Australian Government
Australian Accounting Standards Board

Key facts: AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities*

What – Who – When?

- **What?** A new stand-alone disclosure standard to replace the current reduced disclosure requirements (RDR) framework.
- **Who will this apply to?** All tier 2 for-profit and not-for-profit (NFP) entities.
  Note: for NFP and public sector entities, this is only an interim measure while the financial reporting frameworks for these sectors are finalised.
- **When**? Mandatory from **1 July 2021**, with early application permitted.

What does this mean for you?

- Reductions in disclosure compared to current RDR (see table below).
- An increase in disclosures compared to Special Purpose Financial Statements, particularly related parties, financial instruments and tax.
- An option not to present a statement of changes in equity under certain circumstances.
- Some additional disclosures not currently required.

Why did we develop a new Standard?

- Supports the removal of special purpose financial reporting proposed by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector entities.*
- Addresses concerns raised in relation to the current Tier 2 disclosure requirements.

How was the new standard developed?

- IFRS for SMEs disclosures used as a starting point.
- No presentation differences to Tier 1.
- Disclosures that relate to recognition & measurement options/treatments which are not available in full IFRS have been removed.
- Disclosures adapted where the recognition and measurement principles are significantly different, or for topics not addressed.
- Disclosures added for topics that have not been addressed or that are a matter of public interest, or where Australian-specific issues.

Disclosures removed from RDR[1]

Topic	Details of removed disclosures
Primary financial statements	Option to omit the statement of changes in equity in certain circumstances and present statement of income and retained earnings instead.
Revenue	Separate disclosure of revenue from contracts with customers from other revenue and impairment losses on receivables or contract assets; Information about assets recognised from costs to obtain or fulfil a contract with a customer; Use of practical expedients; and Disclosure of specific judgements made (however may be caught by general requirement to disclose significant judgements).
Other income and expense	Individually material income or expense items (however separate disclosure of each material class of similar items is still required); and Certain gains and losses relating to reclassified financial assets.
Financial assets and financial liabilities	Detailed disclosures about measurement bases (accounting policy still required); Information about reclassified financial assets; Loss allowance recognised in relation to financial assets at fair value through other comprehensive income; Compound financial instruments with multiple embedded derivatives; Transferred assets – not derecognised in their entirety (less detail); and Transferred assets – derecognised in their entirety (no disclosures).
Hedging	Overall less details required, but some additional disclosures (see below).
Lessee disclosures	Amounts recognised by a lessee (only required to disclose lease payments recognised as expense, and additions to and depreciation of right-of-use assets); Additional qualitative and quantitative information (only required to disclose general description of leasing arrangements); Application of recognition exemption for short-term and low value leases; and Additional disclosures relating to variable lease payments, extension options or termination options, and residual value guarantees.
Lessor disclosures	Disclosures for finance and operating leases (no disclosure of selling profit or loss for finance leases and lease income for operating leases); and Information about how lessor manages risks associated with rights retained.

Disclosures removed from RDR (continued)

Topic	Details
Impairment	Impairment losses & reversals (no separate disclosure of impairment losses & reversals for revalued assets); and Recoverable amount of individual assets or cash-generating unit (CGU) for which an impairment loss has been recognised.
Share capital	Reconciliation of shares not required for comparative period.
Business combinations	Less details required about the acquired entity/operation.
Discontinued operations	Tax expense relating to discontinued operations; and Cash flows of discontinued operations.
Interests in other entities	Judgements and assumptions made disclose only if control with <50% of voting rights (but may be caught by general requirement to disclose significant judgements); Simplified disclosures about the composition of the group; Significant restrictions (no disclosure of carrying amounts of assets and liabilities to which the restrictions apply); Risks associated with interests in consolidated entities; Investments entities and interests in unconsolidated subsidiaries; and Information about interests in joint arrangements and associates (no disclosure of names, ownership interest etc.).

New disclosures added as a result of the IFRS for SMEs

Topic	Details
General information	Information about domicile and legal form etc.
Hedging disclosures	For cash flow hedges and hedges of a net investment in a foreign operation – the periods when the cash flows are expected to occur and when they are expected to affect profit or loss.
Investments in associates and joint ventures	For associates accounted for at cost: amount of dividends and other distributions recognised as income; and For equity-accounted associates and joint ventures: separate disclosure of share of discontinued operations
Business combinations	Qualitative description of factors that make up goodwill.
Leases	Lessees: maturity analysis of future lease payments; Lessors with operating leases: variable lease payments recognised as income; and Lessors with finance leases: loss allowance for lease receivables.
Employee benefits	For defined benefit plans: amounts recognised in profit or loss as expense, actual return on plan assets; and For termination benefits: information about the nature of the benefits, amounts of obligation and extent of funding[1].
Related parties	Disclosure of parent-subsidiary relationship by government-related entities.
First-time adoption disclosures	Explanation of how transition has affected reported amounts, description of the nature of each change in accounting policy, reconciliation of profit or loss with separate identification of errors and, where applicable, a statement that the entity did not present financial statements for previous periods; and **But note disclosure relief provided by AASB 2020-2.**

1 Red font indicates disclosures that are not required under full IFRS/Australian Accounting Standards

New disclosures added for other reasons

Topic	Reason
Audit fees	To assist in improving auditor independence and accountability, thereby increasing users' confidence in the quality of companies' financial reports.
Imputation credits	To provide useful information to investors about dividend and future earnings potential.

Amendments resulting from feedback to ED 295

ED 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities,* was issued in August 2019, together with *ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities,* with comment period ended on 30 November 2019.

Extensive outreach was conducted on the proposals, including roundtables in Melbourne, Sydney, Brisbane, Perth and Adelaide, attended by 127 stakeholders, a webinar with 162 participants, as well as separate consultations with the AASB's User Advisory Committee, credit analysts and private equity investors.

The Board received 25 formal submissions on ED 295 from stakeholders representing professional services firms, regulators, professional bodies, academics, preparers, public sector audit offices, software providers and others.

The following table summarises the amendments made to ED 295 in response to stakeholders' feedback.

ED 295 proposals	Feedback	The Board's response
Effective date The proposed effective date for ED 295 and ED 297 was 1 July 2020.	There was strong feedback supporting the deferral of the application date for both EDs, especially as the extent of transition to first time consolidation is unknown. In addition, stakeholders were concerned about imposing the Simplified Disclosure Standard (SDS) to NFP private and public sectors as an interim solution, particularly in the light of further changes expected as result of NFP, public sector financial reporting framework projects and the ACNC legislative review.	The Board decided to • defer the effective date by 1 year to 1 July 2021; and • retain a consistent effective date for both for-profit and NFP entities. The Board noted that these changes do not remove the ability of NFPs to use Special Purpose Financial Statements (SPFS) and provide relief for those currently using RDR. The Board also noted it will maintain a period of stability for the new Tier 2, regardless of any IASB changes to the *IFRS for SMEs* Standard. Changes from RDR will be clearly highlighted to assist the change.
Missing guidance and definitions Proposal to replace the standards that deal exclusively with presentation and disclosure requirements in their entirety. These Standards include guidance and definitions not included in the *IFRS for SMEs* Standard.	Concerns about missing guidance on presentation and disclosure requirements and on materiality, as well as missing definitions, as a result of certain Standards being replaced by AASB 1060 in their entirety.	The Board decided to • clarify in the Standard the application of materiality and the status of guidance in those replaced Standards; and • include the definitions of those replaced Standards in Appendix A of the Standard.
Presentation of discontinued operations Proposal to replace the presentation requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* with those included in the *IFRS for SMEs* Standard.	Concerns about the inconsistency in the presentation of discontinued operations between Tier 1 and Tier 2.	The Board decided to • amend the proposals to align the presentation requirements in AASB 1060 with those in AASB 5 to ensure there are no presentation differences to full Australian Accounting Standards.
Disclosures above and beyond full IFRS Proposal to retain certain disclosures even though they were above and beyond full IFRS.	Broad support from stakeholders to remove disclosures above and beyond full IFRS.	The Board decided to • remove disclosures that are not required under full IFRS and that had been removed from full IFRS since the original *IFRS for SMEs* Standard had been finalised. This resulted in removal of most additional disclosures with the exception of termination benefits.
Tax Reconciliation Proposal to disclose a narrative explanation of any significant differences between the tax expense (income) and accounting profit multiplied by the applicable tax rate without requiring a numerical reconciliation.	Mixed stakeholder feedback. The Australian Taxation Office supported retaining the tax reconciliation. Significant interest in the income tax disclosures not only by regulators but also by the public in general, as part of the focus on possible tax avoidance, in particular by multi-national entities.	The Board decided to • add a numerical tax reconciliation consistent with AASB 112 *Income Taxes* as a matter of major public interest.

Amendments resulting from feedback to ED 295 (Continued)

ED 295 proposals	Feedback	The Board's response
Imputation credits Disclosure of Imputation credits not required under ED 295	Some stakeholders suggested adding the disclosure of imputation credits, noting that imputation credits are not widely used outside of Australia and NZ, but the last Federal election demonstrated that this is a significant area of interest to investors.	The Board decided to • add the disclosure of imputation credits from paragraphs 12-15 in AASB 1054 on the basis that this is an Australian specific matter and the information about imputation credits provides useful information.
Specific transition disclosures On initial application, other Australian Accounting Standards may provide transition options which may be accompanied by specific transition disclosure requirements. Under ED 295, the general accounting policy change disclosures per paragraph 106 would have superseded those specific transition disclosures.	One stakeholder noted that the specific transition disclosures in AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* should be retained.	The Board decided to • require entities to apply specific transition disclosures where an entity has selected a transition option under another Standard which has specific transition disclosure requirements instead of the disclosures for a change in accounting policy in AASB 1060. In making this decision, the Board noted that the targeted disclosures of the selected transition option provide more relevant information about the transitional impact than the general accounting policy change disclosures.
Other drafting issues • Non-consecutive numbering • NFP paragraph numbering prefix	Some stakeholder commented that • the non-consecutive numbering and NFP paragraph number prefixes used in ED 295 are confusing; • the differences between AASB 1060 and the *IFRS for SMEs* Standard should be clearly identified; and • all NFP paragraphs should be in one section.	The Board decided to • renumber the Standard using consecutive numbering; • add references to relevant paragraphs in the *IFRS for SMEs* Standard in brackets at the end of each paragraph, if appropriate; and • remove the NFP Prefix and add a summary table at the beginning of the section covering NFP specific disclosures, setting out - the disclosure requirements and - which entities they apply to.

Other key issues considered

The following table summarises the key issues raised by stakeholders where the Board decided not to make changes to ED 295.

ED 295 proposals	Feedback	The Board's response
The option not to include a statement of changes in equity	There were mixed stakeholder views as it would result in different presentation requirements from those applicable to Tier 1 entities and reduced comparability between entities.	The Board decided to retain this optional relief because • it could reduce the reporting burden for some entities; and • the conditions attached to this relief ensure that no information is lost to users.
Disclosures above and beyond RDR The proposal to retain certain IFRS for SMEs disclosures that are above RDR.	Stakeholders were concerned about imposing additional disclosures above and beyond current RDR.	The Board decided to retain these disclosures • to avoid differences to the *IFRS for SMEs* Standard as far as possible; and • because the small increase in disclosures will be more than offset with the reduction in disclosures in other areas.

Other key issues considered (Continued)

ED 295 proposals	Feedback	The Board's response
Maturity analysis • Proposed disclosure of a quantitative maturity analysis for future lease payments of lessees in fixed time periods, but • only a general requirement for other financial liabilities to disclose terms and conditions "such as … maturity, repayment schedule …", ie no quantification required.	Mixed stakeholder feedback. A number of stakeholders noted the inconsistency in disclosures about the maturity of financial liabilities and recommended aligning them.	The Board decided to • retain the disclosures consistent with the *IFRS for SMEs* Standard; and • flag the inconsistency in the disclosures to the IASB instead, noting that the IFRS for SMEs disclosures, in particular the leasing disclosures, are currently being reviewed by the IASB. The Board expects entities to provide disclosure of maturity and repayment schedules in some form.
No specific requirement to disclose individually material items of income and expenses	Concerns were raised about the absence of a specific requirement to disclose individually material items of income and expenses. Stakeholders noted that this disclosure is currently explicitly required for both RDR General Purpose Financial Statements (GPFS) and SPFS.	The Board decided • not to make any change to ED 295; but • to keep monitoring entities' disclosure practices. Should it become apparent that entities do not provide sufficient disclosures in this regard, the issue may be revisited. The Board expects entities applying the SDS to disclose information about individually material items of income and expense where information about these items is necessary to assess the entity's financial performance (AASB 1060: para 91(c)).
Various other missing disclosures not currently required	A number of stakeholders identified missing disclosures relating to: • AASB 14 *Regulatory Deferral Accounts*; • AASB 17 *Insurance Contracts*; • combined financial statements • investment entities; • cash flow reconciliations; and • interest expense on lease liabilities.	The Board decided not to add these disclosures • to maintain consistency with the *IFRS for SMEs* Standard; • as there was no evidence provided that there was a user need for them; and • given some of these disclosures have limited practical impact for Tier 2 entities.

Consultations prior to issuing this Standard

Prior to finalising this amending Standard, in addition to the consultation on ED 295 noted above, the AASB sought feedback through various other public consultations, targeted outreach and other outreach events including:

- more than 250 formal meetings with key stakeholders;
- 33 formal comment letters in response to Invitation to Comment ITC 39 Consultation Paper – *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problem*;
- 37 user and 49 preparer responses received via targeted user and preparer surveys; and
- 14 formal comment letters in response to ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* with further outreach and consultation put on hold.