



**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 entities.  
*Note: for not-for-profit 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 2020**, but planned to be available for early adoption from 30 June 2020

**What does this mean for you?**

- ✓ Reductions in disclosure compared to current RDR (see table below)
- ✓ An option not to present a statement of changes in equity under certain circumstances
- ✓ Some additional disclosures not currently required.

**Why are we proposing this?**

- Supports the removal of special purpose financial reporting proposed by ED 297 *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?**

- The disclosures were developed using the IFRS for SMEs disclosures as a starting point.
- We have removed disclosures that relate to recognition & measurement options/treatments which are not available in full IFRS.
- We have adapted disclosures where the recognition and measurement principles are significantly different, or for topics not addressed.
- We have added disclosures where for topics not addressed or where Australian-specific disclosures are required.

**Disclosures removed from RDR**

Topic	Details of removed disclosures
Primary financial statements	<ul style="list-style-type: none"> <li>• Option to omit the statement of changes in equity in certain circumstances and present statement of income and retained earnings instead.</li> </ul>
Revenue	<ul style="list-style-type: none"> <li>• Separate disclosure of revenue from contracts with customers from other revenue and impairment losses on receivables or contract assets</li> <li>• Information about assets recognised from costs to obtain or fulfil a contract with a customer</li> <li>• Use of practical expedients</li> <li>• Disclosure of specific judgements made (but may be caught by general requirement to disclose significant judgements)</li> </ul>
Other income and expense	<ul style="list-style-type: none"> <li>• Individually material income or expense items</li> <li>• Certain gains and losses relating to reclassified financial assets</li> </ul>
Income tax expense	<ul style="list-style-type: none"> <li>• Must explain significant differences between tax expense and accounting profit x applicable tax rate, but not required to disclose reconciliation</li> </ul>
Financial assets and financial liabilities	<ul style="list-style-type: none"> <li>• Disclosure of measurement bases</li> <li>• Information about reclassified financial assets</li> <li>• Loss allowance recognised in relation to financial assets at fair value through other comprehensive income</li> <li>• Compound financial instruments with multiple embedded derivatives</li> <li>• Transferred assets – not derecognised in their entirety (less detail)</li> <li>• Transferred assets – derecognised in their entirety (no disclosures)</li> </ul>
Hedging	<ul style="list-style-type: none"> <li>• Overall less details required, but some additional disclosures (see below)</li> </ul>
Lessee disclosures	<ul style="list-style-type: none"> <li>• Amounts recognised by a lessee (only required to disclose lease payments recognised as expense)</li> <li>• Additional qualitative and quantitative information (only required to disclose general description of leasing arrangements)</li> <li>• Application of recognition exemption for short-term and low value leases</li> <li>• Additional disclosures relating to variable lease payments, extension options or termination options, and residual value guarantees.</li> </ul>
Lessor disclosures	<ul style="list-style-type: none"> <li>• Disclosures for finance and operating leases (no disclosure of selling profit or loss for finance leases and lease income for operating leases)</li> <li>• Information about how lessor manages risks associated with rights retained</li> </ul>



## Disclosures removed from RDR (continued)

Topic	Details
Impairment	<ul style="list-style-type: none"> <li>Impairment losses &amp; reversals (no separate disclosure of impairment losses &amp; reversals for revalued assets)</li> <li>Recoverable amount of individual assets or CGU for which an impairment loss has been recognised</li> </ul>
Share capital	Reconciliation of shares not required for comparative period
Business combinations	Less details required about the acquired entity/operation
Discontinued operations	<ul style="list-style-type: none"> <li>Does not need to be presented separately on balance sheet</li> <li>No requirement to restate results and cash flows for prior period</li> <li>Tax expense relating to discontinued operations</li> <li>Cash flows of discontinued operations</li> </ul>
Interests in other entities	<ul style="list-style-type: none"> <li>Judgements and assumptions made: disclose only if control with &lt;50% of voting rights (but may be caught by general requirement to disclose significant judgements)</li> <li>Simplified disclosures about the composition of the group</li> <li>Significant restrictions (no disclosure of carrying amounts of assets and liabilities to which the restrictions apply)</li> <li>Risks associated with interests in consolidated entities</li> <li>Investments entities and interests in unconsolidated subsidiaries</li> <li>Information about interests in joint arrangements and associates (no disclosure of names, ownership interest etc.)</li> </ul>

1

## New disclosures added as a result of the IFRS for SMEs <sup>1</sup>

Topic	Details
General information	Information about domicile and legal form etc.
Hedging disclosures	<ul style="list-style-type: none"> <li>For cash flow hedges – the periods when the cash flows are expected to occur and when they are expected to affect profit or loss</li> <li><b>For fair value hedges: separate disclosure of the amount of the change in fair value of the hedging instrument and of the hedged item.</b></li> </ul>
Investments in associates	For associates accounted for at cost: amount of dividends and other distributions recognised as income
Business combinations	Qualitative description of factors that make up goodwill
Leases	<ul style="list-style-type: none"> <li>Lessees: maturity analysis of future lease payments; <b>PPE disclosures for right-of-use assets</b></li> <li>Lessors with operating leases: variable lease payments recognised as income and <b>loss allowance for lease receivables</b></li> </ul>
Employee benefits	<ul style="list-style-type: none"> <li>For defined benefit plans: amounts recognised in profit or loss as expense, actual return on plan assets <b>and cost relating to defined benefit plans for the period that have been included in the cost of an asset.</b></li> <li><b>For group plans: full disclosures required – cross referencing to another group entity's financial statements not permitted.</b></li> <li><b>For termination benefits and other long-term benefits: information about the nature of the benefits, amounts of obligation and extent of funding.</b></li> </ul>
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. <b>But note disclosure relief proposed in ED 297.</b>

<sup>1</sup> 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.