts; and~~

~~(c) total comprehensive income divided into restricted and unrestricted amounts – either on the face of the statement of profit or loss and other comprehensive income or in the notes.~~

Compliance with parliamentary appropriations and other related authorities for expenditure

~~38~~ AusNFP9.13 Paragraphs ~~39–41~~ AusNFP9.14- AusNFP9.16 apply only to government departments and other public sector entities that obtain part or all of their spending authority for the period from a parliamentary appropriation. The amounts disclosed in accordance with paragraphs ~~39–41~~ AusNFP9.14- AusNFP9.16 include any amounts appropriated in respect of which the entity recognises revenue or other income in accordance with another Australian Accounting Standard.

~~39~~ AusNFP9.14 An entity shall disclose:

(a) a summary of the recurrent, capital or other major categories of amounts authorised for expenditure (including parliamentary appropriations), disclosing separately:

  (i) the original amounts appropriated; and

  (ii) the total of any supplementary amounts appropriated and amounts authorised other than by way of appropriation (eg by the Treasurer, other Minister or other legislative authority);

(b) the expenditures in respect of each of the items disclosed in (a) above; and

(c) the reasons for any material variances between the amounts appropriated or otherwise authorised and the resulting associated expenditures, and any financial consequences for the entity of unauthorised expenditure.

~~40~~ AusNFP9.15 For the purposes of resource allocation decisions, including assessments of accountability, ~~this Standard~~ AASB 1058 requires that users of financial statements of government departments and other public sector entities that obtain part or all of their spending authority for the period from a parliamentary appropriation be provided with information about the amounts appropriated or otherwise authorised for the entity's use, and whether the entity's expenditures were as authorised. This information may be based on acquittal processes applied by an entity. When spending limits imposed by parliamentary appropriation or other authorisation have not been complied with, information regarding the amount of, and reasons for, the non-compliance is relevant for assessing the performance of management, the likely consequences of non-compliance, and the ability of the entity to continue to provide services at a similar or different level in the future.

~~41~~ AusNFP9.16 Broad summaries of the major categories of appropriations and associated expenditures, rather than detailed reporting of appropriations for each activity or output, is sufficient for most users of such an entity's financial statements. Determining the level of detail and the structure of the summarised information is a matter of judgement. To develop effective disclosures, entities also subject to AASB 1055 *Budgetary Reporting* might consider the variance disclosure requirements in that Standard at the same time.

AASB 1059 *Service Concession Arrangements: Grantors*

~~28~~ AusNFP10.1 The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements. To achieve this, an entity shall consider disclosing qualitative and quantitative information about its service concession arrangements, including the following:

(a) a description of the arrangements;

(b) significant terms of the arrangements that may affect the amount, timing and uncertainty of future cash flows (eg the period of the arrangement, re-pricing dates and the basis upon which re-pricing or renegotiation is determined);

(c) the nature and extent (eg quantity, time period, or amount, as appropriate) of:

  (i) rights to receive specified services from the operator;

  (ii) the carrying amount of service concession assets as at the end of the reporting period, including separate disclosure for existing assets of the grantor reclassified as service concession assets during the reporting period;

  (iii) rights to receive specified assets at the end of an arrangement;

  (iv) renewal and termination options;

  (v) other rights and obligations (eg major overhaul of service concession assets); and

  (vi) obligations to provide the operator with access to service concession assets or other revenue-generating assets; and

(d) changes in arrangements occurring during the reporting period.

~~29~~ AusNFP10.2 The disclosures provided by an entity in accordance with paragraph ~~28~~ AusNFP10.1 are provided individually for each material service concession arrangement or in aggregate for service concession arrangements involving services of a similar nature, in addition to disclosures required by AASB 116 and AASB 138. Service concession assets of a similar nature may form a subset of a class of assets disclosed in accordance with AASB 116 or AASB 138 or may be included in more than one class of assets disclosed in accordance with AASB 116 or AASB 138. For example, for the purposes of AASB 116, a toll bridge may be included in the same class as other bridges, and for the purposes of paragraph ~~28~~ AusNFP10.1 may be included with service concession assets reported in aggregate as toll roads.

Appendix B
Effective Date

This appendix is an integral part of the Standard.

Effective date

B1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 July 2020. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact.

Appendix C
Amendments to Other Standards

This appendix sets out the amendments to other Australian Accounting Standards that are a consequence of the AASB issuing this Standard.

The amendments set out in this appendix apply to entities and financial statements in accordance with the application of the Standards and Interpretations set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).

The amendments apply to annual reporting periods beginning on or after 1 July 2020.

If an entity applies this Standard to an earlier period, it shall also apply these amendments to that earlier period.

Amendments are made to the latest principal version of a Standard (or an Interpretation), unless otherwise indicated. The amendments also apply, as far as possible, to earlier principal versions of the amended Standards and Interpretations when this Standard is applied for earlier periods, as necessary.

This appendix uses underlining, striking out and other typographical material to identify some of the amendments to a Standard or an Interpretation, in order to make the amendments more understandable. However, the amendments made by this appendix do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (…) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

AASB 1 *First-time Adoption of Australian Accounting Standards*

A footnote to paragraph 1 is amended.

1 [Aus] The term 'Australian Accounting Standards' refers to Standards (including Interpretations) made by the AASB that apply to any reporting period beginning on or after 1 January 2005. In this context, the term encompasses Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ <u>Simplified Disclosures for Tier 2 Entities</u> which some entities are permitted to apply in accordance with AASB 1053 Application of Tiers of Australian Accounting Standards in preparing general purpose financial statements.

Appendix F is deleted and replaced by the following:

Appendix F
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusF1 Paragraphs Aus3.2 and 20-33 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 2 *Share-based Payment*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 44-52 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 3 *Business Combinations*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier entities

This appendix is an integral part of the Standard.

AusC1 The following do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities:*

(a) paragraphs 59-63; and

(b) application guidance paragraphs B64-B67.

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*

Appendix D is deleted and replaced by the following:

Appendix D
Australian simplified disclosures for Tier entities

This appendix is an integral part of the Standard.

AusD1 Paragraphs 30-42 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

Commented [RM39]: Staff note to the Board
Consistent with the recommendation made in BC59(a), both presentation and disclosure requirements in AASB 5 will be replaced with the requirements in the new Tier 2 Standard.

AASB 6 *Exploration for and Evaluation of Mineral Resources*

Appendix C is added.

Appendix C
Australian simplified disclosures for Tier entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 23-25do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities:*

AASB 7 *Financial Instruments: Disclosure*

A footnote to paragraph B32 is deleted

Appendix D is deleted and replaced by the following:

Appendix D
Australian simplified disclosures for Tier entities

This appendix is an integral part of the Standard.

AusD1 This Standard does not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities. This Standard is replaced in its entirety by Section 11 and Section 12 of *AASB 10xx Simplified Disclosures for Tier 2 Entities.*

AASB 8 *Operating Segments*

Appendix C is deleted.

AASB 10 *Consolidated Financial Statements*

Paragraphs Aus4.1 and AG1 is amended.

Aus4.1 Notwithstanding paragraph 4(a)(iv), a parent that meets the criteria in paragraphs 4(a)(i), 4(a)(ii) and 4(a)(iii) need not present consolidated financial statements if its ultimate or any intermediate parent produces financial statements that are available for public use in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this Standard and:

(a) the parent and its ultimate or intermediate parent are:

(i) both not-for-profit entities complying with Australian Accounting Standards; or

(ii) both entities complying with Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities; or

(a) the parent is an entity complying with Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards

AG1 …

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 – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities.

AASB 12 *Disclosure of Interests in Other Entities*

In Appendix E paragraph IG 2 is amended.

IG2 AASB 12 includes specific disclosure requirements regarding both consolidated and unconsolidated structured entities. ~~Some of those disclosures are not required of~~ ~~e~~Entities preparing general purpose financial statements under Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities are not required to comply with AASB 12, but will instead provide the disclosures set out in sections 9, 14 and 15 of AASB 10xx.

Appendix F is deleted and replaced by the following:

Appendix F
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusF1 This Standard does not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities. This Standard is replaced in its entirety by Section 14 and Section 15 of *AASB 10xx Simplified Disclosures for Tier 2 Entities.*

AASB 13 *Fair Value Measurement*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 91-99 and Aus93.1 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 15 *Revenue from Contracts with Customers*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 110-129 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 16 *Leases*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 The following do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities:*

(a) paragraphs 51-60, Aus59.1, Aus59.2 and 89-92; and

(b) Appendix B Application guidance paragraphs B48-B52.

AASB 101 *Presentation of Financial Statements*

Paragraph Aus19.1 is amended.

Aus19.1 In relation to paragraph 19, the following shall not depart from a requirement in an Australian Accounting Standard:

(a) entities required to prepare financial reports under Part 2M.3 of the Corporations Act; and

(b) private and public sector not-for-profit entities; ~~and~~

~~(c)~~ entities applying Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ <u>Simplified Disclosures for Tier 2 entities</u>.

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 This Standard does not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities. This Standard is replaced in its entirety by Section 3, Section 4, Section 5, Section 6 and Section 8 of *AASB 10xx Simplified Disclosures for Tier 2 Entities.*

AASB 102 Inventories

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 36-39 and Aus36.1 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 107 *Statement of Cash Flows*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 This Standard does not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities. This Standard is replaced in its entirety by Section 7 of *AASB 10xx Simplified Disclosures for Tier 2 Entities.*

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

A footnote to paragraph 7 is amended.

2 [Aus] The term 'Australian Accounting Standards' refers to Standards (including Interpretations) made by the AASB that apply to any reporting period beginning on or after 1 January 2005. In this context, the term encompasses Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities, which some entities are permitted to apply in accordance with AASB 1053 *Application of Tiers of Australian Accounting Standards* in preparing general purpose financial statements.

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 28-31, 39-40 and 49 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 110 *Events after the Reporting Period*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 13, 16 and 17-22 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 112 *Income Taxes*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 79-88 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities:*

AASB 116 *Property, Plant and Equipment*

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 73-79 and Aus77.1 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 119 *Employee Benefits*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 25, 33(b)-34(b), 42, 53, 54, 135-152, 158 and 171 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities*

AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*

Appendix A is added.

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraph 39 does not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 121 *The Effects of Changes in Foreign Exchange Rates*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 51-57 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 123 *Borrowing Costs*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraph 26 and Aus26.1 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 124 *Related Party Disclosure*

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 This Standard does not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Simplified Disclosures for Tier 2 Entities. This Standard is replaced

in its entirety by Section 33 *Related party Disclosures* of *AASB 10xx Simplified Disclosures for Tier 2 Entities.*

AASB 127 *Separate Financial Statements*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraph 15-17 and Aus16.1 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities*.

AASB 128 *Investments in Associates and Joint Ventures*

Paragraph Aus17.1 is amended.

Aus17.1 Notwithstanding paragraph 17(d), an entity that meets the criteria in paragraphs 17(a), 17(b) and 17(c) need not apply the equity method in accounting for an interest in an associate or joint venture if its ultimate or any intermediate parent produces financial statements that are available for public use in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with AASB 10 and:

(a) the investor or the joint venturer and its ultimate or intermediate parent are:

(i) both not-for-profit entities complying with Australian Accounting Standards; or

(ii) both entities complying with Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities; or

(b) the investor or the joint venturer is an entity complying with Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.

AASB 129 *Financial Reporting in Hyperinflationary Economies*

Appendix A is added.

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 39 and 40 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 133 *Earnings per Share*

Appendix C is deleted.

AASB 134 *Interim Financial Reporting*

Appendix A is deleted.

AASB 136 *Impairment of Assets*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 126-137 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 The following do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities:*

(a) paragraphs 84-92; and

(b) in paragraph 75 the text "If an entity starts to implement a restructuring plan… of the financial statements."

AASB 138 *Intangible Assets*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 118-128 and Aus124.1 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 140 *Investment Property*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 74-79 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 141 *Agriculture*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 40-57 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1004 *Contributions*

Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraph 43A do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1050 *Administered Items*

Paragraph 6A and 6B are deleted and Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 7, 8 and 22 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1051 *Land Under Roads*

Appendix D is added

Appendix D
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusD1 Paragraphs 11 and 12 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1052 *Disaggregated Disclosures*

Paragraph 10A and 10B is deleted and Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 15-21 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1053 *Application of Tiers of Australian Accounting Standards*

Paragraphs 7, 9 and 17 are amended and footnote 3 is added to paragraph 9. Paragraph 18C is added.

7 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 – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities

9 Tier 2 comprises the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. Except for the presentation of a third statement of financial position under Tier 1[2] and the option of not presenting a statement of changes in equity if the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy[3], the presentation requirements under Tier 1 and Tier 2 are the same.

Commented [DS40]: **Staff note to the Board**

Staff are amending paragraph 9 of AASB 1053 to explain that Tier 2 entities will also have the option of not including a separate statement of changes in equity.

2 Under AASB 101 *Presentation of Financial Statements*, a complete set of financial statements includes a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

3 As permitted under AASB 10xx *Australian Accounting Standards – Simplified Disclosures*, paragraph 3.18.

17 ~~Some of the disclosure requirements in AASB 1 First-time Adoption of Australian Accounting Standards have been excluded from Tier 2 reporting requirements. Accordingly, e~~ Entities adopting Tier 2 reporting requirements for the first time that are required to apply AASB 1 shall comply with the ~~reduced disclosure requirements~~ Simplified Disclosures for Tier 2 Entities in section 35 of AASB 10xx, including for the purposes of paragraph 18A(a).[42]

18C Entities that are applying AASB 10xx *Australian Accounting Standards – Simplified Disclosures* shall provide the disclosures required under section 35 of AASB 10xx if they are applying paragraph 18A(a)(i)[43], and the disclosures required under section 10 of AASB 10xx if they are applying paragraph 18A(a)(ii)[43], instead of the disclosures required under AASB 1 or AASB 108.

Commented [DS41]: **Staff note to the Board:** The reasons for adding paragraph 18C and considerations regarding transitional requirements are discussed in BC69 to BC74.

A footnote to paragraph 19B is amended.

4 Compliance with Tier 2 reporting requirements is a reference to compliance with Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures for Tier 2 Entities.

AASB 1054 *Australian Additional Disclosures*

Paragraphs 5A, 5B, 5C and RDR 7.1 are deleted and Appendix A is added

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 7-16 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1055 *Budgetary Reporting*

Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 6-8 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1057 *Application of Australian Accounting Standards*

Commented [RM42]: **Staff note to the Board** The amendments to AASB 1057 have been drafted assuming the phase 1 amendments are implemented, but without incorporating any changes for the Phase 2 amendments. This was done to clearly separate the two amendments, consistent with the Board's decision to issue two separate EDs.

Paragraphs 5.1 and 5.2 are added and paragraph 7 is amended.

5.1 Entities applying AASB 10xx are not required to apply the following Australian Accounting Standards:

42 AASB 1053, 18A When applying Tier 2 reporting requirements for the first time, an entity that prepared its most recent previous financial statements in the form of special purpose financial statements:
(a) without applying, or only selectively applying, applicable recognition and measurement requirements of Australian Accounting Standards shall apply either:
(i) all the relevant requirements of AASB 1; or
(ii) Tier 2 reporting requirements directly using the requirements in AASB 108

43 AASB 1053, 18A When applying Tier 2 reporting requirements for the first time, an entity that prepared its most recent previous financial statements in the form of special purpose financial statements:
(a) without applying, or only selectively applying, applicable recognition and measurement requirements of Australian Accounting Standards shall apply either:
(i) all the relevant requirements of AASB 1; or
(ii) Tier 2 reporting requirements directly using the requirements in AASB 108

(a) AASB 101 *Presentation of Financial Statements;*

(b) AASB 107 *Statement of Cash Flows;*

(c) AASB 7 *Financial Instruments: Disclosures;*

(d) AASB 12 *Disclosure of Interests in Other Entities; and*

(e) AASB 124 *Related Party Disclosures.*

5.2 AASB 10xx Australian *Accounting Standards – Simplified Disclosures for Tier 2 Entities* applies to:

a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;

b) general purpose financial statements of each other reporting entity; and

c) financial statements that are, or are held out to be, general purpose financial statements provided the entity is eligible to apply the Tier 2 reporting requirements as set out in AASB 1053 paragraph 13[44].

7 Except as specified in paragraph 5.1 above, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards* and AASB 1054 *Australian Additional Disclosures* apply to:

a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;

b) general purpose financial statements of each reporting entity; and

c) financial statements that are, or are held out to be, general purpose financial statements

AASB 1058 *Income of Not-for-Profit Entities*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 23-41 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

AASB 1059 *Service Concession Arrangements: Grantors*

Appendix E is added

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities:*

(a) paragraphs 28-29; and

(b) Appendix B Application guidance paragraphs B79-B80

Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*

Appendix B is deleted and replaced by the following:

43 Another paragraph "5.2(d) for-profit private sector entities that are required by legislation or otherwise to comply with accounting standards or Australian Accounting Standards" will be added in the forthcoming ED that will propose removing the ability for entities to prepare SPFS in accordance with AAS.

Appendix B
Australian simplified disclosures for Tier 2 Entities

This appendix is an integral part of the Standard.

AusB1 Paragraph 13 does not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 11-13 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

Interpretation 17 *Distributions of Non-cash Assets to Owners*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 16-17 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

Interpretation 23 *Uncertainty over Income Tax Treatments*

Appendix C is added.

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs A4 and A5 in Appendix A application guidance do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

Interpretation 129 *Service Concession Arrangements: Disclosures*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 6 - 7 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

Interpretation 1052 *Tax Consolidation Accounting*

Paragraphs 23A and 23B are deleted and Appendix A is added.

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 16 and 59-60 do not apply to entities preparing general purpose financial statements that apply AASB 10xx *Simplified Disclosures for Tier 2 Entities.*

Appendix D

Summary of disclosures in other Standards and Interpretations not applicable

D1 The table in this Appendix has been provided for ease of reference, and lists the Standards and specific disclosure paragraphs that do not apply to an entity that is applying AASB 10xx *Simplified Disclosures for Tier 2 Entities*.

AASB Standard	Paragraphs superseded by this Standard
AASB 1 *First-time Adoption of Australian Accounting Standards*	Paragraphs 20-33 and Aus3.2
AASB 2 *Share-based Payment*	Paragraphs 44-52
AASB 3 *Business Combinations*	Paragraphs 59-63 and Application guidance p. B64- B67
AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*	Paragraphs 30-42
AASB 6 *Exploration for and Evaluation of Mineral Resources*	Paragraphs 23-25
AASB 7 Financial Instruments: Disclosures	The standard is replaced in its entirety
AASB 9 *Financial Instruments*	No Disclosures
AASB 10 *Consolidated Financial Statements*	No Disclosures
AASB 11 *Joint Arrangements*	No Disclosures
AASB 12 *Disclosure of Interests in Other Entities*	The standard is replaced in its entirety
AASB 13 *Fair Value Measurement*	Paragraphs 91-99 and Aus93.1
AASB 15 *Revenue from Contracts with Customers*	Paragraphs 110 -129
AASB 16 *Leases*	Paragraphs 51-60, B48-B52, Aus59.1, Aus59.2 and 89-92
AASB 101 *Presentation of Financial Statements*	The standard is replaced in its entirety.
AASB 102 *Inventories*	Paragraphs 36-39 and Aus36.1
AASB 107 *Statement of Cash Flows*	The standard is replaced in its entirety
AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	Paragraphs 28-31, 39-40 and paragraph 49
AASB 110 *Events after the Reporting Period*	Paragraphs 13, 16 and 17-22
AASB 112 *Income Taxes*	Paragraphs 79-88
AASB 116 *Property, Plant and Equipment*	Paragraphs 73-79 and Aus77.1
AASB 119 *Employee Benefits*	Paragraphs 25, 33(b), 34(b), 42, 53,54, 135-152, 158, 17
AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*	Paragraph 39

AASB Standard	Paragraphs superseded by this Standard
AASB 121 *The Effects of Changes in Foreign Exchange Rates*	Paragraphs 51-57
AASB 123 *Borrowing Costs*	Paragraph 26 and Aus26.1
AASB 124 *Related Party Disclosures*	The standard is replaced in its entirety
AASB 127 *Separate Financial Statements*	Paragraphs 15-17 and Aus16.1
AASB 128 *Investments in Associates and Joint Ventures*	No disclosures
AASB 129 *Financial Reporting in Hyperinflationary Economies*	Paragraphs 39-40
AASB 132 *Financial Instruments: Presentation*	No disclosures
AASB 136 *Impairment of Assets*	Paragraphs 126-137
AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*	Paragraphs 84-92 and last sentence of paragraph 75
AASB 138 *Intangible Assets*	Paragraphs 118-128 and Aus124.1
AASB 139 *Financial Instruments: Recognition and Measurement*	No Disclosures
AASB 140 *Investment Property*	Paragraphs 74-79
AASB 141 *Agriculture*	Paragraphs 40-57
AASB 1004 *Contributions*	Paragraph 43A
AASB 1050 *Administered Items*	Paragraphs 7,8 and 22
AASB 1051 *Land Under Roads*	Paragraphs 11 and 12
AASB 1052 *Disaggregated Disclosures*	Paragraphs 15-21
AASB 1054 *Australian Additional Disclosures*	Paragraphs 7-16
AASB 1055 *Budgetary Reporting*	Paragraphs 6-8
AASB 1058 *Income of Not-for-Profit Entities*	Disclosure paragraphs 23-41
AASB 1059 *Service Concession Arrangements: Grantors*	Presentation and disclosure paragraphs 28 and 29 and application guidance B79 and B80

D2 The table below lists out the Interpretations and specific disclosure paragraphs that do not apply to an entity that is applying AASB 10xx *Simplified Disclosures for Tier 2 Entities*.

AASB Interpretations	Paragraphs superseded by this Standard
Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	No disclosures
Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*	Paragraph 13
Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	Paragraphs 11-13
Interpretation 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	No disclosures
Interpretation 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*	No disclosures
Interpretation 10 *Interim Financial Reporting and Impairment*	No disclosures
Interpretation 12 *Service Concession Arrangements*	No disclosures
Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	No disclosures
Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	No disclosures
Interpretation 17 *Distributions of Non-cash Assets to Owners*	Paragraphs 16-17
Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	No disclosures
Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	No disclosure
Interpretation 21 *Levies*	No disclosure
Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	No disclosures
Interpretation 23 *Uncertainty over Income Tax Treatments*	Application guidance paragraphs A4-A5
Interpretation 107 *Introduction of the Euro*	No disclosures
Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*	No disclosures
Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*	No disclosures
Interpretation 129 *Service Concession Arrangements: Disclosures*	Paragraphs 6 and 7
Interpretation 132 *Intangible Assets – Web Site Costs*	No disclosures
Interpretation 1003 *Australian Petroleum Resource Rent Tax*	No disclosures

Interpretation 1030 *Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods*	No disclosures
Interpretation 1031 *Accounting for the Goods and Services Tax (GST)*	No disclosures
Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*	No disclosures
Interpretation 1052 *Tax Consolidation Accounting*	Paragraphs 16 and 59-60

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 10xx.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in this Exposure Draft (ED). It sets out the reasons why the Board developed the proposed new Tier 2 Standard, the approach taken to developing the Standard and key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

The need for a new Tier 2 disclosure standard

BC2 At present, entities that are required to prepare financial statements in accordance with Australian Accounting Standards (AAS) have a choice of two disclosure frameworks[45]:

a) Tier 1 reporting requirements which apply to the general purpose financial statements of for-profit private sector entities that have public accountability and the Australian Government and State, Territory and Local Governments.

b) Tier 2 reporting requirements which apply to the general purpose financial statements of for-profit private sector entities that do not have public accountability, not-for-profit private sector entities and public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

BC3 In addition, entities that have assessed themselves to be a non-reporting entity, can also choose to prepare special purpose financial statements (SPFS). However, in February 2019 the AASB tentatively decided to remove this ability based on the feedback received on their March 2018 consultation paper ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems.*

BC4 A separate exposure draft will be issued later in the year, which will propose only one Tier 2 GPFS framework for for-profit private sector entities, given the small number of these entities required to publicly lodge financial statements. The exposure draft will propose replacing the existing Tier 2 GPFS RDR framework with a framework that would still require compliance with all R&M requirements in AAS – including consolidation and equity accounting. In making this decision, the AASB noted the strong preference expressed by the majority of respondents for a framework that includes full R&M in AAS on the grounds that it would enhance the comparability, consistency and transparency of the financial statements.

BC5 Separate targeted consultations will be undertaken in relation to the implementation of the Revised Conceptual Framework by not-for-profit entities.

BC6 The current Tier 2 disclosure requirements in Australia and New Zealand are essentially the same and are based on an approach developed by the AASB in 2010 which draws on the disclosure requirements in the IFRS for SMEs Standard when Tier 2 recognition and measurement requirements are the same as those under the IFRS for SMEs Standard; and applies the 'user needs' and 'cost-benefit' principles applied by the IASB in developing its IFRS for SMEs Standard when Tier 2 recognition and measurement requirements are not the same as those available under the IFRS for SMEs Standard.

BC7 A post implementation review of the current Tier 2 framework was carried out by the AASB which identified that the existing Tier 2 disclosure requirements have not delivered the expected outcome and that take up by

45 AASB 1053 *Application of Tiers of Australian Accounting Standards*, paragraphs 11-13

entities was consequently low[46]. In response to the findings of the post implementation review, the AASB issued ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* in January 2017 as a joint project with the New Zealand Accounting Standards Board (NZASB). However, feedback from stakeholders was that ED 277 still resulted in too many disclosures. While the AASB had intended to conduct further outreach and consultation on the proposals in ED 277, any further work was put on hold following the issue of the revised Conceptual Framework by the IASB in March 2018 and the decision by the Board to reform the Australian Financial Reporting Framework and remove the ability for entities to prepare special purpose financial statements (SPFS) when required to comply with AAS by legislation or otherwise.

BC8 To facilitate the removal of SPFS and make it easier for entities to transition to GPFS, it is necessary to address the shortcomings identified with the current Tier 2 reporting framework and develop a new framework that can take its place. After having considered the various options outlined below, the AASB is of the view that the proposed AASB 10xx will address stakeholders concerns and provides an appropriate balance of user needs and costs.

Options considered: why IFRS for SMEs as basis for the new Tier 2 Standard?

BC9 In developing AASB 10xx, the AASB considered the following options:

a) retain the current Tier 2 disclosure requirements (RDR framework)

b) adopt the alternative proposed in ITC 39 (SDR framework – see BC11 below),

c) revisiting the proposals in ED 277; or

d) develop a new disclosure standard based on the IFRS for SMEs Standard.

RDR and SDR frameworks – feedback from ITC39

BC10 In ITC 39, the AASB proposed to replace the current RDR framework with a revised disclosure framework and proposed two alternatives for Tier 2 (See Specific Matter for Comment 12 of ITC 39). Alternative 1 was the existing Tier 2 RDR under AASB 1053 established in Australia which requires full recognition and measurement requirements of IFRS (as amended for NFP specific issues) and with minimum disclosures specified in each Standard.

BC11 The second proposed alternative, the Specified Disclosure Requirement (SDR), was a revised disclosure framework. It required full recognition and measurement of IFRS (as amended for NFP specific issues) and included the disclosure of those Standards that are currently mandatory for entities required to prepare financial statements in accordance with Chapter 2M of the *Corporations Act 2001 (Cwth)*, being AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards* and AASB 1054 *Australian Additional Disclosures*, and disclosures required by AASB 124 *Related Party Disclosures*, AASB 136 *Impairment of Assets*, AASB 15 *Revenue* and AASB 112 *Income Taxes*.

BC12 After issuing ITC 39, the AASB held targeted outreach with key stakeholders, including State, Territory and National regulators, audit offices, accounting firms, the Australian Securities Exchange (ASX), the Australian Securities and Investments Commission (ASIC), credit rating agencies and professional bodies. The ITC 39 proposals were also presented at various forums, roundtables and discussion groups.

BC13 The AASB received feedback on its proposals through 36 formal comment letters on ITC 39. Furthermore, feedback was received via means such as emails, surveys, meetings with constituents and feedback from roundtables and other external presentations.

BC14 The feedback on the proposed SDR framework was that the SDR is too much in some ways but falls short in many other ways. For example, the feedback received from roundtables, survey and submissions on ITC 39 Phase 2 was that whilst the disclosures in SDR are important, requiring full disclosure of those nine Standards

46 As per BC14 of ED 277, the level of adoption among other types of companies, including large proprietary companies was very low – with the likely reason being that the general level of disclosure under Tier 2 was still viewed as burdensome. Based on a research (Potter, B., Tanewski, G., and Wright, S., 2016, Financial Reporting by Private Companies in Australia: Current Practice and Opportunities for Research, paper presented at the AASB Research Forum, November 24, Sydney) of the financial reporting practices by a sample of large proprietary companies in Australia lodging annual financial statements with ASIC identified that:
(i) less than 10 percent of the total sample use Tier 2 disclosures; and
(ii) of those large proprietary companies sampled that prepare GPFS, around 20 percent use Tier 2 disclosures.

was too much. Most participants further suggested that SDR might not be appropriate for all industry sectors and is missing some critical disclosures to help predict the viability of an entity such as liquidity, contingent liabilities, subsequent events and commitment disclosures. At the same time, respondents also noted that the current RDR framework is too onerous. The AASB further noted that given the small number of for-profit entities required to publicly lodge financial statements with ASIC, which will be even less once the increase of the reporting thresholds for large proprietary companies becomes applicable, the development and maintenance of more than two GPFS disclosure frameworks was not warranted. As a consequence, the Board agreed to develop a third alternative as replacement of the current RDR framework, being a new and separate disclosure Standard for Tier 2 entities that would be based on the IFRS for SMEs disclosures.

BC15 Feedback on the current Tier 2 disclosure framework (RDR) indicated that refining the principles used in determining the level of RDR to achieve an appropriate balance between the benefits of financial information to the users and the costs to the preparers of providing that information is crucial. The feedback from the roundtables, surveys and submissions on ITC 39 indicated that RDR has too many disclosure requirements.

BC16 To develop the current RDR disclosures, a top-down approach was used starting with the full IFRS disclosures. This top-down approach uses the full IFRS disclosures and then identifies those that can be removed. The AASB noted that there could be a tendency to retain disclosures in circumstances where a direct comparison is not possible.

BC17 In response to findings from the post-implementation review of the RDR disclosures, ED 277 proposed adopting an RDR decision-making framework, together with accompanying operational guidance. The framework was based on Key Disclosure Areas (KDAs) which were meant to result in information that meets user needs. Judgement was required when applying this framework, and the overarching principles of user needs and cost-benefit were considered when determining the disclosures that relevant Tier 2 entities in each jurisdiction should make.

BC18 The approach taken in the proposed Tier 2 framework in ED 277 was to include an Australian Appendix in each AAS that identifies the disclosures that Tier 2 entities are required to provide, thereby addressing concerns by those that find the current shading used to identify disclosures that can be omitted confusing. However, while ED 277 was based on clear disclosure principles, it still resulted in too many disclosures. The cost-benefit analysis was difficult to apply in the context of disclosures and the top-down approach resulted in too many retained disclosures, as removal was difficult to justify with the KDAs.

New disclosure standard based on IFRS for SMEs

BC19 In weighing up the shortfalls of RDR and the other proposed Tier 2 options and the disclosure principles applied by the IASB while developing the IFRS for SMEs Standard, the AASB decided in February 2019 to develop a new Tier 2 Standard based on the IFRS for SMEs disclosures which would be available for general purpose financial statements that are publically lodged or are required to comply with AAS, but do not relate to entities that are publicly accountable.

BC20 The disclosures that are relevant to Tier 2 entities are set out in a separate standard, being AASB 10xx, and have been developed via a ‘bottom-up’ approach based on the IFRS for SMEs disclosures, without reference to the full IFRS disclosures (ie no shading). The key methodology followed is explained paragraphs BC29-BC37.

BC21 In considering the IFRS for SMEs Standard, the AASB noted that the nature and degree of the differences between the disclosures in full IFRSs and the IFRS for SMEs Standard is determined on the basis of users’ needs and cost-benefit analyses[47].

BC22 The disclosure requirements in the IFRS for SMEs are substantially reduced when compared with the disclosure requirements in full IFRSs. The IASB identified the following four principles as used for the reductions:

a) Some disclosures are not included because they relate to topics covered in IFRSs that are omitted from the IFRS for SMEs (as per paragraph BC88 of IFRS for SMEs Standard 2015 – Part B);

47 As per BC46 of IFRS for SMEs Standard – Part B

b) Some disclosures are not included because they relate to recognition and measurement principles in full IFRSs that have been replaced by simplifications in the IFRS for SMEs (as per paragraphs BC98–BC136 of IFRS for SMEs Standard 2015 – Part B);

c) Some disclosures are not included because they relate to options in full IFRSs that are not included in the IFRS for SMEs as per (paragraphs BC84–BC86 of IFRS for SMEs Standard 2015 – Part B); and

d) Some disclosures are not included on the basis of users' needs or cost-benefit considerations as per (paragraphs BC44–BC47, BC157 and BC158 of IFRS for SMEs Standard 2015 – Part B).

BC23 In considering using the IFRS for SMEs Standard as base, the AASB also noted that the IASB has added a research project on SMEs that are subsidiaries to their agenda in March 2019. While this is a longer-term project and the AASB needs to have a revised disclosure framework in place in time for the planned removal of SPFS from 1 July 2020, the AASB will monitor the progress at the IASB closely. Consistent with the policy of adopting standards issued by the IASB for application by Australian entities, the simplified disclosure standard may ultimately be replaced with the standard developed by the IASB. This would not only remove the need for the AASB to maintain a separate Tier 2 Standard, but also provide comparability and consistency for subsidiary reporting globally.

Costs vs benefits

BC24 The AASB identified the following benefits arising from the adoption of the new Tier 2 Standard over the other options considered:

a) The IASB has developed the disclosures in IFRS for SMEs with for-profit private sector entities that are not publicly accountable entities in mind and considers that they are adequate to meet the needs of the relevant users.

b) A comparison of the new proposed disclosures to the disclosures that would be required under the SDR and RDR has confirmed that adoption of the new Tier 2 Standard would address stakeholders concerns by resulting in a level of disclosures that lies in between the current RDR and the proposed SDR requirements.

c) This option is based on a bottom-up approach in developing disclosures and avoids needing to identify specific full IFRS disclosures that need to be retained and those that can be excluded. It is a more rigorous and targeted way of reducing disclosures to an appropriate level (based on previous experiences with RDR approach, as it involves needing to justify additional disclosures rather than the removal of disclosures from full IFRS).

d) This option introduces more flexibility as it allows drafting disclosures to suit the circumstances and not be restricted by existing full IFRS disclosures.

e) Setting out the disclosures in a separate Standard will make it easier for users, as it avoids having to identify applicable disclosures via shading in between the full disclosures. The AASB noted that this will also improve readability where parts of sentences are currently shaded in RDR (ie excluded).

BC25 However, AASB noted that adopting the SMEs based Tier 2 disclosure Standard will result in a divergence from the New Zealand RDR Framework. The AASB's *For-Profit Standard-setting Framework* sets out that differences between accounting Standards issued in Australia and New Zealand for For-Profit entities should be minimised wherever possible to reduce the costs for entities operating trans-Tasman. This divergence could cause inconvenience for entities operating trans-Tasman. Notwithstanding this, the AASB noted that the recognition and measurement requirements for entities applying Tier 2 reporting framework in Australia and New Zealand would remain consistent and given the current situation of many Australian entities not complying with full recognition and measurement, the overall outcome is likely to be more consistency with NZ requirements than currently.

BC26 The AASB also noted that the new Tier 2 disclosures will be contained in a separate Standard which might not be welcomed by preparers who prefer seeing the disclosure requirements together with the recognition and measurement in each Standard.

BC27 Finally, Australian specific standards and not-for-profit modifications have to be addressed separately as they are not covered in the IFRS for SMEs standard[48].

BC28 After considering both the advantages and disadvantages noted above, the AASB was of the view that proposed simplified disclosures strike the right balance between user needs and cost to preparers and appropriately address the concerns raised by respondents to ITC 39. In particular, the AASB noted the strong support for a consistent reporting framework which requires compliance with full R&M requirements in AAS but revisits the current disclosures that are required for Tier 2 entities under the RDR framework. The disclosures in AASB 10xx will not only beneficial for entities that are already reporting under Tier 2 but also those entities that will have to step up from SPFS to Tier 2 GPFS when the AASB's proposals in the forthcoming ED for for-profit private sector entities that are required to prepare financial statements that comply with AAS or accounting standards are implemented.

Methodology and principles applied

BC29 In accordance with AASB 1053 *Application of Tiers of Accounting Standards*, Tier 2 requirements comprise the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. AASB 1053 sets out the eligibility criteria that entities must meet to report in accordance with Australian Accounting Standards – Tier 2 framework. This framework does not change those criteria.

BC30 The AASB agreed to develop the new disclosures via a bottom-up approach, starting with the existing disclosures in the IFRS for SMEs standard. This avoids having to identify specific full Australian Accounting Standard (AAS) disclosures that need to be retained and those that can be excluded. This approach also avoids the tendency to retain disclosures in circumstances where a direct comparison is not possible.

BC31 While the AASB has decided not to adopt IFRS for SMEs as an alternative for Tier 2 reporting[49], the IASB's assessment of user needs and cost-benefit considerations in relation to the disclosures for this group of entities will be similarly relevant to Australian for-profit private sector entities without public accountability. The AASB therefore considers the IFRS for SMEs based disclosures an appropriate starting point for developing a disclosure standard for this group of entities.

BC32 The disclosure framework is based on the premise that IFRS for SMEs disclosures should be retained where the R&M principles and options are the same or similar in IFRS for SMEs and full IFRS. Disclosures relating to R&M options or treatments in SMEs that are not available in full IFRS will be removed. Disclosures have only been added to the IFRS for SME base where the R&M principles were significantly different or certain topics are not addressed under the IFRS for SMEs standard.

BC33 In determining what disclosures to add, the following broad principles have been applied by the AASB, which are consistent with those applied by the IASB in developing the IFRS for SMEs disclosures[50] :

(a) users of the financial statements of for-profit entities that are not publicly accountable entities are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. Thus disclosures in full IFRSs that provide this sort of information are necessary;

(b) users of the financial statements of for-profit entities that are not publicly accountable entities are particularly interested in information about liquidity and solvency. Thus disclosures in full IFRSs that provide this sort of information are necessary;

(c) information on measurement uncertainties is important;

(d) information about an entity's accounting policy choices is important;

48 See comments under *Scope and application to not-for-profit and public sector entities* below in relation to not-for-profit modifications.

49 In considering the feedback received on ITC 39, the AASB noted in February 2019 that while a minority of respondents had asked the Board to consider *IFRS for SMEs* as an option or alternative for Tier 2 GPFS, these respondents did not provide any new arguments as to whether IFRS for SMEs would be preferable to full R&M. The AASB further noted that IFRS for SMEs includes requirements for consolidated financial statements, deferred tax accounting, financial instruments accounting and related party disclosures that are not substantively different to full IFRS R&M requirements. For these reasons, the AASB decided not to propose a Tier 2 GPFS framework with differential R&M requirements as an option or alternative for Tier 2 GPFS.

50 See BC157 of IFRS for SMEs Standard – Part B

(e) disaggregations of amounts presented in for-profit entities that are not publicly accountable entities' financial statements are important for an understanding of those statements; and

(f) some disclosures in full IFRSs are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical for-profit entities that are not publicly accountable entities.

BC34 Consistent with the IASB's comments in relation to the proposed *SMEs that are Subsidiaries project*, tailoring of the IFRS for SMEs disclosure requirements has further been restricted to the absolute minimum:

(a) to avoid the risk of appearing to create a third dialect of IFRS Standards (alongside IFRS Standards and the IFRS for SMEs Standard); and

(b) to minimise the work needed, both for stakeholders and for the Board and staff.

As identified in BC52-BC53 below, this did result in the retention of certain disclosures in particular about employee benefits that are over and above what is required to be disclosed under full IFRS. However, where the IASB has removed disclosures from full IFRS after the IFRS for SMEs standard was finalised, the AASB decided that similar reductions in disclosures should also be carried over to AASB 10xx. This has affected in particular the leasing disclosures, see BC56 below.

BC35 To identify R&M differences, the AASB has referred to:

(a) the staff paper *Comparison of Standards for Smaller Entities* prepared and published in April 2018;

(b) full IFRS vs IFRS for SMEs comparisons included in IFRS for SMEs modules published by the IASB; and

(c) individual analysis of standards, where a topic is covered by neither of these two sources.

BC36 Judgement was exercised when applying the framework and the overarching principles of user needs and cost-benefit were considered when determining the disclosures that relevant for Tier 2 entities. Significant judgements made in this process are explained in BC42 to BC57 below.

BC37 The disclosures that are relevant to Tier 2 entities are set out in a separate standard AASB 10xx (ie will not be shaded in the body or the appendix of each Australian Accounting Standard). They are considered by the AASB to be appropriate for general purpose financial statements that are publicly lodged or are required to comply with Australian Accounting Standards, but do not relate to entities that are publicly accountable.

BC38 As a general rule, presentation requirements have been retained in AAS and not been replaced with AASB 10xx. An exemption are the presentation requirements that are included in AASB 101 and AASB 107, and the requirement to present assets that held-for-sale and assets and liabilities relating to discontinued operations separately in the balance sheet (see BC59(a) below).

Scope and application to not-for-profit and public sector entities

BC39 While the IFRS for SMEs disclosures are developed specifically for for-profit private sector entities, the AASB considers that the new Tier 2 Disclosure Standard should also be made applicable to not-for-profit private sector entities and public sector entities, other than the Australian Government and State, Territory and Local Governments. Making the proposed Simplified Disclosure Standard applicable to all Tier 2 entities, whether for-profit or NFP, would result in an immediate reduction in disclosures compared to the current RDR framework, and NFP entities would be able to benefit from this reduction in disclosures while waiting for legislative action on the ACNC legislative review recommendations and for a revised NFP Financial Reporting Framework to be developed. The Tier 2 disclosure framework is likely to be still relevant to NFP entities as one of the tiers of reporting for that sector even after a revised NFP Financial Reporting Framework is developed.

BC40 In determining whether disclosures would need to be added to address any R&M differences that are specific to NFP and public sector entities, the AASB has applied paragraph 28 of the *AASB's Not-for-Profit Entity Standard-Setting Framework* and the principles listed in BC33 above. While those principles have been developed with specific focus on the users of the financial statements of private sector entities, the AASB considers that they are also relevant to the users of the financial statements of NFP and public sector entities.

Commented [RM43]: Major judgements made – for the Board to consider
Agenda Item 3 - Question 2a: Principles applied in identifying additional NFP disclosures

Does the Board agree with the principles applied in identifying additional NFP disclosures, as explained in BC40?

However, the AASB also acknowledged that certain transactions or items in the financial statements are unique to NFP and public entities and may require additional information, as set out in AASB's *Not-for-Profit Entity Standard Setting Framework*. A limited number of disclosures have been added to Appendix A for that reason. Further details about the decisions made in relation to specific disclosures are set out in BC62-BC65 below.

BC41 To minimise Australian specific differences in the disclosure standard, and allow easier comparison to the IFRS for SMEs disclosure, the not-for-profit and public sector specific disclosures have been included in a separate Appendix to this standard.

Significant decisions made by the AASB in developing the disclosures

Replacing entire standards with AASB 10xx

BC42 In considering the ease of application for Tier 2 entities, and also the drafting of application paragraphs, the AASB decided to replace any Standards that deal exclusively with presentation and disclosure requirements in their entirety with the corresponding requirements in AASB 10xx. A new paragraphs 5.1 and 7.2 is proposed to be added to AASB 1057 *Application of Australian Accounting Standards* to note that entities applying AASB 10xx do not need to comply with AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 7 *Financial Instruments: Disclosures* and AASB 124 *Related Party Disclosures.* These standards will be replaced with the following equivalent sections from the IFRS for SMEs Standard:

(a) Section 3 *Financial Statement Presentation* (AASB 101)

(b) Section 4 *Statement of Financial Position* (AASB 101)

(c) Section 5 *Statement of comprehensive income and income statement* (AASB 101)

(d) Section 6 *Statement of changes in equity and statement of income and retained earnings* (AASB 101)

(e) Section 7 *Statement of cash flows* (AASB 107)

(f) Section 8 *Notes to the Financial Statements* (AASB 101)

(g) Section 9 *Consolidated and Separate Financial Statements* (AASB 12)

(h) Section 11 *Basic Financial Instruments* (AASB 7)

(i) Section 12 *Other Financial Instruments Issues* (AASB 7)

(j) Section 14 *Investments in Associates* (AASB 12)

(k) Section 15 *Investments in Joint Ventures* (AASB 12)

(l) Section 33 *Related Party Disclosures* (AASB 124)

BC43 The AASB noted that by replacing the five standards listed in BC42, this also removes some of the guidance included in these standards which is not included in the IFRS for SMEs standard. However, for the sake of maintaining simplicity of the disclosure requirements, the AASB considered this to be preferable to considering on a case-by-case basis which guidance should be included and which could be omitted.

BC44 The AASB further decided to add two requirements from AASB 101 to AASB 10xx which deal with:

(a) the prohibition for certain Australian entities to depart from a requirement in an Australian Accounting Standard (paragraph Aus19.1 in AASB 101 and Aus3.4.1 in AASB 10xx), and

(b) the specific prohibition of offset assets and liabilities or income and expenses, unless required or permitted by an Australian Accounting Standard (paragraph 32 in AASB 101 and Aus3.16.1 in AASB 10xx).

BC45 The first requirement reflects Australian specific circumstances which are also relevant to Tier 2 entities and hence does need to be included. The latter requirement is covered in Section 3 *Financial Statement Presentation* of the IFRS for SMEs standard which has been otherwise excluded on the basis that it does not include any disclosures.

Commented [DS44]: Staff note to the Board:
The detailed comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis of impact on disclosures (For for-profit private sector entities with no public accountability) is included in agenda paper 3.2. Significant judgements derived from the analysis are included in BC42-68.

Commented [DS45]: Major judgements made – for the Board to consider
Agenda Item 3 - Question 1a: key decisions made in developing the disclosures

For ease of application by Tier 2 entities, and also the drafting of application paragraphs, staff recommend replacing any standards that deal exclusively with presentation and disclosure requirements in their entirety. The consequences of this approach are outlined in BC42-BC50.

Certain other amendments were necessary to the IFRS for SMEs disclosures, eg to reflect additional items that are presented in other comprehensive income under full IFRS. These are highlighted with mark-up in agenda paper 3.2 but are not specifically identified in the BCs.

BC46 To avoid any potential R&M differences, the AASB further decided to replace the definition of materiality in the IFRS for SMEs standard with the recently updated definition of materiality from AASB 101.

BC47 Consistent with the basic approach of minimising differences to the IFRS for SMEs disclosures, the AASB decided to retain paragraph 3.18 of IFRS for SMEs Standard which includes an option of not presenting a statement of changes in equity if the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.

BC48 The AASB further noted that the IFRS for SMEs standard does not provide the following options that are currently available for Tier 2 RDR entities:

(a) option to present the net cash flow from operating activities under the indirect method by showing the revenues and expenses disclosed in the statement of comprehensive income and the changes during the period in inventories and operating receivables and payables (AASB 107 para 20); and

(b) options to report certain cash flows on a net basis (AASB 107 paragraphs 22 to 24).

Consistent with the overall principle of keeping differences to the IFRS for SMEs standard to a minimum, the AASB decided not to include these options in AASB 10xx.

BC49 Noting the differences identified in BC48 and BC49 above, the AASB also considered whether these could of concern for subsidiaries that are consolidated by parent entities reporting under Tier 1 or full IFRS. However, as all of these differences relate to optional treatments, they should not prevent subsidiaries from applying the simplified disclosure standard.

BC50 In relation to the replacement of AASB 12, the AASB noted that the investment entity exemption from consolidation creates an R&M difference to the IFRS for SMEs standard. However, based on the principles listed in BC33, the AASB did not consider that additional disclosures would be warranted in relation to this exemption. In particular, the AASB noted that measurement at fair value through profit or loss will provide better information about liquidity and hence alleviate the need for additional disclosures. The AASB also noted the IASB's assessment that the exemption would be expected to have a limited practical impact on the majority of non-publicly accountable entities[51].

Judgements made in adding, removing or adapting IFRS for SMEs disclosures

BC51 The AASB has exercised a number of significant judgements while adding, removing and amending disclosures from the certain sections of the IFRS for SMEs Standard.

BC52 In considering the R&M differences between AASB 16 *Leases* and Section 20 *Leases*, the AASB noted that the accounting for all leases held by lessees under AASB 16 is broadly similar to the the accounting for finance leases in the IFRS for SMEs Standard. As a consequence, the AASB considered that the disclosures for finance leases should be used as a basis, and only be adapted for different terminology used in AASB 16 (eg. referring to variable lease payments instead of contingent rent etc).

BC53 The AASB also decided in principle to adapt the current disclosures for operating leases to apply to short-term leases and leases of low value assets that have not been recognised as right-of-use assets per the exemption in paragraph 6 of AASB 16. However, the AASB noted that the disclosures in the IFRS for SMEs Standard about operating lease commitments are more extensive than what is required under paragraphs 55 and 60 of AASB 16/IFRS 16. IFRS 16 is a recent standard that was finalised after the IFRS for SMEs standard was developed. The AASB considered that where the IASB has removed disclosures from full IFRS after the IFRS for SMEs standard was finalised, similar reductions in disclosures should also be carried over to the new Tier 2 Standard. Therefore, the AASB decided to replace the IFRS for SMEs disclosures with the relevant disclosures from AASB 16.

BC54 In considering the recognition and measurement difference between AASB 15 *Revenue from Contracts with Customers* and Section 23 *Revenue* the AASB noted that while the differences may affect the amount and timing of the revenue recognised, under both AASB 15 and Section 23, revenue is either recognised at a point in time or over time. On that basis, AASB decided to adapt the IFRS for SMEs disclosures to reflect the different terminology used in AASB 15 but without adding unnecessary details. For example, the requirement

51 See BC198 of IFRS for SMEs Standard 2015

Commented [RM46]: **Major judgements made – for the Board to consider**
Agenda Item 3 - Question 1b: key decisions made in developing the disclosures

Do you agree with the staff conclusions in relation to the following issues for the reasons set out in BC51 to BC58:
- Disclosures for lessees
- Revenue disclosures
- Borrowing costs
- Disclosures retained from IFRS for SMEs that are not currently required for RDR entities
- Disclosures for revalued PPE and Intangible assets

to disclose specified categories of revenue has been replaced with a requirement to disaggregate revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The reference to "methods used to determine the stage of completion" has been changed to "methods used to recognise revenue for performance obligations that are satisfied over time".

BC55 In considering the difference between AASB 123 *Borrowing Costs* and Section 25 *Borrowing Costs*, the AASB noted that the IFRS for SMEs standard does not permit the capitalisation of borrowing costs and therefore does not require any additional disclosures. However, the AASB decided not to add a requirement to disclose the amount of capitalised borrowing costs, as the information is not relevant in identifying short-term cash flows, obligations, commitments and for assessing liquidity and solvency.

BC56 Based on the principle to avoid differences to the IFRS for SMEs standard as far as possible, the AASB decided to retain certain disclosures even though they are not currently required for Tier 2 entities. These include:

(a) in relation to Section 28 *Employee Benefits*, disclosures about other long-term benefits and termination benefits which are over and above what is required under full IFRS/AAS (paragraph 28.42-44);

(b) disclosures about the entity's domicile and other general information (paragraph 3.24), the qualitative factors that make up goodwill (paragraph 19.25(g)), adjusting events that occurred after the end of the reporting period (paragraph 32.4) and about parent-subsidiary relationships where an entity applies the exemption from providing related party disclosures for government-related entities (paragraph 33.11);

(c) disclosures about hedging (paragraphs 12.28 and 12.29), investments in associates (paragraph 14.13) and leasing (paragraphs 20.13(b), 20.23(b),(e) and 20.35) where some disclosures were added but many others removed as a result of applying the principles in BC33;

(d) a number of disclosures in relation to section 35 *Transition to Australian Accounting Standards – Simplified Disclosures* – see BC74 below for details.

BC57 In considering differences between AASB 138 *Intangible Assets* and Section 18 *Intangible Assets other than Goodwill* the AASB noted that the IFRS for SMEs Standard does not permit the revaluation of intangible assets and therefore does not require relevant disclosures. The AASB decided that these disclosures would be relevant and should be added, using the disclosures for Property Plant Equipment from paragraph 17.33 of IFRS for SMEs as a basis. The AASB also decided to add a requirement to disclose the reason for an intangible assets having an indefinite useful life based on AASB 140 paragraph 122(a), as this option is not available under IFRS for SMEs.

BC58 However, the IFRS for SMEs standard also requires for revalued property, plant and equipment the disclosure of the carrying amount of the assets that would have been recognised under the cost model (paragraph 17.33(d) in the IFRS for SMEs standard). The AASB noted that the option to use the revaluation model for property, plant and equipment was only introduced into the IFRS for SMEs standard as part of the amendments made in 2015. While the Basis for Conclusions to the amendments explain the reasons for permitting this option[52], they do not discuss the associated disclosures that were added in the process. When the AASB discussed this particular disclosure requirement in the context of the original RDR disclosures in ED192, it noted that the revaluation model provides more relevant information than the cost model, and that it would appear illogical and irrelevant to provide comparative information about the cost model[53]. The AASB therefore concluded that the cost of this disclosure would outweigh the benefits. These arguments are still valid and on that basis the AASB decided not to include this particular disclosure from the IFRS from SMEs standard.

AASB Standards and Interpretations not covered in AASB 10xx

BC59 There are a number of Standards that the AASB decided not to address in AASB 10xx for the following reasons:

(a) The AASB decided to use the IFRS for SMEs presentation and disclosures in relation to assets held for sale and discontinued operations without further changes. AASB 5 *Non-current Assets Held for Sale and*

52 *2015 Amendments to the IFRS for SMEs*, BC210-BC212
53 ED192 – Appendix C Analysis of Disclosure Requirements: *Proposed Disclosures under RDR:* AASB 116 *Property, Plant and Equipment* and *IFRS for SMEs* Section 17 *Property, Plant and Equipment*

Commented [RM47]: Major judgements made – for the Board to consider
Agenda Item 3 - Question 1c: key decisions made in developing the disclosures

Do you agree with the staff recommendations in relation to standards and interpretations that are not covered in the new Tier 2 Standard, as set out in BC59 to BC61?

In particular, are you still comfortable with the previous decision by the AASB not to require the disclosure of audit fees by Tier 2 entities?

Staff note that this disclosure was included in the original RDR disclosures on the basis that it did not satisfy any of the principles identified by the IASB for determining the IFRS for SMEs disclosures (as set out in BC xx above).

Discontinued Operations is not separately covered in the IFRS for SMEs standard. Instead, the IFRS for SMEs standard has the following requirements:

i. holding assets for sale triggers an assessment for impairment per section 27; and
ii. specific disclosures in paragraph 4.14 when an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities.

The IASB confirmed in BC119 of the IFRS for SMEs standard that these requirements would ensure assets are not overstated and relevant information is provided to users of SMEs financial statements. The AASB concluded that the impairment requirements in section 27 will essentially result in the same carrying amount of the assets as if AASB 5 is applied, thus there are no differences in recognition and measurement requirements that could require any further disclosures.

(b) the AASB decided not to address AASB 14 *Regulatory Deferral Accounts* as it is only relevant for entities that have recognised regulatory deferral account balances under previous GAAP. It would be applicable for Australian entities that have complied with all recognition and measurement requirements;

(c) AASB 4 *Insurance Contracts*, AASB 17 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contarcts* and AASB 1056 *Superannuation Entities* are not addressed in the new Tier 2 Disclosure Standard as the entities applying these Standards would have public accountability as they hold assets in a fiduciary capacity. Thus, AASB concluded that these Standards are not applicable for Tier 2 entities. In relation to AASB 1056, the AASB concluded that superannuation entities are currently divided between Tier 1 entities and non-reporting entities (including Small Australian Prudential Regulation Authority (APRA) Funds (SAFs) and Self-Managed Superannuation Funds (SMSFs)). Accordingly,Tier 2 disclosures were not developed for these entities. The AASB further noted that there is currently no legislative requirements for superannuation entities to prepare financial statements in accordance with AAS. Until such time as the legislation is changed, superannaution entities could therefore continue preparing SPFS and thus AASB 1056 has been excluded from the proposed new Tier 2 Standard.

(d) AASB 8 *Operating Segments* and AASB 133 *Earnings per Share* require disclosure of segment information and of earnings per share data only for entities which have debt or equity instruments that are traded, or are in the process of being issued for trading in a public market. These entities would have public accountability and, accordingly, the AASB decided that these Standards are not applicable for Tier 2 entities. Instead, consistent with the IFRS for SMEs standard, paragraph 3.25 refers back to these standards and provides that an entity disclosing segment information or earnings per share must comply with AASB 8 or AASB 133 respectively in full.

(e) AASB 134 *Interim Financial Reporting* is applicable for the specific purpose of preparing interim financial reports and AASB 1039 *Concise Financial Reports* is applicable for the specific purpose of preparing concise reports under the Corporations Act 2001. AASB 10xx is intended to be used in the preparation of annual GPFS. Accordingly, the AASB considered that AASB 134 and AASB 1039 are not relevant in relation to this disclosure Standard.

(f) Some of the disclosures from AASB 1054 *Australian Additional Disclosures* (i.e paragraph 7 and 8) are covered in paragraph 3.3 of AASB 10xx. Paragraph 9 will no longer be relevant as it refers to SPFS. The AASB noted that the rest of the disclosures do not provide information about short-term cash flows, obligations, commitment, contingencies, liquidity or solvency and are therefore not required.

(g) AASB 1057 *Application of Australian Accounting Standards* and AASB 1053 *Application of Tiers of Australian Accounting Standards* does not include any R&M or disclosure requirements and as a result has not been included for in this disclosure Standard.

BC60 In assessing whether disclosure requirements of a particular AASB interpretation would need to be added to the proposed new Tier 2 Standard, the AASB have considered the following:

(a) If the Basis for Conclusions in the IFRS for SMEs Standard confirmed that particular interpretations had been incorporated in the IFRS for SMEs Standard, no further action was required.

(b) No action was required for interprations that have been superseded or do not have any disclosure requirements.

BC61 The AASB further considered whether disclosure requirements from AASB Interpretations would need to be added to the new Tier 2 Standard but concluded this was not necessary for the following reasons:

(a) AASB Interpretation 1019 *The Superannuation Contributions Surcharge* and AASB Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations* are not relevant for Tier 2 entities, as entities applying these interpretations would have public accountability by holding assets in a fiduciary capacity.

(b) The disclosures in AASB Interpretation 1052 *Tax Consolidation Accounting Disclosure* were excluded for RDR entities on the basis of cost-benefit considerations. In addition, as the interpretation is not creating any R&M differences to IAS 12, and therefore also not to IFRS for SMEs, the AASB concluded that additional disclosures will not be required.

(c) The disclosure paragraphs in AASB Interpretation 23 *Uncertainty over Income Tax Treatments* do not introduce new disclosures, but refer to disclosures in the AAS that are captured in paragraphs 8.6, 8.7 and 21.15 of the new Tier 2 Standard.

(d) Two of the three disclosure paragraphs in AASB Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* were already excluded for RDR entities on the basis of cost-benefit considerations. However, as there are also no R&M differences to IFRS for SMEs, the AASB concluded that no additional disclosures would be required.

Not-for-profit private sector entities and public sector entities

BC62 As explained in BC39 above, the AASB decided that the new Tier 2 standard should be equally applicable to both for-profit and NFP private sector entities and any public sector entities that are eligible to report under Tier 2 based on the requirements in AASB 1053. The AASB therefore also considered any NFP and public sector entity differences in AAS and to what extent, if any, additional disclosures would be required for such Tier 2 entities.

BC63 In summary, the AASB decided to:

(a) include additional disclosures for AASB 1, AASB 16, AASB 102 and AASB 123 to address R&M differences that are specific to NFP entities; and

(b) include additional disclosures for AASB 1004, AASB 1050, AASB 1051, AASB 1055, AASB 1058, AASB 1059 which are only applicable for NFP entities; Consistent with the conclusions in BC40 above, the proposed disclosures reflect the fact that the relevant transactions and circumstances covered are unique to NFP and public sector entities and that users would require information on non-financial accountability and stewardship, even if the broad principles in BC33 would not indicate such a need.

BC64 As a general rule, the AASB considered that previous decisions made under the current RDR framework in relation to the cost vs the benefits of these disclosures in relation to Tier 2 NFP entities remain relevant.

BC65 The AASB further considered whether the disclosures should be added to the relevant sections in the main standard, but decided to list the relevant disclosures separately in Appendix A for the following reasons:

(a) to allow easy identification of any additional disclosures by affected entities; and

(b) to minimise Australian specific differences in the disclosure standard, and allow easier comparison to the IFRS for SMEs disclosure, consistent with the overall approach adopted in developing this standard.

Drafting conventions

BC66 The AASB noted that it is essential to maintain comparability between the new Tier 2 Standard and the IFRS for SMEs Standard and concluded that the section and paragraph numbers from IFRS for SMEs Standard should be retained for ease of reference. Paragraphs that have been added by the AASB and that therefore do not have an equivalent number in the IFRS for SMEs standard are preceded with Aus.

BC67 The AASB decided that the analysis tables (See Agenda paper 3.2 *Detailed comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis of impact on disclosures – For for-profit private sector*

Commented [RM48]: **Major judgements made – for the Board to consider**
Agenda Item 3 - Question 2b: Principles applied in identifying additional NFP disclosures

Does the Board agree with the staff recommendations in relation to including additional disclosures for NFP entities, as explained in BC62-BC65?

Commented [RM49]:
Major judgements made – for the Board to consider
Agenda Item 3 - Question 3c: key decisions made in drafting the ED

Does the Board agree with the drafting conventions applied in preparing the ED, as explained in BC59 to BC61?

(Staff note to the Board
In preparing this draft ED, staff have retained the mark-ups from agenda paper 3.2 which identify any changes made to the IFRS for SMEs disclosures.

However, staff intends to remove these mark-ups from the ED before publishing it, as the mark-ups could be confusing for those who read the disclosures 'cold' without knowledge of the IFRS for SMEs standard. The mark-ups will be retained for future reference in the analysis in agenda paper 3.2 and 3.3) *entities with no public accountability and* Agenda Paper 3.3: *Analysis of NFP modifications paragraphs in AAS and NFP specific AASB Standards* for detailed analysis) would include all the edits and mark-ups and will be used as an ongoing document for future reference. It will be a record of the rationale behind certain decisions and judgements and would facilitate any future amendments.

Commented [DS50]: Staff note to the Board
This staff paper will be included as part of the ED in the 'open for comment' on the AASB website and a link will be provided in the ED at the time of issue.

BC68 The AASB also acknowledged that a review of the disclosures will need to take place any time the IFRS for SMEs is updated, a new Australian Accounting Standard is issued or amendments are made to existing Australian Accounting Standards

Transitional requirements

Commented [RM51]:
Major judgements made – for the Board to consider
Agenda Item 3 - Question 4: Transitional requirements

Does the Board agree with the staff recommendations in relation to the transitional requirements, as summarised in BC69 to BC674?

BC69 The AASB considered whether specific transitional requirements needed to be added to AASB 1053 in relation to the new Tier 2 Standard, but has concluded that this is not necessary for the following reasons:

(a) Adjustments to recognised amounts will only arise where an entity did not previously report either under Tier 1 or Tier 2 (RDR); and

(b) The principles of transitioning to full R&M requirements are the same, regardless of the level of disclosures to be provided.

BC70 Therefore, the AASB concluded that the transition requirements in paragraph 18A of AASB 1053 can be retained without further changes.

BC71 However, the AASB further decided adding an explanatory paragraph 18C to AASB 1053 which confirms the different disclosures that apply to Tier 2 entities that apply AASB 10xx.

BC72 The AASB acknowledged that the adoption of this new Tier 2 Standard as such will not result in any adjustments to recognised amounts unless an entity has not previously complied with all recognition and measurement requirements of AAS and is preparing GPFS for the first time.

BC73 The AASB further noted that the ED does not reflect any of the decisions made at the AASB's April 2019 meeting in relation to further transitional relief for entities moving from SPFS to Tier 2 GPFS as a consequence of Phase 2 of the adoption of the revised conceptual framework. These changes will be dealt with in the separate ED that is due to be issued later in the year.

BC74 The AASB also decided to retain the requirements to explain how the adoption of AAS have affected the entity's financial position, financial performance and cash flows, and to disclose a description of each change in accounting policy, a reconciliation of the profit and loss for the latest period before adoption, and information about any errors noted in the context of the adoption (paragraphs 35.12, 35.13(c), 35.14 and 35.16 of the IFRS for SMEs standard) even though they are not currently required for RDR entities, to keep differences to the IFRS for SMEs standard at a minimum.

Effective date

BC75 The AASB noted that *Conceptual Framework for Financial Reporting* as issued by the International Accounting Standards Board (IASB) in March 2018 is effective for annual periods beginning on or after 1 January 2020.

BC76 The AASB also noted that the regulations in relation to doubling of thresholds for large proprietary companies are applicable to financial years beginning on or after 1 July 2019.

BC77 With these factors in mind and in order to provide an option to large proprietary companies to early adopt the AASB 10xx, the AASB decided that the AASB 10xx should be ready for adoption latest by 30 June 2020, to be effective for annual periods beginning on or after 1 July 2020.