General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
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This Standard is available on the AASB website: www.aasb.gov.au.

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Australian Accounting Standard AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities is set out in paragraphs 1 – 244 and Appendices A – C. All the paragraphs have equal authority. AASB 1060 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. In the absence of explicit guidance, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors provides a basis for selecting and applying accounting policies.
Preface

Introduction

The Australian Accounting Standards Board (AASB) develops, issues and maintains Australian Accounting Standards, including Interpretations. The AASB is an Australian Government 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 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. This Standard has been developed based on a new methodology and principles to be used in determining the 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 Standard.

This 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. Disclosure requirements set out in the body or appendix of other Standards will no longer be shaded or unshaded in relation to Tier 2 requirements.

While entities that comply with this Standard need to apply the recognition and measurement requirements in other Standards, they are exempt from the disclosure requirements in specified paragraphs in other Standards. Tier 2 entities are also not required to comply with other Standards that deal only with presentation and disclosure. Consequential amendments to the relevant Standards are set out in Appendix C.

While this Standard includes certain presentation requirements, these do not result in presentations or classifications that are different to those required for Tier 1 entities. The only exception is the option not to include a separate statement of changes in equity in certain circumstances, as set out in paragraph 26 of the Standard.

Application date

This Standard applies to annual periods beginning on or after 1 July 2021, with earlier application permitted.
Accounting Standard AASB 1060


Kris Peach
Chair – AASB

Dated 6 March 2020

Accounting Standard AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

Objective

1 This Standard establishes disclosure requirements applicable to entities that are preparing general purpose financial statements and elect to apply the Tier 2 reporting requirements under AASB 1053 Application of Tiers of Australian Accounting Standards.

2 Except to the extent specifically addressed in this Standard, the definitions and presentation requirements of other Australian Accounting Standards continue to apply. Entities are permitted to refer to other Standards for guidance on the requirements in this Standard, including AASB 7 Financial Instruments: Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows and AASB 124 Related Party Disclosures.

Scope

3 This Standard applies to all entities that elect to apply Tier 2: Australian Accounting Standards – Simplified Disclosures 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 134 Interim Financial Reporting.

4 Entities applying this Standard are required to apply all the recognition and measurement requirements in Australian Accounting Standards¹ and apply this Standard in relation to disclosure requirements only.

5 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.

6 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 unitholders’ interests.

7 AusCF paragraphs and footnotes included in this Standard apply only to:
   (a) not-for-profit entities; and
   (b) for-profit entities that are not applying the Conceptual Framework for Financial Reporting (as identified in AASB 1048 Interpretation of Standards).

Such entities are referred to as ‘AusCF entities’. For AusCF entities, the term ‘reporting entity’ is defined in AASB 1057 Application of Australian Accounting Standards and Statement of Accounting Concepts SAC 1 Definition of the Reporting Entity also applies. For-profit entities applying the Conceptual Framework for Financial Reporting (as set out in paragraph Aus1.1 of the Conceptual Framework) shall not apply AusCF paragraphs or footnotes.

¹ 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 – Simplified Disclosures, 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.
Tier 2 disclosures

Financial Statement Presentation

Scope

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

Fair presentation

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 accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting:

(a) The application of the recognition and measurement requirements in Australian Accounting Standards and the disclosures in 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.

(b) As explained in paragraph 13 of AASB 1053, 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. [Based on IFRS for SMEs Standard paragraph 3.2]

AusCF

Notwithstanding paragraph 9, in respect of AusCF entities, 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 accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework for the Preparation and Presentation of Financial Statements:

(a) The application of the recognition and measurement requirements in Australian Accounting Standards and the disclosures in 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.

(b) As explained in paragraph 13 of AASB 1053, 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 – Simplified Disclosures

An entity whose financial statements comply with the recognition and measurement requirements in Australian Accounting Standards, the presentation requirements in those Standards as modified by this Standard, and the disclosure requirements in this Standard 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 – Simplified Disclosures unless they comply with all of these requirements. [Based on IFRS for SMEs Standard paragraph 3.3]

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.

Entities applying Australian Accounting Standards – Simplified Disclosures shall not depart from a requirement in an Australian Accounting Standard, including this Standard.
In the extremely rare circumstances when management concludes that compliance with a recognition and measurement requirement in an Australian Accounting Standard, or a presentation and disclosure requirement in this Standard, would be so misleading that it would conflict with the objective of financial statements set out in 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 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 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.

[Based on IFRS for SMEs Standard paragraph 3.7]

Notwithstanding paragraph 13, in respect of AusCF entities, in the extremely rare circumstances when management concludes that compliance with a recognition and measurement requirement in an Australian Accounting Standard, or a presentation and disclosure requirement in this Standard, would be so misleading that it would conflict with the objective of financial statements set out in the Framework for the Preparation and Presentation of Financial Statements, 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 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 the Framework for the Preparation and Presentation of Financial Statements; 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

When preparing financial statements, the management of an entity using Australian Accounting Standards – Simplified Disclosures 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. [IFRS for SMEs Standard paragraph 3.8]

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. [IFRS for SMEs Standard paragraph 3.9]

Frequency of reporting

An entity shall present a complete set of financial statements (including comparative information – see paragraph 20) 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.

[IFRS for SMEs Standard paragraph 3.10]
Consistency of presentation

17 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 AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors; or

(b) Australian Accounting Standards – Simplified Disclosures require a change in presentation.

[IFRS for SMEs Standard paragraph 3.11]

18 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.

[IFRS for SMEs Standard paragraph 3.12]

19 If it is impracticable to reclassify comparative amounts, an entity shall disclose why reclassification was not practicable. [IFRS for SMEs Standard paragraph 3.13]

Comparative information

20 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. [IFRS for SMEs Standard paragraph 3.14]

Materiality and aggregation

21 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. [IFRS for SMEs Standard paragraph 3.15]

22 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. [Based on IFRS for SMEs Standard paragraph 3.16]

23 This Standard specifies information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure if the information resulting from that disclosure is not material. This is the case even if this Standard contains a list of specific requirements or describes them as minimum requirements.

Offsetting

24 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

25 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 profit or loss and other 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; or

(ii) a separate statement of profit or loss and a separate statement of comprehensive income. If an entity chooses to present both a statement of profit or loss 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 significant accounting policies and other explanatory information.  
[IFRS for SMEs Standard paragraph 3.17]

26 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 62). [IFRS for SMEs Standard paragraph 3.18]

27 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 a statement of profit or loss or it may present a statement of comprehensive income in which the ‘bottom line’ is labelled ‘profit or loss’. [IFRS for SMEs Standard paragraph 3.19]

28 Because paragraph 20 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. [IFRS for SMEs Standard paragraph 3.20]

29 In a complete set of financial statements, an entity shall present each financial statement with equal prominence. [IFRS for SMEs Standard paragraph 3.21]

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

Identification of the financial statements

31 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 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. [IFRS for SMEs Standard paragraph 3.23]

32 An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:
(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. [IFRS for SMEs Standard paragraph 3.24]

Presentation of information not required by this Standard

33 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). An entity making such disclosures shall apply the relevant Standards in preparing and presenting the information. [IFRS for SMEs Standard paragraph 3.25]

Statement of Financial Position[^3]

Scope of this section

34 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. [IFRS for SMEs Standard paragraph 4.1]

[^3]: Corresponding AASB Standard: AASB 101 Presentation of Financial Statements.
Information to be presented in the statement of financial position

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), (i) and (j));
(d) inventories;
(e) property, plant and equipment;
(f) investment property;
(g) intangible assets;
(h) biological assets;
(i) investments in associates;
(j) investments in joint ventures;
(k) trade and other payables;
(l) financial liabilities (excluding amounts shown under (k) and (o));
(m) liabilities and assets for current tax;
(n) deferred tax liabilities and deferred tax assets (these shall always be classified as non-current);
(o) provisions;
(p) non-controlling interests, presented within equity separately from the equity attributable to the owners of the parent;
(q) equity attributable to the owners of the parent;
(r) the total of assets classified as held for sale and assets included in disposal groups classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations; and
(s) liabilities included in disposal groups classified as held for sale in accordance with AASB 5.

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

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 38–41, 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).

Current assets

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.

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
40 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. 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.

[Based on IFRS for SMEs Standard paragraph 4.7]

41 An entity shall classify all other liabilities as non-current. [IFRS for SMEs Standard paragraph 4.8]

Sequencing of items and format of items in the statement of financial position
42 This Standard does not prescribe the sequence or format in which items are to be presented. Paragraph 35 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.

[IFRS for SMEs Standard paragraph 4.9]

43 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.

[IFRS for SMEs Standard paragraph 4.10]

Information to be presented either in the statement of financial position or in the notes
44 An entity shall disclose, either in the statement of financial position or in the notes, further subclassifications of the line items presented, classified in a manner appropriate to the entity’s operation. This includes for example:
(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 contract assets from contracts with customers;
(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, amounts payable to related parties, contract liabilities from contracts with customers 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 Australian Accounting Standards, are recognised in other comprehensive income and presented separately in equity.

[Based on IFRS for SMEs Standard paragraph 4.11]
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; and
(vii) shares reserved for issue under options and contracts for the sale of shares, including the terms
and amounts; and

(b) a description of each reserve within equity.

An entity without share capital, such as a partnership or trust, shall disclose information equivalent to that
required by paragraph 45(a), showing changes during the period in each category of equity, and the rights,
preferences and restrictions attaching to each category of equity. [IFRS for SMEs Standard paragraph 4.13]

If, at the reporting date, an entity has any assets classified as held for sale, or assets and liabilities that are included
in a disposal group that is classified as held for sale, the entity shall disclose the following information:

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

(b) a description of the facts and circumstances of the sale, or leading to the expected disposal, and the
expected manner and timing of that disposal.

[Based on IFRS for SMEs Standard paragraph 4.14]

Statement of Profit or Loss and Other Comprehensive Income

Scope of this section

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 or in the notes and how to present it. [Based on IFRS for SMEs Standard paragraph 5.1]

Presentation of total comprehensive income

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

(a) in a single statement of profit or loss and other 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—a statement of profit or loss and a statement of comprehensive income—in which case
the statement of profit or loss 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 other Australian Accounting Standards.

[IFRS for SMEs Standard paragraph 5.2]

A change from the single-statement approach to the two-statement approach, or vice versa, is a change in
accounting policy to which AASB 108 applies. [IFRS for SMEs Standard paragraph 5.3]

Single-statement approach

Under the single-statement approach, the statement of profit or loss and other comprehensive income shall
include all items of income and expense recognised in a period unless other Australian Accounting Standards
require otherwise. Australian Accounting Standards provide 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
AASB 108); and

4 Corresponding AASB Standard: AASB 101 Presentation of Financial Statements.
(b) items of other comprehensive income are recognised as part of total comprehensive income, outside of profit or loss, when they arise.

[Based on IFRS for SMEs Standard paragraph 5.4]

As a minimum, an entity shall include, in the statement(s) presenting profit or loss and other 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 and joint ventures accounted for using the equity method (see AASB 128 Investments in Associates and Joint Ventures);
(d) tax expense;
(e) a single amount for the total of:
   (i) 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), 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 51(b)) classified by nature (excluding amounts in (h)). Such items shall be grouped into those that, in accordance with other Australian Accounting Standards:
   (i) will not be reclassified subsequently to profit or loss; and
   (ii) will be reclassified subsequently to profit or loss when specific conditions are met;
(h) share of the other comprehensive income of associates and joint ventures accounted for by the equity method; and
(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).

[Based on IFRS for SMEs Standard paragraph 5.5]

An entity shall disclose separately the following items in the statement(s) presenting profit or loss and other comprehensive income as allocations for the period:

(a) profit or loss for the period attributable to:
   (i) non-controlling interests; and
   (ii) owners of the parent; and
(b) total comprehensive income for the period attributable to:
   (i) non-controlling interests; and
   (ii) owners of the parent.

[IFRS for SMEs Standard paragraph 5.6]

Two-statement approach

Under the two-statement approach, the statement of profit or loss shall display, as a minimum, line items that present the amounts in paragraph 52(a)–52(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 52(g)–52(i) and paragraph 53 for the period. [IFRS for SMEs Standard paragraph 5.7]
Requirements applicable to both approaches

55 Under AASB 108, 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. [IFRS for SMEs Standard paragraph 5.8]

56 An entity shall present additional line items, headings and subtotals in the statement(s) presenting profit or loss and other comprehensive income (and in the statement of profit or loss, if presented), when such presentation is relevant to an understanding of the entity’s financial performance. [IFRS for SMEs Standard paragraph 5.9]

57 An entity shall not present or describe any items of income and expense as ‘extraordinary items’ in the statement(s) presenting profit or loss and other comprehensive income (or in the statement of profit or loss, if presented) or in the notes. [IFRS for SMEs Standard paragraph 5.10]

Analysis of expenses

58 An entity shall present in the statement of profit or loss and other comprehensive income or in the notes 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(s) of profit and loss and other 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.

[Based on IFRS for SMEs Standard paragraph 5.11]

Statement of Changes in Equity and Statement of Income and Retained Earnings

Scope of this section

59 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. [IFRS for SMEs Standard paragraph 6.1]

Statement of changes in equity

Purpose

60 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. [IFRS for SMEs Standard paragraph 6.2]

Information to be presented in the statement of changes in equity

61 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 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

Corresponding AASB Standard: AASB 101 Presentation of Financial Statements.
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.

[IFRS for SMEs Standard paragraph 6.3]

Statement of income and retained earnings

Purpose
62 The statement of income and retained earnings presents an entity’s profit or loss and changes in retained earnings for a reporting period. Paragraph 26 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. [IFRS for SMEs Standard paragraph 6.4]

Information to be presented in the statement of income and retained earnings
63 An entity shall present, in the statement of income and retained earnings, the following items in addition to the information required by the section covering the Statement of Profit or Loss and Other Comprehensive Income:

(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.

[IFRS for SMEs Standard paragraph 6.5]

Statement of Cash Flows

Scope of this section
64 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. [IFRS for SMEs Standard paragraph 7.1]

Cash equivalents
65 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. [IFRS for SMEs Standard paragraph 7.2]

Information to be presented in the statement of cash flows
66 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. [IFRS for SMEs Standard paragraph 7.3]

Operating activities
67 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. [IFRS for SMEs Standard paragraph 7.4]

**Investing activities**

68 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 AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement*), an entity shall classify the cash flows of the contract in the same manner as the cash flows of the item being hedged. [IFRS for SMEs Standard paragraph 7.5]

**Financing activities**

69 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 lease.

[IFRS for SMEs Standard paragraph 7.6]

**Reporting cash flows from operating activities**

70 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.

[IFRS for SMEs Standard paragraph 7.7]

**Indirect method**

71 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.

[IFRS for SMEs Standard paragraph 7.8]

Alternatively, the net cash flow from operating activities may be presented 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.

Direct method

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 statement of profit or loss, 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.

[IFRS for SMEs Standard paragraph 7.9]

Reporting cash flows from investing and financing activities

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. [IFRS for SMEs Standard paragraph 7.10]

Reporting cash flows on a net basis

Cash flows arising from the following operating, investing or financing activities may be reported on a net basis:

(a) cash receipts and payments on behalf of customers when the cash flows reflect the activities of the customer rather than those of the entity; and

(b) cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short.

Examples of cash receipts and payments referred to in paragraph 75(a) are:

(a) the acceptance and repayment of demand deposits of a bank;

(b) funds held for customers by an investment entity; and

(c) rents collected on behalf of, and paid over to, the owners of properties.

Examples of cash receipts and payments referred to in paragraph 75(b) are advances made for, and the repayment of:

(a) principal amounts relating to credit card customers;

(b) the purchase and sale of investments; and

(c) other short-term borrowings, for example, those which have a maturity period of three months or less.

Cash flows arising from each of the following activities of a financial institution may be reported on a net basis:

(a) cash receipts and payments for the acceptance and repayment of deposits with a fixed maturity date;

(b) the placement of deposits with and withdrawal of deposits from other financial institutions; and

(c) cash advances and loans made to customers and the repayment of those advances and loans.
Foreign currency cash flows
79 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 currency and the foreign currency at the date of the cash flow. Paragraph 40 in AASB 121 explains when an exchange rate that approximates the actual rate can be used. [IFRS for SMEs Standard paragraph 7.11]
80 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. [IFRS for SMEs Standard paragraph 7.12]
81 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. [IFRS for SMEs Standard paragraph 7.13]

Interest and dividends
82 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. [IFRS for SMEs Standard paragraph 7.14]
83 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. [IFRS for SMEs Standard paragraph 7.15]
84 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. [IFRS for SMEs Standard paragraph 7.16]

Income tax
85 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. [IFRS for SMEs Standard paragraph 7.17]

Non-cash transactions
86 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. [IFRS for SMEs Standard paragraph 7.18]
87 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 lease;
   (b) the acquisition of an entity by means of an equity issue; and
   (c) the conversion of debt to equity.
   [IFRS for SMEs Standard paragraph 7.19]

Components of cash and cash equivalents
88 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. [IFRS for SMEs Standard paragraph 7.20]
Other disclosures

89 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. [IFRS for SMEs Standard paragraph 7.21]

Notes to the Financial Statements

Scope of this section

90 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 profit or loss and other comprehensive income (if presented), the statement of profit or loss and the statement of comprehensive income (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. [IFRS for SMEs Standard paragraph 8.1]

Structure of the notes

91 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 95–97;

(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.

[IFRS for SMEs Standard paragraph 8.2]

92 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. [IFRS for SMEs Standard paragraph 8.3]

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

(a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;

(b) grouping together information about items measured similarly such as assets measured at fair value; or

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

(i) statement of compliance with Australian Accounting Standards – Simplified Disclosures (see paragraph 10);

(ii) significant accounting policies applied (see paragraph 95);

(iii) supporting information for items presented in the statements of financial position and in the statement(s) of profit or loss and other comprehensive income, and in the statements of changes in equity and of cash flows, in the order in which each statement and each line item is presented; and

(iv) other disclosures, including:

1. contingent liabilities (see paragraph 154) and unrecognised contractual commitments; and

2. non-financial disclosures.

[Based on IFRS for SMEs Standard paragraph 8.4]

94 An entity may present notes providing information about the basis of preparation of the financial statements and specific accounting policies as a separate section of the financial statements.

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7 Corresponding AASB Standard: AASB 101 Presentation of Financial Statements.
Disclosure of accounting policies

95 An entity shall disclose the following in the 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.

   [IFRS for SMEs Standard paragraph 8.5]

Information about judgements

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

Information about key sources of estimation uncertainty

97 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.

   [IFRS for SMEs Standard paragraph 8.7]

Audit fees

98 An entity shall disclose fees to each auditor or reviewer, including any network firm, separately for:
   (a) the audit or review of the financial statements; and
   (b) all other services performed during the reporting period.

99 For paragraph 98, an entity shall describe the nature of other services.

Imputation credits

100 The term ‘imputation credits’ is used in paragraphs 101-103 to also mean ‘franking credits’. The disclosures required by paragraphs 101 and 103 shall be made separately in respect of any New Zealand imputation credits and any Australian imputation credits.

101 An entity shall disclose the amount of imputation credits available for use in subsequent reporting periods.

102 For the purposes of determining the amount required to be disclosed in accordance with paragraph 101, entities may have:
   (a) imputation credits that will arise from the payment of the amount of the provision for income tax;
   (b) imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
   (c) imputation credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

103 Where there are different classes of investors with different entitlements to imputation credits, disclosures shall be made about the nature of those entitlements for each class where this is relevant to an understanding of them.

Consolidated and Separate Financial Statements

Disclosures in consolidated financial statements

104 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;

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8 Corresponding AASB Standards:
AASB 10 Consolidated Financial Statements;
AASB 12 Disclosure of Interests in Other Entities; and
AASB 127 Separate Financial Statements.
(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.

[IFRS for SMEs Standard paragraph 9.23]

Disclosures in separate financial statements

105 When a parent, an investor in an associate or a venturer with an interest in a 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, joint ventures and associates,

and shall identify the consolidated financial statements or other primary financial statements to which they relate.

[IFRS for SMEs Standard paragraph 9.27]

Accounting Policies, Estimates and Errors\(^9\)

Disclosure of a change in accounting policy

106 Subject to paragraph 107, when initial application of an Australian Accounting 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.

[Based on IFRS for SMEs Standard paragraph 10.13]

107 Where an entity has selected a transition option under another Standard and there are specific transition disclosure requirements in that Standard, the entity shall apply the full transition disclosure requirements in that Standard instead of the requirements in paragraph 106.

108 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; and

(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.

[IFRS for SMEs Standard paragraph 10.14]

Disclosure of a change in estimate

109 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. [IFRS for SMEs Standard paragraph 10.18]

\(^9\) Corresponding AASB Standard: AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.
Disclosure of prior period errors

110 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.

[IFRS for SMEs Standard paragraph 10.23]

Basic Financial Instruments

111 The disclosures required in this Section apply to all financial instruments within the scope of AASB 9. In addition, if the entity uses hedge accounting, it shall make the additional disclosures in paragraphs 120–122.

Disclosure of accounting policies for financial instruments

112 In accordance with paragraph 95, an entity shall disclose, in the 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. [IFRS for SMEs Standard paragraph 11.40]

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

113 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;
   (b) financial assets measured at amortised cost;
   (c) financial liabilities measured at fair value through profit or loss;
   (d) financial liabilities measured at amortised cost; and
   (e) 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.

[Based on IFRS for SMEs Standard paragraph 11.41]

114 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). [IFRS for SMEs Standard paragraph 11.42]

115 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 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. [IFRS for SMEs Standard paragraph 11.43]

10 Corresponding AASB Standards:
   AASB 7 Financial Instruments: Disclosures;
   AASB 9 Financial Instruments; and
   AASB 139 Financial Instruments: Recognition and Measurement.
Derecognition

116 If an entity has transferred financial assets to another party in a transaction that does not qualify for derecognition (see paragraph 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.

[IFRS for SMEs Standard paragraph 11.45]

Collateral

117 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.

[IFRS for SMEs Standard paragraph 11.46]

Defaults and breaches on loans payable

118 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.

[IFRS for SMEs Standard paragraph 11.47]

Items of income, expense, gains or losses

119 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;
   (iv) financial liabilities measured at amortised cost;
   (v) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of AASB 9; and
   (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.

[Based on IFRS for SMEs Standard paragraph 11.48]
Other Financial Instrument Issues – Hedging Disclosures

An entity shall disclose the following separately for each category of risk exposures that it decides to hedge and for which hedge accounting is applied:

(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.
[Based on IFRS for SMEs Standard paragraph 12.27]

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.
[Based on IFRS for SMEs Standard paragraph 12.28]

For cash flow hedges and hedges of a net investment in a foreign operation, 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;
(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;
(d) the amount that was reclassified to profit or loss for the period; 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.
[Based on IFRS for SMEs Standard paragraph 12.29]

Inventories

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 AASB 102 Inventories; and
(e) the total carrying amount of inventories pledged as security for liabilities.
[IFRS for SMEs Standard paragraph 13.22]

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, in addition to the information required by paragraph 123.

11 Corresponding AASB Standards:
AASB 7 Financial Instruments: Disclosures;
AASB 9 Financial Instruments; and
AASB 139 Financial Instruments: Recognition and Measurement.
12 Corresponding AASB Standard: AASB 102 Inventories.
Investments in Associates\textsuperscript{13}

An entity shall disclose the following:

(a) its accounting policy for investments in associates;
(b) the carrying amount of investments in associates (see paragraph 35(i)); and
(c) the fair value of investments in associates accounted for using the equity method for which there are published price quotations.

[IFRS for SMEs Standard paragraph 14.12]

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

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. [IFRS for SMEs Standard paragraph 14.14]

For investments in associates accounted for in accordance with AASB 9, an investor shall make the disclosures required by paragraphs 113–115. [Based on IFRS for SMEs Standard paragraph 14.15]

Investments in Joint Ventures\textsuperscript{14}

An entity shall disclose the following:

(a) the accounting policy it uses for recognising its interests in joint ventures;
(b) the carrying amount of investments in joint ventures (see paragraph 35(j));
(c) the fair value of investments in joint ventures 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.

[IFRS for SMEs Standard paragraph 15.19]

For joint ventures accounted for in accordance with the equity method, the venturer shall also make the disclosures required by paragraph 14.14 for equity method investments. [IFRS for SMEs Standard paragraph 15.20]

For joint ventures accounted for in accordance with AASB 9, the venturer shall make the disclosures required by paragraphs 113–115. [Based on IFRS for SMEs Standard paragraph 15.21]

Investment Property at Fair Value\textsuperscript{15}

An entity shall disclose the following for all investment property accounted for at fair value through profit or loss (paragraph 33 of 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; and
(e) a reconciliation between the carrying amounts of investment property at the beginning and end of the period, showing separately:

\textsuperscript{13} Corresponding AASB Standards:
AASB 12 Disclosure of Interests in Other Entities; and
AASB 128 Investments in Associates and Joint Ventures.

\textsuperscript{14} Corresponding AASB Standards:
AASB 11 Joint Arrangements;
AASB 128 Investments in Associates and Joint Ventures; and
AASB 12 Disclosure of Interests in Other Entities.

\textsuperscript{15} Corresponding AASB Standard: AASB 140 Investment Property.
(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 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. [IFRS for SMEs Standard paragraph 16.10]

133 In accordance with the section covering Leases, the owner of an investment property provides lessors’ disclosures about 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 that section for any leases into which it has entered. [Based on IFRS for SMEs Standard paragraph 16.11]

Property, Plant and Equipment and Investment Property at Cost

134 An entity shall disclose the following for each class of property, plant and equipment determined in accordance with paragraph 44(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) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;
   (iii) acquisitions through business combinations;
   (iv) increases or decreases resulting from revaluations under AASB 116 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136 Impairment of Assets;
   (v) transfers to and from investment property carried at fair value through profit or loss (see paragraph 57 of AASB 140);
   (vi) impairment losses recognised or reversed in profit or loss in accordance with AASB 136;
   (vii) depreciation; and
   (viii) other changes.

This reconciliation need not be presented for prior periods. [Based on IFRS for SMEs Standard paragraph 17.31]

135 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, it shall disclose that fact and the reasons why fair value cannot be measured reliably for those items of investment property. [Based on IFRS for SMEs Standard paragraph 17.32]

16 Corresponding AASB Standards:
AASB 116 Property, Plant and Equipment; and
AASB 140 Investment Property.
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; and
(d) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders.

Based on IFRS for SMEs Standard paragraph 17.33

Intangible Assets other than Goodwill

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 profit or loss and other comprehensive income (if presented), the statement of profit or loss and the statement of comprehensive income (if presented), or the combined statement of income and retained earnings (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) assets classified as held for sale or included in a disposal group classified as held for sale in accordance with AASB 5 and other disposals;
   (iii) acquisitions through business combinations;
   (iv) increases or decreases resulting from revaluations under AASB 138 and from impairment losses recognised or reversed in other comprehensive income in accordance with AASB 136;
   (v) amortisation;
   (vi) impairment losses recognised or reversed in profit or loss in accordance with AASB 136; and
   (vii) other changes.

This reconciliation need not be presented for prior periods.

Based on IFRS for SMEs Standard paragraph 18.27

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

Based on IFRS for SMEs Standard paragraph 18.28

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17 Corresponding AASB Standard: AASB 138 Intangible Assets.
An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period. 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 139.) [Based on IFRS for SMEs Standard paragraph 18.29]

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

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.

Business Combinations and Goodwill

For business combination(s) during the reporting period

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 34 of AASB 3 Business Combinations and the line item in the statement of comprehensive income (and in the statement of profit or loss, if presented) in which the excess is recognised;
(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 10–14 of AASB 3; and
(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.

For all business combinations

An acquirer shall disclose 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. [Based on IFRS for SMEs Standard paragraph 19.26]
Leases

A lessee shall make the following disclosures for leases:

(a) for each class of underlying asset, the net carrying amount of the right-of-use asset at the end of the reporting period;
(b) the total of future 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; and
(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, subleases and restrictions imposed by lease arrangements.

[Based on IFRS for SMEs Standard paragraph 20.13]

In addition, the requirements for disclosure about assets in accordance with paragraphs 134(e)(i) and (vii) and 136 apply to lessees for the right-of-use assets. [Based on IFRS for SMEs Standard paragraph 20.14]

A lessee shall make the following disclosures for 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 amount of its lease commitments for 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.

[Based on IFRS for SMEs Standard paragraph 20.16]

Finance Leases – Lessors

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 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 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 loss allowance for uncollectable lease payments receivable;
(e) income relating to variable lease payments not included in the measurement of the net investment in the lease; and
(f) a general description of the lessor’s significant leasing arrangements, including, for example, information about variable lease payments, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

[Based on IFRS for SMEs Standard paragraph 20.23]

Operating Leases – Lessors

A lessor shall disclose the following for operating leases:

(a) the future 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 variable lease payments that do not depend on an index, or a rate, recognised as income; and

19 Corresponding AASB Standard: AASB 16 Leases.
(c) a general description of the lessor’s significant leasing arrangements, including, for example, information about variable lease payments, renewal or purchase options and escalation clauses and restrictions imposed by lease arrangements.

[Based on IFRS for SMEs Standard paragraph 20.30]

149 In addition, the requirements for disclosure about assets in accordance with the sections covering of Property, Plant and Equipment and Investment Property at Cost, Intangible Assets other than Goodwill, and Impairment of Assets apply to lessors for assets provided under operating leases. [IFRS for SMEs Standard paragraph 20.31]

Sale and leaseback transactions

150 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. [IFRS for SMEs Standard paragraph 20.35]

Not-for-profit lessees – Leases with significantly below-market terms and conditions

151 In addition to the disclosures required in paragraphs 144–146, 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 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.

152 The disclosures provided by a not-for-profit entity in accordance with paragraph 151 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.

Provisions and Contingencies

Disclosures about provisions

153 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. [IFRS for SMEs Standard paragraph 21.14]

Disclosures about contingent liabilities

154 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 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. [IFRS for SMEs Standard paragraph 21.15]

Disclosures about contingent assets

155 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, where practicable, an estimate of their financial effect, measured using the principles set out in paragraphs 36–52 of AASB 137. Where any of the information required by this paragraph is not disclosed because it is not practicable to do so, that fact shall be stated. [Based on IFRS for SMEs Standard paragraph 21.16]

Prejudicial disclosures

156 In extremely rare cases, disclosure of some or all of the information required by paragraphs 153–155 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. [IFRS for SMEs Standard paragraph 21.17]

Revenue

157 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; 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 applies the guidance in AASB 15 Revenue from Contracts with Customers paragraphs B87–B89 when selecting the categories to use to disaggregate revenue.

[Based on IFRS for SMEs Standard paragraph 23.30]

Disclosures relating to performance obligations satisfied over time

158 For performance obligations that an entity satisfies over time, 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). [Based on IFRS for SMEs Standard paragraph 23.31]

159 An entity shall disclose the closing balances of contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. [Based on IFRS for SMEs Standard paragraph 23.32]

Government Grants of For-Profit Entities

160 A for-profit entity shall disclose the following:

(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 been recognised in income;

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21 Corresponding AASB Standard: AASB 15 Revenue from Contracts with Customers.
(c) an indication of other forms of government assistance as defined in AASB 120 Accounting for Government Grants and Disclosure of Government Assistance from which the entity has directly benefited; and

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

[Based on IFRS for SMEs Standard paragraph 24.6]

**Borrowing Costs**

161 Paragraph 52(b) requires disclosure of finance costs. Paragraph 119(b) requires disclosure of total interest expense (using the effective interest method) for financial liabilities that are not measured at fair value through profit or loss. [IFRS for SMEs Standard paragraph 25.3]

162 An entity shall disclose the amount of borrowing costs capitalised during the period.

163 A not-for-profit public sector entity shall disclose the accounting policy adopted for borrowing costs.

**Share-based Payment**

164 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; and

(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.

[IFRS for SMEs Standard paragraph 26.18]

165 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. [IFRS for SMEs Standard paragraph 26.19]

166 For cash-settled share-based payment arrangements, an entity shall disclose information about how the liability was measured. [IFRS for SMEs Standard paragraph 26.20]

167 For share-based payment arrangements that were modified during the period, an entity shall disclose an explanation of those modifications. [IFRS for SMEs Standard paragraph 26.21]

168 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:

(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.

[IFRS for SMEs Standard paragraph 26.23]

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23 Corresponding AASB Standard: AASB 123 Borrowing Costs.
24 Corresponding AASB Standard: AASB 2 Share-based Payment.
Impairment of Assets

An entity shall disclose the following for each class of assets indicated in paragraph 170:

(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 statement of profit or loss, 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 statement of profit or loss, if presented) in which those impairment losses are reversed.

[IFRS for SMEs Standard paragraph 27.32]

An entity shall disclose the information required by paragraph 169 for each of the following classes of assets:

(a) property, plant and equipment;
(b) 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.

[Based on IFRS for SMEs Standard paragraph 27.33]

Employee Benefits

Disclosures about short-term employee benefits

This section does not require specific disclosures about short-term employee benefits. [IFRS for SMEs Standard paragraph 28.39]

Disclosures about defined contribution plans

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 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. [IFRS for SMEs Standard paragraph 28.40]

Disclosures about defined benefit plans

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 plan in accordance with paragraph 34 of AASB 119, for which the disclosures in paragraph 172 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;
(b) a reconciliation of opening and closing balances of the defined benefit obligation showing separately contributions paid and all other changes;
(c) 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;
(d) the total cost relating to defined benefit plans for the period;

Corresponding AASB Standards:
AASB 102 Inventories;
AASB 116 Property, Plant, and Equipment;
AASB 136 Impairment of Assets; and
AASB 138 Intangible Assets.

Corresponding AASB Standard: AASB 119 Employee Benefits.
(c) 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;

(f) 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.

(g) the actual return on plan assets; and

(h) 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 (b) and (c) 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 (see paragraph 41 of AASB 119), 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, and the policy for determining the contributions to be paid by the entity and shall make the disclosures in (a)–(b) for the plan as a whole. The subsidiary can disclose this information by cross-reference to disclosures in another group entity’s financial statements if:

(i) that group entity’s financial statements separately identify and disclose the information required about the plan; and

(j) that group entity’s financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than, the financial statements of the entity.

[Based on IFRS for SMEs Standard paragraph 28.41]

**Disclosures about termination benefits**

174 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. [IFRS for SMEs Standard paragraph 28.43]

175 When there is uncertainty about the number of employees who will accept an offer of termination benefits, a contingent liability exists. The section covering Provisions and Contingencies requires an entity to disclose information about its contingent liabilities unless the possibility of an outflow in settlement is remote. [IFRS for SMEs Standard paragraph 28.44]

**Income Tax**

176 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. [IFRS for SMEs Standard paragraph 29.38]

177 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;

27 Corresponding AASB Standard: AASB 112 Income Taxes.
adjustments to deferred tax expense (income) arising from a change in the tax status of the entity or its shareholders;

defered 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; and

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 AASB 108, because they cannot be accounted for retrospectively.

[IFRS for SMEs Standard paragraph 29.39]

178 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 the relationship between tax expense (income) and accounting profit in either or both of the following forms:
   (i) a numerical reconciliation between tax expense (income) and product of accounting profit multiplied by the applicable tax rate(s), disclosing also the basis on which the applicable tax rate(s) is (are computed); or
   (ii) a numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed;

(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:
   (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; and

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

[Based on IFRS for SMEs Standard paragraph 29.40]

**Foreign Currency Translation**

179 In paragraphs 181 and 182, references to ‘functional currency’ are, in the case of a group, to the functional currency of the parent. [IFRS for SMEs Standard paragraph 30.24]

180 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; 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.

[IFRS for SMEs Standard paragraph 30.25]

181 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. [IFRS for SMEs Standard paragraph 30.26]

182 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. [IFRS for SMEs Standard paragraph 30.27]
Hyperinflation

An entity to which AASB 129 Financial Reporting in Hyperinflationary Economies 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) the amount of gain or loss on monetary items.

[IFRS for SMEs Standard paragraph 31.15]

An entity that applies AASB 129 shall also disclose whether the financial statements are based on a historical cost approach or a current cost approach.

Events after the End of the Reporting Period

Adjusting events after the end of the reporting period

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. [IFRS for SMEs Standard paragraph 32.4]

Date of authorisation for issue

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. [IFRS for SMEs Standard paragraph 32.9]

Non-adjusting events after the end of the reporting period

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.

[IFRS for SMEs Standard paragraph 32.10]

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, classifications of assets as held for sale in accordance with AASB 5, other disposals 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.

[Based on IFRS for SMEs Standard paragraph 32.11]
Related Party Disclosures

Scope of this section

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. [IFRS for SMEs Standard paragraph 33.1]

In considering each possible related party relationship, an entity shall assess the substance of the relationship and not merely the legal form. [IFRS for SMEs Standard paragraph 33.3]

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; and
(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.

Disclosure of parent-subsidiary relationships

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. [IFRS for SMEs Standard paragraph 33.5]

Disclosure of key management personnel compensation

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 AASB 119) including those in the form of share-based payment (see 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. [IFRS for SMEs Standard paragraph 33.6]

An entity shall disclose key management personnel compensation in total. [IFRS for SMEs Standard paragraph 33.7]

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 194 to the compensation paid or payable by the management entity to the management entity’s employees or directors.

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

Disclosure of related party transactions

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 entities within the scope of this Standard include, but are not limited to:

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

31 Corresponding AASB Standard: AASB 124 Related Party Disclosures.
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.

[IFRS for SMEs Standard paragraph 33.8]

198 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 194 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. [IFRS for SMEs Standard paragraph 33.9]

199 An entity shall make the disclosures required by paragraph 198 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.

[IFRS for SMEs Standard paragraph 33.10]

200 An entity is exempt from the disclosure requirements of paragraph 198 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 192. [IFRS for SMEs Standard paragraph 33.11]

201 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;
(j) participation by a parent or subsidiary in a defined benefit plan that shares risks between group entities; and
(k) commitments to do something if a particular event occurs, or does not occur in the future, including executory contracts (recognised or unrecognised).

[Based on IFRS for SMEs Standard paragraph 33.12]

32 AASB 137 Provisions, Contingent Liabilities and Contingent Assets defines executory contracts as contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.
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. [IFRS for SMEs Standard paragraph 33.13]

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. [IFRS for SMEs Standard paragraph 33.14]

**Biological Assets**

**Disclosures – fair value model**

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.

[IFRS for SMEs Standard paragraph 34.7]

**Disclosures – cost model**

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;
(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.

[Based on IFRS for SMEs Standard paragraph 34.10]

**Transition to Australian Accounting Standards – Simplified Disclosures**

The following disclosures are provided where an entity applies the requirements of AASB 1 *First-time Adoption of Australian Accounting Standards*. If an entity applies the requirements of AASB 108 on first-time adoption, it shall provide the disclosures required by the section of Accounting Policies, Estimates and Errors. AASB 1053 *Application of Tiers of Australian Accounting Standards* sets out the requirements for which Standard may be applied upon first-time adoption.

If an entity is resuming the application of Tier 2 reporting requirements in accordance with AASB 1053 paragraph 19B(e), it shall provide the disclosures required by paragraphs 209(a) and (b), but need not provide the other disclosures set out in this section.

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33 Corresponding AASB Standard: AASB 141 Agriculture.
34 Corresponding AASB Standard: AASB 1 *First-time Adoption of Australian Accounting Standards*.
Explanation of transition to Australian Accounting Standards – Simplified Disclosures

208 An entity shall explain how the transition from its previous financial reporting framework to Australian Accounting Standards – Simplified Disclosures affected its reported financial position, financial performance and cash flows. [IFRS for SMEs Standard paragraph 35.12]

209 An entity that has applied Australian Accounting Standards or IFRSs in a previous period, as described in paragraph 4A of AASB 1, shall disclose:

(a) the reason it stopped applying Australian Accounting Standards or IFRSs;
(b) the reason it is resuming the application of Australian Accounting Standards or IFRSs; and
(c) whether it has applied AASB 1 or has applied Australian Accounting Standards – Simplified Disclosures retrospectively in accordance with AASB 108.

[Based on IFRS for SMEs Standard paragraph 35.12A]

Reconciliations

210 An entity’s first financial statements prepared using Australian Accounting Standards – Simplified Disclosures 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 Australian Accounting Standards – Simplified Disclosures for both of the following dates:
   (i) the date of transition to Australian Accounting Standards – Simplified Disclosures; 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; and
(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 Australian Accounting Standards – Simplified Disclosures for the same period.

[IFRS for SMEs Standard paragraph 35.13]

211 If an entity becomes aware of errors made under its previous financial reporting framework, the reconciliations required by paragraph 210(b) and (c) shall, to the extent practicable, distinguish the correction of those errors from changes in accounting policies. [IFRS for SMEs Standard paragraph 35.14]

212 If an entity did not present financial statements for previous periods, it shall disclose that fact in its first financial statements that conform to Australian Accounting Standards – Simplified Disclosures. [IFRS for SMEs Standard paragraph 35.15]

213 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 AASB 1 are taken to be satisfied provided the entity:

(a) discloses in its first Australian-Accounting-standards-Simplified-Disclosures 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.
### Specific Disclosures for Not-for-Profit Entities and Public Sector Entities

The following table identifies which paragraphs in this Standard are applicable only to not-for-profit private sector entities and public sector entities.

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\(^{36}\) AASB 1051 applies to general purpose financial statements of local governments, government departments and whole of governments, and financial statements of GGs.

\(^{37}\) AASB 1055 applies to whole of government general purpose financial statements of each government; financial statements of each government’s GGS; general purpose financial statements of each not-for-profit reporting entity within the GGS; and financial statements of each not-for-profit entity within the GGS that are, or are held out to be, general purpose financial statements.
Contributions

A government department shall disclose liabilities that were assumed during the reporting period by the government or other entity.

Restructure of administrative arrangements

When activities are transferred as a consequence of a restructure of administrative arrangements, a government controlled not-for-profit transferee entity shall disclose the expenses and income attributable to the transferred activities for the reporting period, showing separately those expenses and items of income recognised by the transferor during the reporting period. If disclosure of this information would be impracticable, that fact shall be disclosed, together with an explanation of why this is the case.

For each material transfer, the assets and liabilities transferred as a consequence of a restructure of administrative arrangements during the reporting period shall be disclosed by class, and the counterparty transferor/transferee entity shall be identified. With respect to transfers that are individually immaterial, the assets and liabilities transferred shall be disclosed on an aggregate basis.

The disclosures required by paragraph 217 will assist users to identify the assets and liabilities recognised or derecognised as a result of a restructure of administrative arrangements separately from other assets and liabilities and to identify the transferor/transferee entity.

Administered items

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 each major class of income;
(b) administered expenses, showing separately each major class of expense;
(c) administered assets, showing separately each major class of asset; and
(d) administered liabilities, showing separately each major class of liability.

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.

Land under roads

An entity which applies AASB 1051 Land Under Roads 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 AASB 1051 is applied.

Budgetary reporting

Where an entity applies AASB 1055 Budgetary Reporting and its 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.

AASB 1055 applies to whole of government general purpose financial statements of each government; financial statements of each government’s GGS; general purpose financial statements of each not-for-profit reporting entity within the GGS; and financial statements of each not-for-profit entity within the GGS that are, or are held out to be, general purpose financial statements.

Corresponding AASB Standard: AASB 1004 Contributions.
Corresponding AASB Standard: AASB 1004 Contributions.
Corresponding AASB Standard: AASB 1050 Administered Items.
Corresponding AASB Standard: AASB 1051 Land Under Roads.
Corresponding AASB Standard: AASB 1055 Budgetary Reporting.
Where an entity within the General Government Sector (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.

Comparative budgetary information in respect of the previous period need not be disclosed.

When disclosing budgetary information under paragraphs 222–224, an entity shall comply with the requirements in AASB 1055 Budgetary Reporting.

Income of not-for-profit entities

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 227–241 specify requirements relating to this objective.

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.

An entity need not disclose information in accordance with paragraphs 226–241 if it has provided the information in accordance with other sections in this Standard.

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.

Non-contractual income arising from statutory requirements

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.

To meet the objective in paragraph 226, an entity shall consider disclosing information about assets and liabilities recognised at the reporting date in accordance with AASB 1058 Income of Not-for-Profit Entities, including the amounts of:

(a) receivables that are not a financial asset as defined in AASB 132 (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.

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.

43 Corresponding AASB Standard: AASB 1058 Income of Not-for-Profit Entities.
Transfers to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity

233 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.

234 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).

235 An entity shall disclose the judgements, and changes in the judgements, made in applying 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 236 and 237).

236 For obligations that an entity satisfies over time, an entity shall disclose the methods used to recognise income (for example, a description of the output methods or input methods used and how those methods are applied).

237 For obligations satisfied at a point in time, an entity shall disclose the significant judgements made in evaluating when it has satisfied its obligations.

Compliance with parliamentary appropriations and other related authorities for expenditure

238 Paragraphs 239 to 241 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 239–241 include any amounts appropriated in respect of which the entity recognises revenue or other income in accordance with another Australian Accounting Standard.

239 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.

240 For the purposes of resource allocation decisions, including assessments of accountability, 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.

241 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 might consider the variance disclosure requirements in that Standard at the same time.
Service concession arrangements: grantors that are public sector entities

The objective of the disclosure requirements is for a public sector grantor 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 (e.g., the period of the arrangement, re-pricing dates and the basis upon which re-pricing or renegotiation is determined);
(c) the nature and extent (e.g., 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 (e.g., 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.

The disclosures provided by an entity in accordance with paragraph 242 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 the sections covering Property, Plant and Equipment and Investment Property at Cost and Intangible Assets other than Goodwill. Service concession assets of a similar nature may form a subset of a class of assets disclosed in accordance with these sections or may be included in more than one class of assets disclosed in accordance with these sections. For example, for the purposes of the section covering Property, Plant and Equipment and Investment Property at Cost, a toll bridge may be included in the same class as other bridges, and for the purposes of paragraph 242 may be included with service concession assets reported in aggregate as toll roads.

Commencement of the legislative instrument

For legal purposes, this legislative instrument commences on 30 June 2021.

Corresponding AASB Standard: AASB 1059 Service Concession Arrangements: Grantors.
Appendix A
Defined terms

This appendix is an integral part of the Standard.

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

Presentation of the financial statements

General purpose financial statements (referred to as ‘financial statements’) are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

Impracticable Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

International Financial Reporting Standards (IFRSs) are Standards and Interpretations issued by the International Accounting Standards Board (IASB). They comprise:

(a) International Financial Reporting Standards;
(b) International Accounting Standards;
(c) IFRIC Interpretations; and
(d) SIC Interpretations.45

Material:

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.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

(a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
(b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
(c) dissimilar items, transactions or other events are inappropriately aggregated;
(d) similar items, transactions or other events are inappropriately disaggregated; and
(e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity’s general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity’s own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.

Notes contain information in addition to that presented in the statement of financial position, statement(s) of profit or loss and other comprehensive income, separate income statement (if presented), statement of changes in equity and 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.

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45 Definition of IFRSs amended after the name changes introduced by the revised Constitution of the IFRS Foundation in 2010.
Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards.

The components of other comprehensive income include:

(a) changes in revaluation surplus (see AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets);
(b) remeasurements of defined benefit plans (see AASB 119 Employee Benefits);
(c) gains and losses arising from translating the financial statements of a foreign operation (see AASB 121 The Effects of Changes in Foreign Exchange Rates);
(d) 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 Financial Instruments;
(da) gains and losses on financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of AASB 9;
(e) 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 (see Chapter 6 of AASB 9);
(f) 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);
(g) 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);
(h) 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);
(i) insurance finance income and expenses from contracts issued within the scope of AASB 17 Insurance Contracts excluded from profit or loss when total insurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17, or by an amount that eliminates accounting mismatches with the finance income or expenses arising on the underlying items, applying paragraph 89(b) of AASB 17; and
(j) finance income and expenses from reinsurance contracts held excluded from profit or loss when total reinsurance finance income or expenses is disaggregated to include in profit or loss an amount determined by a systematic allocation applying paragraph 88(b) of AASB 17.

Owners are holders of instruments classified as equity.

Profit or loss is the total of income less expenses, excluding the components of other comprehensive income.

Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods.

Total comprehensive income is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners.

Total comprehensive income comprises all components of ‘profit or loss’ and of ‘other comprehensive income’.

Statement of Cash Flows

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows are inflows and outflows of cash and cash equivalents.

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.
Financial instruments

*Loans payable* are financial liabilities, other than short-term trade payables on normal credit terms.

Related party disclosures

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).
   (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).

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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person’s children and spouse or domestic partner;
(b) children of that person’s spouse or domestic partner; and
(c) dependants of that person or that person’s spouse or domestic partner.

Compensation includes all employee benefits (as defined in AASB 119 Employee Benefits) including employee benefits to which AASB 2 Share-based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, 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 the entity. Compensation includes:

(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;
(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;
(d) termination benefits; and
(e) share-based payment.
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.

Government refers to government, government agencies and similar bodies whether local, national or international.

A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.

The terms ‘control’ and ‘investment entity’, ‘joint control’ and ‘significant influence’ are defined in AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 128 Investments in Associates and Joint Ventures respectively and are used in this Standard with the meanings specified in those Australian Accounting Standards.
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 2021. Earlier application is permitted. If an entity applies this Standard earlier:

(a) it shall disclose that fact; and

(b) it may elect to apply the short-term exemptions in AASB 1053 Application of Tiers of Australian Accounting Standards Appendix E, where applicable.
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.

The amendments apply to annual reporting periods beginning on or after 1 July 2021.

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 (July 2015)

The 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 Simplified Disclosures, 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.

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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

AASB 2 Share-based Payment (July 2015)

Appendix C is deleted and replaced by the following Appendix.

Appendix C
Australian simplified disclosures for Tier 2 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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.
**AASB 3 Business Combinations (August 2015)**

Appendix C is deleted and replaced by the following Appendix.

**Appendix C**  
**Australian simplified disclosures for Tier 2 entities**  

*This appendix is an integral part of the Standard.*  

AusC1 Paragraphs 59–63 and B64–B67 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 5 Non-current Assets Held for Sale and Discontinued Operations (August 2015)**

Appendix D is deleted and replaced by the following Appendix.

**Appendix D**  
**Australian simplified disclosures for Tier 2 entities**  

*This appendix is an integral part of the Standard.*  

AusD1 Paragraphs 30, 33, 35, 36A, 41 and 42 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 6 Exploration for and Evaluation of Mineral Resources (August 2015)**

Appendix C is added.

**Appendix C**  
**Australian simplified disclosures for Tier 2 entities**  

*This appendix is an integral part of the Standard.*  

AusC1 Paragraphs 23–25 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 7 Financial Instruments: Disclosure (August 2005)**

The footnote to paragraph B32 is deleted. Appendix D is deleted and replaced by the following Appendix.

**Appendix D**  
**Australian simplified disclosures for Tier 2 entities**  

*This appendix is an integral part of the Standard.*  

AusD1 This Standard does not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.
Appendix C is deleted and replaced by the following Appendix.

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 5–34 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities. If an entity applying AASB 1060 elects to provide segment disclosures, it shall apply this Standard in preparing and presenting the information.

AASB 10 Consolidated Financial Statements (July 2015)

Paragraph Aus4.1 and paragraph AG1 in the accompanying Australian Application Guidance are 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; or
   (b) the parent is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements, Simplified Disclosures 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.

AASB 12 Disclosure of Interests in Other Entities (August 2015)

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 entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities are not required to comply with AASB 12.

Appendix F is deleted and replaced by the following Appendix.

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 that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.
Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 91–99 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 110–129 and B87–B89 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 51–60, 89–92 and B48–B52 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

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;

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

(c) entities applying Australian Accounting Standards – Reduced Disclosure Requirements, Simplified Disclosures.
Appendix B is deleted and replaced by the following Appendix.

**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 that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 102 Inventories (July 2015)**

Appendix B is deleted and replaced by the following Appendix.

**Appendix B**

**Australian simplified disclosures for Tier 2 entities**

*This appendix is an integral part of the Standard.*

AusB1 Paragraphs 36–39 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 107 Statement of Cash Flows (August 2015)**

Appendix A is deleted and replaced by the following Appendix.

**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 that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (August 2015)**

The 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, 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.

**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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.
AASB 110 *Events after the Reporting Period* (August 2015)

Appendix A is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 112 *Income Taxes* (August 2015)

Appendix A is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 116 *Property, Plant and Equipment* (August 2015)

Appendix B is deleted and replaced by the following Appendix.

**Appendix B**
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

**AusB1** Paragraphs 73–79 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 119 *Employee Benefits* (August 2015)

Appendix C is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. 
AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance (August 2015)*

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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 121 *The Effects of Changes in Foreign Exchange Rates (August 2015)*

Appendix A is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 123 *Borrowing Costs (August 2015)*

Appendix A is deleted and replaced by the following Appendix.

**Appendix A**

**Australian simplified disclosures for Tier 2 entities**

*This appendix is an integral part of the Standard.*

**AusA1** Paragraphs 26 and Aus26.1 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 124 *Related Party Disclosure (July 2015)*

Appendix B is deleted and replaced by the following Appendix.

**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 that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. 
Appendix A is deleted and replaced by the following Appendix.

**AASB 127 Separate Financial Statements (August 2015)**

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 15–17 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 128 Investments in Associates and Joint Ventures (August 2015)**

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; or
(b) the investor or the joint venturer is an entity complying with Australian Accounting Standards – Reduced Disclosure Requirements – Simplified Disclosures and its ultimate or intermediate parent is a not-for-profit entity complying with Australian Accounting Standards.

**AASB 129 Financial Reporting in Hyperinflationary Economies (August 2015)**

Appendix A is added.

**AASB 133 Earnings per Share (August 2015)**

Appendix C is deleted and replaced by the following Appendix.

**Appendix C**
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 3–73A and Appendix A do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities. If an entity applying AASB 1060 elects to disclose earnings per share, it shall apply this Standard in preparing and presenting the information.
AASB 134 *Interim Financial Reporting* (August 2015)

Appendix A is deleted.

AASB 136 *Impairment of Assets* (August 2015)

Appendix E is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* (August 2015)

Appendix A is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit 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* (August 2015)

Appendix A is deleted and replaced by the following Appendix.

**Appendix A**

**Australian simplified disclosures for Tier 2 entities**

*This appendix is an integral part of the Standard.*

AusA1 Paragraphs 118–128 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.
AASB 140 *Investment Property (August 2015)*

Appendix A is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 141 *Agriculture (August 2015)*

Appendix A is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 1004 *Contributions (December 2007)*

Appendix B is added.

**Appendix B**

*Australian simplified disclosures for Tier 2 entities*

This appendix is an integral part of the Standard.

AusB1 Paragraphs 43A and 57–59 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

AASB 1050 *Administered Items (December 2007)*

Paragraphs 6A and 6B (and their heading) 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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.
AASB 1051 Land Under Roads (December 2007)

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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

AASB 1052 Disaggregated Disclosures (December 2007)

Paragraphs 10A and 10B (and their heading) 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 15–21 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

AASB 1053 Application of Tiers of Australian Accounting Standards (June 2010)

Paragraphs 7, 9 and 17 are amended and a footnote 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.

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 and the option of not presenting a statement of changes in equity*, the presentation requirements under Tier 1 and Tier 2 are the same. Tier 2 disclosure requirements are set out in AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

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.

* AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, paragraph 26, permits the presentation of a single statement of income and retained earnings in place of the 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 policies.

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, entities – Entities adopting Tier 2 reporting requirements for the first time that are required to apply AASB 1 shall comply with the reduced disclosure requirements in AASB 1 simplified disclosures under AASB 1060 paragraphs 206–213, including for the purposes of paragraphs 18A(a) and 18A(b).
Entities that are applying AASB 1060 shall provide the disclosures required under AASB 1060 paragraphs 206-213 if they are applying paragraph 18A(a)(i) or 18A(b)(i), or the disclosures required under AASB 1060 paragraphs 106-110 if they are applying paragraphs 18A(a)(ii) or 18A(b)(ii), instead of the disclosures required under AASB 1 or AASB 108.

Footnote # is added to paragraph 19B(a) after the text “Tier 2 reporting requirements”. Footnote 4 to paragraph 19B(b) is amended. The heading before paragraph 24 and paragraph 24 are deleted.

# In this context, Tier 2 reporting requirements refers to either Australian Accounting Standards – Reduced Disclosure Requirements or Australian Accounting Standards – Simplified Disclosures, as appropriate.

4 Compliance with Tier 2 reporting requirements is a reference to compliance with Australian Accounting Standards – Reduced Disclosure Requirements Simplified Disclosures.

**AASB 1054 Australian Additional Disclosures (May 2011)**

Paragraphs 5A, 5B and 5C (and their heading) 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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 1055 Budgetary Reporting (March 2013)**

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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

**AASB 1057 Application of Australian Accounting Standards (July 2015)**

Paragraph 7 is amended and paragraphs 20B and 20C are added.

7 Except as specified in paragraph 20C, 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) …

20B AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities applies as set out in paragraph 5, provided the entity is eligible to apply Tier 2 reporting requirements, as set out in AASB 1053, paragraph 13.

20C Entities applying AASB 1060 are not required to apply the following Australian Accounting Standards:

(a) AASB 7 Financial Instruments: Disclosures;

(b) AASB 12 Disclosure of Interests in Other Entities;

(c) AASB 101 Presentation of Financial Statements;
Appendix E is deleted and replaced by the following Appendix.

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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

Appendix E is added.

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 28, 29, B79 and B80 do not apply to entities preparing general purpose financial statements that apply AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

Appendix B is deleted and replaced by the following Appendix.

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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

Appendix A is deleted and replaced by the following Appendix.

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 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.
Interpretation 17 *Distributions of Non-cash Assets to Owners* (August 2015)

Appendix A is deleted and replaced by the following Appendix.

**Appendix A**

Australian simplified disclosures for Tier 2 entities

*This appendix is an integral part of the Standard.*

AusA1 Paragraphs 16 and 17 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*

Interpretation 23 *Uncertainty over Income Tax Treatments* (July 2017)

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 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*

Interpretation 129 *Service Concession Arrangements: Disclosures* (August 2015)

Appendix A is deleted and replaced by the following Appendix.

**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 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*

Interpretation 1052 *Tax Consolidation Accounting* (June 2005)

Paragraphs 23A and 23B (and their heading) 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, 59 and 60 do not apply to entities preparing general purpose financial statements that apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.*
Implementation guidance
 Disclosure and presentation requirements in other Standards and Interpretations

This implementation guidance accompanies, but is not part of, AASB 1060.

The table below 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 1060 – General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities as well as specific presentation paragraphs or associated guidance paragraphs that still apply to the entity.

<table>
<thead>
<tr>
<th>AASB Standard</th>
<th>Paragraphs superseded by this Standard</th>
<th>Paragraphs that have not been superseded by this Standard and represent presentation requirements or associated guidance</th>
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</thead>
<tbody>
<tr>
<td>AASB 1 First-time Adoption of Australian Accounting Standards</td>
<td>Paragraphs Aus3.2 and 20–33</td>
<td>no</td>
</tr>
<tr>
<td>AASB 2 Share-based Payment</td>
<td>Paragraphs 44–52</td>
<td>no</td>
</tr>
<tr>
<td>AASB 3 Business Combinations</td>
<td>Paragraphs 59–63 and B64–B67</td>
<td>no</td>
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<tr>
<td>AASB 5 Non-current Assets Held for Sale and Discontinued Operations</td>
<td>Paragraphs 30, 33, 35, 36A, 41 and 42</td>
<td>Paragraphs 31, 32, 33A, 34, 36, and 37–40</td>
</tr>
<tr>
<td>AASB 6 Exploration for and Evaluation of Mineral Resources</td>
<td>Paragraphs 23–25</td>
<td>Paragraphs 15–17</td>
</tr>
<tr>
<td>AASB 7 Financial Instruments: Disclosures</td>
<td>Compliance with this Standard is not required, however it may be referred to for guidance</td>
<td>n/a</td>
</tr>
<tr>
<td>AASB 8 Operating Segments</td>
<td>Paragraphs 5–34, unless elect to disclose segment information</td>
<td>n/a</td>
</tr>
<tr>
<td>AASB 12 Disclosure of Interests in Other Entities</td>
<td>Compliance with this Standard is not required, however, it may be referred to for guidance.</td>
<td>n/a</td>
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<tr>
<td>AASB 13 Fair Value Measurement</td>
<td>Paragraphs 91–99</td>
<td>no</td>
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<td>AASB 15 Revenue from Contracts with Customers</td>
<td>Paragraphs 110–129 and B87–B89</td>
<td>Paragraphs 105–109</td>
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<tr>
<td>AASB 16 Leases</td>
<td>Paragraphs 51–60, 89–92 and B48–B52</td>
<td>Paragraphs 47–50, 88</td>
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<tr>
<td>AASB 101 Presentation of Financial Statements</td>
<td>Compliance with this Standard is not required, however it may be referred to for guidance.</td>
<td>n/a</td>
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<td>AASB 102 Inventories</td>
<td>Paragraphs 36–39</td>
<td>no</td>
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<tr>
<td>AASB 107 Statement of Cash Flows</td>
<td>Compliance with this Standard is not required, however it may be referred to for guidance.</td>
<td>n/a</td>
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<td>AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors</td>
<td>Paragraphs 28–31, 39–40 and 49</td>
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<tr>
<td>AASB 110 Events after the Reporting Period</td>
<td>Paragraphs 13, 16 and 17–22</td>
<td>no</td>
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<tr>
<td>AASB Standard</td>
<td>Paragraphs superseded by this Standard</td>
<td>Paragraphs that have not been superseded by this Standard and represent presentation requirements or associated guidance</td>
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<td>---------------------------------------------------</td>
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<tr>
<td>AASB 112 Income Taxes</td>
<td>Paragraphs 79–88</td>
<td>Paragraphs 71–78</td>
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<td>AASB 116 Property, Plant and Equipment</td>
<td>Paragraphs 73–79</td>
<td>no</td>
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<tr>
<td>AASB 119 Employee Benefits</td>
<td>Paragraphs 25, 33(b), 34(b), 42, 53, 54, 135–152, 158, 171</td>
<td>131–134</td>
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<td>AASB 120 Accounting for Government Grants and Disclosure of Government Assistance</td>
<td>Paragraph 39</td>
<td>24–31</td>
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<td>AASB 121 The Effects of Changes in Foreign Exchange Rates</td>
<td>Paragraphs 51–57</td>
<td>no</td>
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<td>AASB 123 Borrowing Costs</td>
<td>Paragraphs 26 and Aus26.1</td>
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<td>AASB 124 Related Party Disclosures</td>
<td>Compliance with this Standard is not required, however it may be referred to for guidance.</td>
<td>n/a</td>
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<tr>
<td>AASB 127 Separate Financial Statements</td>
<td>Paragraphs 15–17</td>
<td>no</td>
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<td>AASB 129 Financial Reporting in Hyperinflationary Economies</td>
<td>Paragraphs 39 and 40</td>
<td>no</td>
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<tr>
<td>AASB 132 Financial Instruments: Presentation</td>
<td></td>
<td>AASB 132 continues to apply</td>
</tr>
<tr>
<td>AASB 133 Earnings per Share</td>
<td>Paragraphs 3–73A and Appendix A, unless elect to disclose earnings per share.</td>
<td>n/a</td>
</tr>
<tr>
<td>AASB 136 Impairment of Assets</td>
<td>Paragraphs 126–137</td>
<td>no</td>
</tr>
<tr>
<td>AASB 137 Provisions, Contingent Liabilities and Contingent Assets</td>
<td>Paragraphs 84–92 and last sentence of paragraph 75</td>
<td>no</td>
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<tr>
<td>AASB 138 Intangible Assets</td>
<td>Paragraphs 118–128</td>
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<td>AASB 140 Investment Property</td>
<td>Paragraphs 74–79</td>
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<td>AASB 141 Agriculture</td>
<td>Paragraphs 40–57</td>
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<td>AASB 1004 Contributions</td>
<td>Paragraph 43A, 57–59</td>
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<td>AASB 1050 Administered Items</td>
<td>Paragraphs 7, 8 and 22</td>
<td>Paraphrases 9–21, and 23–25</td>
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<td>AASB 1051 Land Under Roads</td>
<td>Paragraphs 11 and 12</td>
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<td>AASB 1052 Disaggregated Disclosures</td>
<td>Paragraphs 15–21</td>
<td>no</td>
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<tr>
<td>AASB 1054 Australian Additional Disclosures</td>
<td>Paragraphs 7–16</td>
<td>no</td>
</tr>
<tr>
<td>AASB 1055 Budgetary Reporting</td>
<td>Paragraphs 6–8</td>
<td>Paragraphs 9–15</td>
</tr>
</tbody>
</table>
IG2 The table below lists the Interpretations and specific disclosure paragraphs that do not apply to an entity that is applying AASB 10XX General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.

<table>
<thead>
<tr>
<th>AASB Standard</th>
<th>Paragraphs superseded by this Standard</th>
<th>Paragraphs that have not been superseded by this Standard and represent presentation requirements or associated guidance</th>
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<tr>
<td>AASB 1058 <em>Income of Not-for-Profit Entities</em></td>
<td>Paragraphs 23–41</td>
<td>no</td>
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<tr>
<td>AASB 1059 <em>Service Concession Arrangements: Grantors</em></td>
<td>Paragraphs 28, 29, B79 and B80</td>
<td>no</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>AASB Interpretations</th>
<th>Paragraphs superseded by this Standard</th>
<th>Paragraphs that have not been superseded by this Standard and represent presentation requirements or guidance</th>
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<tbody>
<tr>
<td>Interpretation 2 <em>Members’ Shares in Co-operative Entities and Similar Instruments</em></td>
<td>Paragraph 13</td>
<td>no</td>
</tr>
<tr>
<td>Interpretation 5 <em>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</em></td>
<td>Paragraphs 11–13</td>
<td>no</td>
</tr>
<tr>
<td>Interpretation 17 <em>Distributions of Non-cash Assets to Owners</em></td>
<td>Paragraphs 16–17</td>
<td>Paragraph 15</td>
</tr>
<tr>
<td>Interpretation 23 <em>Uncertainty over Income Tax Treatments</em></td>
<td>Paragraphs A4 and A5</td>
<td>no</td>
</tr>
<tr>
<td>Interpretation 129 <em>Service Concession Arrangements: Disclosures</em></td>
<td>Paragraphs 6–7</td>
<td>no</td>
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<tr>
<td>Interpretation 1052 <em>Tax Consolidation Accounting</em></td>
<td>Paragraphs 16, 59 and 60</td>
<td>no</td>
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</table>
Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 1060.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s considerations in reaching the conclusions in AASB 1060. It sets out the reasons why the Board developed the 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 disclosure Standard for Tier 2 entities

BC2 This Standard has been developed in conjunction with AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities to:

(a) provide Tier 2 reporting requirements for those for-profit entities that will be prohibited from preparing special purpose financial statements (SPFS) when AASB 2020-2 becomes operative, that appropriately balance the needs of users with the costs of moving from SPFS to Tier 2;

(b) reduce the reporting burden of for-profit and not-for-profit (NFP) entities using the current Tier 2 reporting requirements for preparing General Purpose Financial Statements (GPFS) as a result of the AASB’s post-implementation review of the current Reduced Disclosure Requirements (RDR) framework; and

(c) maximise the use of relevant International Financial Reporting Standards (IFRS) based materials by more closely reflecting the IFRS for SMEs disclosures in this Standard and support the International Accounting Standards Board (IASB) with its project to develop a reduced disclosure IFRS standard that combines full IFRS recognition and measurement (R&M) requirements with IFRS for SMEs disclosures1.

BC3 Entities that are required to prepare financial statements in accordance with Australian Accounting Standards (AAS) have a choice of two disclosure frameworks2:

(a) Tier 1 reporting requirements which apply to the GPFS of for-profit private sector entities that have public accountability and are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards and the Australian Government and State, Territory and Local Governments; and

(b) Tier 2 reporting requirements which apply to the GPFS 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.

BC4 Before the adoption of AASB 2020-2 entities that had self-assessed to be a non-reporting entity, could also elect to prepare SPFS. However, in March 2020 the Board decided to remove this ability based on the feedback received on the March 2018 Consultation Paper ITC 39 Applying the IASB’s Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems and the subsequent ED 297 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.

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1 In January 2020, the IASB moved its Disclosure Initiative - Subsidiaries that are SMEs project to the standard-setting programme. The objective of the project is to develop a reduced disclosure IFRS Standard that would apply on a voluntary basis to subsidiaries that do not have public accountability.

2 AASB 1053 Application of Tiers of Australian Accounting Standards, paragraphs 11-13
AASB 2020-2 removes the ability to prepare SPFS for the following for-profit entities:

(a) for-profit private sector entities that are required by legislation to comply with either Australian Accounting Standards or accounting standards;

(b) other for-profit private sector entities that are required only by their constituting document or another document to comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021; and

(c) other for-profit entities that elect to prepare GPFS and apply the revised Conceptual Framework for Financial Reporting (Conceotual Framework) and the consequential amendments to other pronouncements set out in Accounting Standards AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework and AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Sector Entities.

To help reduce the cost burden for for-profit entities that will be affected by the removal of SPFS, and noting the comments received on ITC 39, the Board agreed to make further reductions to the disclosures that apply to Tier 2 entities compared to the GPFS Tier 2 RDR framework.

The Board also noted the strong preference expressed by respondents to ITC 39 for a framework that includes full R&M requirements in AAS on the grounds that it would enhance the comparability, consistency and transparency of the financial statements. Feedback from targeted outreach emphasised that users agreed the usefulness of information within financial statements for decision making is adversely affected where entities have not consistently applied R&M requirements. Further discussion of the Board’s consideration on this matter is available in AASB 2020-2 paragraphs BC108–BC114.

While some respondents had called for more than one Tier 2 GPFS framework for for-profit entities, the Board noted that given the small number of for-profit entities required to publicly lodge financial statements with ASIC, which will be even less following the increase of the reporting thresholds for large proprietary companies (April 2019), the development and maintenance of more than two GPFS disclosure frameworks was not warranted. The Board further emphasised that entities without a statutory requirement to comply with AAS, such as those below the now doubled large proprietary thresholds, would be able to continue to tailor their financial statements to the needs of their specific users and therefore additional Tiers were not required. Further discussion of the Board’s consideration on this matter is available in AASB 2020-2 paragraphs BC99–BC107.

However, separate targeted consultations will be undertaken in relation to the implementation of the IASB’s revised Conceptual Framework by not-for-profit (NFP) private and public sector entities which may result in more than two tiers for those sectors, as the characteristics of those sectors are quite different. For these entities, this Standard is therefore an interim measure until more progress is made through further consultation and outreach.

After having considered the various options outlined below and the feedback received on ED 295 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities, the Board is of the view that this Standard addresses stakeholders’ concerns and provides an appropriate balance between user needs and preparer costs.

**Options considered: why using the IFRS for SMEs Standard as the basis for the new Tier 2 Standard?**

In developing AASB 1060, the Board 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 paragraph BC13);

(c) revisit the proposals in ED 277 Reduced Disclosures Requirements for Tier 2 Entities; or

(d) develop a new disclosure Standard based on the IFRS for SMEs Standard.
RDR and SDR frameworks – feedback from ITC39

BC12 In ITC 39, the Board 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 Application of Tiers of Australian Accounting Standards which requires compliance with the full R&M requirements of AAS (as amended for NFP specific issues) and with minimum disclosures specified in each Standard.

BC13 The second proposed alternative, the Specified Disclosure Requirement (SDR), was a revised disclosure framework. It required full R&M requirements of AAS (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 15 Revenue from Contracts with Customers, AASB 112 Income Taxes, AASB 124 Related Party Disclosures and AASB 136 Impairment of Assets.

BC14 After issuing ITC 39, the Board held targeted outreach with key stakeholders, including State, Territory and National regulators, audit offices, accounting firms, the Australian Securities Exchange (ASX), the Australian Taxation Office (ATO), the Australian Securities and Investments Commission (ASIC), credit rating agencies and professional bodies. The ITC 39 proposals were also presented at various forums, workshops, roundtables and discussion groups.

BC15 The Board received feedback on its proposals in ITC 39 through 33 formal comment letters from professional service firms, regulators, professional bodies, academics, preparers, users of financial statements and other respondents. Furthermore, feedback was sought via targeted user and preparer surveys in quarter 3 of 2018, which received a total of 37 user and 49 preparer responses3. The surveys were focussed on the specific matters for comment in ITC 39, and were used to get a better understanding of which of the Tier 2 GPFS frameworks proposed in ITC 39 users preferred (and why), as well as what transitional relief would be helpful to preparers.

BC16 The feedback on the proposed SDR framework was that the SDR had too many disclosures in some ways but fell short in many other ways. For example, the feedback received from roundtables, surveys and submissions on ITC 39 was that whilst the disclosures in SDR are important, requiring full disclosure of those nine Standards (as explained in paragraph BC13) 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.

BC17 At the same time, respondents noted that refining the principles used in determining the level of disclosures required for Tier 2 entities to achieve an appropriate balance between the benefits of financial information to users and the costs to 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.

Revisiting the proposals in ED 277

BC18 The RDR disclosure requirements in Australia and New Zealand are essentially the same and are based on an approach developed by the Board in 2010. That approach draws on the disclosure requirements in the IFRS for SMEs Standard when Tier 2 R&M 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 full R&M requirements are not the same as those available under the IFRS for SMEs Standard. A top-down approach is used which starts with the full IFRS disclosures and then identifies those that can be removed. The Board noted that there could be a tendency to retain disclosures in circumstances where a direct comparison is not possible.

BC19 A post implementation review of the RDR framework was carried out by the Board which identified that the RDR disclosure requirements had not delivered the expected outcome and that take up of the RDR framework

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3 See AASB Staff Paper Enhancing the revised Conceptual Framework and replacing Special Purpose Financial Statements – For-profit User and Preparer Survey Results.
by entities was consequently low\(^4\). In response to the findings of the post implementation review, the Board issued ED 277 in January 2017 as a joint project with the New Zealand Accounting Standards Board (NZASB).

**BC20** 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 Tier 2 entities should make.

**BC21** 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 shading used to identify disclosures that can be omitted confusing. However, while ED 277 was based on clear disclosure principles, the cost-benefit analysis was difficult to apply in the context of disclosures and the top-down approach resulted in too many disclosures being retained, as removal was difficult to justify with the KDAs.

**BC22** Feedback from Australian stakeholders confirmed that ED 277 still resulted in too many disclosures. While the Board 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 propose removing the ability for entities to prepare SPFS when required to comply with AAS by legislation or otherwise.

**Issue of ED 295 – New disclosure Standard based on the disclosures in IFRS for SMEs Standard**

**BC23** In weighing up the shortfalls of RDR, the other proposed Tier 2 options and the disclosure principles applied by the IASB while developing the IFRS for SMEs Standard, the Board decided in February 2019 to develop a new Tier 2 Standard based on the disclosures in the IFRS for SMEs Standard which would be available for GPFS that are publicly lodged or are required to comply with AAS, but do not relate to entities that are publicly accountable.

**BC24** Using the IFRS for SMEs Standard as the base maximises the use of relevant IFRS-based materials. The Board further noted that the IASB had added a research project on Subsidiaries that are SMEs to their agenda in March 2019, which was moved to the standard-setting programme in January 2020. Consistent with the policy of adopting Standards issued by the IASB for application by Australian entities, AASB 1060 may ultimately be replaced with the Standard developed by the IASB. This would not only remove the need for the Board to maintain a separate Tier 2 Standard, but also provide comparability and consistency for subsidiary reporting globally. However, this is a longer-term project and the Board needs to have a revised disclosure framework in place in time for the removal of SPFS from 1 July 2021. While the Board could therefore not wait for the IASB to complete their project, the Board will monitor the progress of the IASB’s project closely.

**BC25** The disclosures that are relevant to Tier 2 entities are set out in a separate Standard, being AASB 1060, which was exposed for public comment in August 2019 as ED 295, together with ED 297. The comment period for both EDs ended on 30 November 2019.

**BC26** 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.

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\(^4\) As per paragraph 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. A research paper (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 2016, Sydney) on 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.

A subsequent analysis of financial reports of for-profit non-disclosing entities lodging financial statements with ASIC in 2018 confirmed that 71 percent of these entities were still lodging SPFS with ASIC, 13 percent lodged Tier 2 GPFS and 16 percent Tier 1.
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 section details the matter considered by the Board in developing the proposals and this Standard, including the Board’s decisions on how to address stakeholders’ feedback as part of the exposure process.

**Costs vs benefits**

The Board 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 the *IFRS for SMEs* Standard 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 disclosures to the disclosures that would be required under the SDR and RDR has confirmed that adoption of the new Tier 2 Standard addresses 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 the 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 stakeholders, as it avoids having to identify applicable disclosures via shading in between the full disclosures. The Board noted that this will also improve readability where parts of sentences were shaded in the RDR (ie excluded).

However, the Board noted that adopting this Standard will result in a divergence from the New Zealand RDR Framework. The AASB’s *For-Profit Entity 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 Board noted that the R&M requirements for entities applying the Tier 2 reporting frameworks in Australia and New Zealand would remain consistent and given the current situation of many Australian entities not complying with full R&M requirements, the overall outcome is likely to be more consistency with NZ requirements than currently. The Board further noted that the NZ XRB has asked its stakeholders about the importance of harmonisation with Australia in their Targeted Review of the Accounting Standards Framework in July 2019 and that the NZASB will consider the feedback in future discussions on whether and how to respond to the developments in Australia and internationally.

The Board also noted that the simplified Tier 2 disclosures are contained in a separate Standard which might not be welcomed by preparers who prefer seeing the disclosure requirements together with the R&M requirements in each Standard. However, only four respondents to ED 295 did not like having a separate disclosure standard. Feedback at the roundtables and webinars was overwhelmingly positive.

Finally, for entities that were previously preparing SPFS, the adoption of AASB 2020-2 means a step-up in their disclosures. The disclosures will also likely exceed what would have been required under the SDR proposals outlined in paragraph BC13. However, there will be some disclosure relief, as SPFS currently are required to comply with all the disclosures in the mandatory standards (AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054) which go beyond what is required under AASB 1060. Furthermore, the

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5 The IASB was guided by the broad principles set out in paragraph BC41, but also relied on the recommendations of a working group which undertook a comprehensive review of the disclosure proposals in the exposure draft, and the comments on those proposals in response to the exposure draft. In addition, the IASB received feedback from representatives of a number of German banks that lend extensively to small private entities and provided the IASB with a comprehensive report on disclosure needs from a bank lender’s perspective. See paragraphs BC44-BC47 and BC156-158 of the *IFRS for SMEs* Standard – Part B.
The 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 Board 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 1060 will not only be 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 removal of SPFS for certain for-profit private sector entities that are required to prepare financial statements that comply with AAS or accounting standards through AASB 2020-2 becomes applicable.

**Methodology and principles applied**

BC33  
After considering both the advantages and disadvantages noted above, the Board was of the view that the 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 Board 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 1060 will not only be 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 removal of SPFS for certain for-profit private sector entities that are required to prepare financial statements that comply with AAS or accounting standards through AASB 2020-2 becomes applicable.

BC34  
In accordance with AASB 1053, Tier 2 requirements comprise the R&M 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 the Tier 2 framework. This framework does not change those criteria.

BC35  
The Board 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 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. To distinguish the new disclosure framework from the previous RDR framework, it will be referred to as the ‘Simplified Disclosures’ framework.

BC36  
While the Board has decided not to adopt the IFRS for SMEs Standard as an alternative for Tier 2 reporting, 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 Board therefore considers the IFRS for SMEs based disclosures an appropriate starting point for developing a disclosure Standard for this group of entities.

BC37  
The Simplified Disclosures framework is based on the premise that the disclosures in the IFRS for SMEs Standard should be retained where the R&M requirements and options are the same or similar in the IFRS for SMEs Standard and full IFRS. Disclosures relating to R&M options or treatments in the IFRS for SMEs Standard that are not available in full IFRS will be removed. Disclosures have only been added in comparison with the IFRS for SMEs Standard base where the R&M principles were significantly different or certain topics are not addressed under the IFRS for SMEs Standard.

BC38  
In considering the IFRS for SMEs Standard, the Board noted that the nature and degree of the differences between the disclosures in full IFRS Standards and the disclosures in the IFRS for SMEs Standard is determined on the basis of users’ needs and cost-benefit analyses. The Board noted that the overall increase in disclosures for entities transitioning from SPFS (eg related party and financial instrument disclosures) offsets the loss of some disclosures as a result of not having to fully comply with AASB 101, AASB 107, AASB 108, AASB 1048 and AASB 1054. In some instances, based on user feedback, public policy interest (eg audit fees and tax reconciliation – see paragraphs BC75 and BC79–80) or to reflect Australian specific issues (eg imputation credits – see paragraphs BC83-BC84), the Board has retained additional disclosures above IFRS for SMEs.

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6 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 the IFRS for SMEs Standard as an option or alternative for Tier 2 GPFS, these respondents did not provide any new arguments as to whether the IFRS for SMEs Standard would be preferable to full R&M. The AASB further noted that the IFRS for SMEs Standard 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 for the for-profit sector. Further discussion of the Board’s consideration on this matter is available in AASB 2020-2 paragraphs BC99–BC107.

7 As per paragraph BC46 of IFRS for SMEs Standard – Part B.
The disclosure requirements in the IFRS for SMEs Standard are therefore substantially reduced when compared with the disclosure requirements in full IFRS Standards. The IASB identified the following four principles as being used for the reductions:

(a) some disclosures are not included because they relate to topics covered in IFRS Standards that are omitted from the IFRS for SMEs Standard (as per paragraph BC88 of IFRS for SMEs Standard 2015 – Part B);

(b) some disclosures are not included because they relate to R&M principles in full IFRSs that have been replaced by simplifications in the IFRS for SMEs Standard (as per paragraphs BC98–BC136 of the IFRS for SMEs Standard 2015 – Part B);

(c) some disclosures are not included because they relate to options in full IFRS Standards that are not included in the IFRS for SMEs Standard (as per paragraphs BC84–BC86 of the 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 the IFRS for SMEs Standard 2015 – Part B).

In addition to these principles, the Board further decided that disclosures should be reduced from the IFRS for SMEs Standard where the disclosure requirements have been removed from full IFRS after the IFRS for SMEs Standard was finalised and as a result exceed what is currently required under the full IFRS (as per paragraphs BC43, BC66–BC67 and BC71 of this Standard).

In determining what disclosures to add, the following broad principles have been applied by the Board, which are consistent with those applied by the IASB in developing the disclosures in the IFRS for SMEs Standard:

(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 IFRS Standards 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 IFRS Standards 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;

(e) disaggregations of amounts presented in the financial statements of for-profit entities that are not publicly accountable entities are important for an understanding of those statements; and

(f) some disclosures in full IFRS Standards 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.

In addition, to these principles the Board agreed to add disclosures where they address matters of public policy (eg audit fees and tax reconciliation – see paragraphs BC75 and BC79–BC80) or reflect Australian specific issues (eg imputation credits – see paragraphs BC83–BC84).

Consistent with the IASB’s intentions in relation to the Subsidiaries that are SMEs project, tailoring of the IFRS for SMEs disclosure requirements has further been restricted to the absolute minimum. As identified in paragraph BC70, this resulted in the retention of termination benefit disclosures which are not required under full AAS. However, consistent with the principle in paragraph BC40, where the IASB has removed disclosures from full IFRS after the IFRS for SMEs Standard was finalised, these reductions were carried over to AASB 1060. This has affected in particular the leasing disclosures, see paragraphs BC66–BC67 and resulted in the removal of a number of employee benefits disclosures.

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8 See paragraph BC157 of IFRS for SMEs Standard – Part B
To identify R&M differences, the Board has referred to:

(a) the AASB staff paper *Comparison of Standards for Smaller Entities* prepared and published in April 2018;

(b) full IFRS vs IFRS for SMEs Standard comparisons included in the *IFRS for SMEs* Standard modules published by the IASB; and

(c) individual analyses of Standards, where a topic is covered by neither of these two sources.

Judgement was exercised when applying the framework and the overarching principles of user needs and cost-benefit were considered when determining the disclosures that are relevant for Tier 2 entities. Significant judgements made in this process are explained in paragraphs BC54–BC93.

The disclosures that are relevant to Tier 2 entities are set out in this Standard (ie are not shaded in the body or the appendix of each AAS). They are considered by the Board to be appropriate for GPFSs that are publicly lodged or are required to comply with AAS, but do not relate to entities that are publicly accountable.

As a general rule, the presentation requirements of full AAS have been retained, and the Board noted that it did not intend to make any changes to the presentation requirements or accounting treatments available under AAS.

This applies in particular to the presentation requirements in AASB 101 and AASB 107 even though these Standards have been replaced in their entirety with AASB 1060 paragraphs 8 to 97. The only exception made relates to the option of not presenting a separate statement of changes in equity as noted in paragraph BC62.

ED 295 further proposed 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. However, after considering the feedback received on ED 295, the Board decided to amend the proposals to align the presentation requirements in AASB 1060 with those in AASB 5. This will ensure consistency in the presentation of discontinued operations between Tier 1 and Tier 2 entities and is consistent with the overall intention to retain the presentation requirements from full AAS and only adopt the IFRS for SMEs disclosures.

The Board noted that any future changes made to AAS will be assessed using the above principles, to determine whether and how the changes would require amendments to AASB 1060. Where necessary, amendments to AASB 1060 will be made in time to ensure they are effective at the same time as the amendments to the full AAS. This will ensure AASB 1060 will continue to be appropriately aligned with the requirements of full AAS.

**Scope and application to not-for-profit and public sector entities**

While the disclosures in the *IFRS for SMEs* Standard are developed specifically for for-profit private sector entities, the Board agreed that AASB 1060 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 AASB 1060 applicable to all Tier 2 entities, whether for-profit or NFP, will result in an immediate reduction in disclosures compared to the current RDR framework, and NFP private sector entities will 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. Similarly, public sector entities will also benefit while consideration is being given to improving public sector financial reporting. The Tier 2 disclosure framework may still be relevant to NFP entities as one of the tiers of reporting for that sector even after a revised NFP Financial Reporting Framework is developed.

While respondents to ED 295 had suggested deferring the mandatory date of AASB 1060 for NFP entities possibly until the NFP private and public sector financial reporting frameworks have been finalised, the Board decided against different application dates to avoid the confusion for users that would come from having two Tier 2 reporting frameworks in operation at the same time.

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9 See AASB Discussion Paper: Improving Financial Reporting for Australian Charities

10 See AASB Discussion Paper: Improving Financial Reporting for Australian Public Sector
In determining whether disclosures would need to be added to address any R&M differences that are specific to NFP private sector and public sector entities, the Board has applied paragraph 28 of the AASB’s Not-for-Profit Entity Standard Setting Framework and the principles listed in paragraphs BC41 and BC42 above. While those principles have been developed with a specific focus on the users of the financial statements of private sector entities, the Board considers that they are also relevant to the users of the financial statements of NFP entities. However, the Board also acknowledged that certain transactions or items in the financial statements are unique to NFP entities and may require additional information, as set out in the AASB’s Not-for-Profit Entity Standard Setting Framework. A limited number of disclosures have been added to AASB 1060 for that reason. Further details about the decisions made in relation to specific disclosures are set out in paragraphs BC91–BC93.

Significant decisions made by the Board in developing the disclosures

Replacing entire Standards with AASB 1060

In considering the ease of application for Tier 2 entities, the Board decided to replace any Standards that deal exclusively with presentation and disclosure requirements in their entirety with the corresponding requirements in AASB 1060. New paragraphs 20A and 20B are added to AASB 1057 Application of Australian Accounting Standards to note that entities applying this Standard do not need to comply with AASB 7 Financial Instruments:Disclosures, AASB 12 Disclosure of Interests in Other Entities, AASB 101, AASB 107 and AASB 124. These Standards will be replaced with the following sections from the IFRS for SMEs Standard:

(a) Financial Statement Presentation (AASB 101): paragraphs 8 – 33
(b) Statement of Financial Position (AASB 101): paragraphs 34 – 47
(c) Statement of Profit or Loss and Other Comprehensive Income (AASB 101): paragraphs 48 – 58
(d) Statement of Changes in Equity and Statement of Income and Retained Earnings (AASB 101): paragraphs 59 – 63
(e) Statement of Cash Flows (AASB 107): paragraphs 64 – 89
(f) Notes to the Financial Statements (AASB 101): paragraphs 90 – 103
(g) Consolidated and Separate Financial Statements (AASB 12): paragraphs 104 – 105
(h) Basic Financial Instruments (AASB 7): paragraphs 111 – 119
(i) Other Financial Instruments Issues (AASB 7): paragraphs 120 – 122
(j) Investments in Associates (AASB 12): paragraphs 125 – 128
(k) Investments in Joint Ventures (AASB 12): paragraphs 129 – 131
(l) Related Party Disclosures (AASB 124): paragraphs 189 – 203

The Board noted that by replacing the five Standards listed in paragraph BC54, 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 Board considered this to be preferable to considering on a case-by-case basis which guidance should be included and which could be omitted. As noted in paragraph BC47, the Board does not intend the removal of the guidance to result in any differences in the presentation requirements to full AAS. However, in response to stakeholder feedback, the Board added paragraph 2 which specifically permits entities to refer to other Standards for guidance on requirements in this Standard. The Board also added the definitions from the replaced Standards in Appendix A.

To prevent possible differences in presentation requirements to full AAS, the Board further decided to add the following requirements from AASB 101, AASB 107 and AASB 124 to AASB 1060 which deal with:

(a) the prohibition for Australian entities that apply AASB 1060 to depart from a requirement in an Australian Accounting Standard (paragraph 12 in this Standard and paragraph Aus19.1 in AASB 101);
(b) the specific prohibition to offset assets and liabilities or income and expenses, unless required or permitted by an Australian Accounting Standard (paragraph 24 in this standard and paragraph 32 in AASB 101);
(c) the 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 (paragraph 72 in this standard and paragraph 20 in AASB 107);

(d) options to report certain cash flows on a net basis (paragraphs 75 to 78 in this Standard and paragraphs 22–24 in AASB 107);

(e) the exemption from the disclosure of key management personnel compensation where the entity obtains key management personnel services from another entity (paragraphs 195 and 196 in this standard and paragraphs 17A and 18A in AASB 124).

BC57 The prohibition to depart from a requirement in an Australian Accounting Standard reflects Australian specific circumstances which are also relevant to Tier 2 entities and hence needs to be included. Paragraphs 3.4, 3.5 and 3.6 of the IFRS for SMEs Standard have been deleted, as they are not relevant to entities applying this Standard.

BC58 The offsetting prohibition in paragraph BC56(b) is included in Section 2 Concepts and Pervasive Principles of the IFRS for SMEs Standard (paragraph 2.52). As this section has been otherwise excluded from this Standard on the basis that it does not include any disclosures, the prohibition had to be separately added to this Standard.

BC59 Permitting the options in the presentation of the cash flow statement from AASB 107 ensures that there are no differences in presentation to full AAS and avoids any possible issues, for example for the consolidation of subsidiaries that report under Tier 2 by parent entities that report under Tier 1 (full AAS).

BC60 Retaining the exemption from disclosing key management personnel compensation in paragraph BC56(e) for entities that obtain key management personnel services from another entity avoids having potentially more onerous disclosure requirements than for Tier 1 entities. While arguably the exemption in paragraph 17A of AASB 124 (paragraph 195 in this Standard) only provides relief from disclosing the breakdown of key management personnel compensation that is otherwise required to be disclosed by AASB 124 paragraph 17, the Board noted that the fees paid to a management entity that must be disclosed under paragraph 18A of AASB 124 (paragraph 196 in this Standard) may also cover other services, and that the fees many not specifically identify the amount relating to key management personnel services.

BC61 To avoid any potential R&M differences, the Board further decided to replace the definition of materiality in the IFRS for SMEs Standard with the recently updated definition of material from AASB 101 and added paragraph 23 which clarifies the application of materiality (based on paragraph 31 in AASB 101). The Board also replaced the guidance on the presentation of information in the notes (structure of notes, paragraph 93 in this standard and paragraph 8.4 in the IFRS for SMEs Standard) with the revised guidance from paragraphs 114 and 116 of AASB 101 that was introduced via amendments to AASB 101 in 2015 and added additional guidance to paragraph 40 confirming that the 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 (from paragraph 69(d) of AASB 101). This will further ensure that there are no presentation differences to full AAS.

BC62 Consistent with the basic approach of minimising differences to the disclosures in the IFRS for SMEs Standard, the Board decided to retain paragraph 3.18 of the 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 (paragraph 26 in this Standard).

BC63 In relation to the replacement of AASB 12, the Board noted that the investment entity exemption from consolidation creates a R&M difference to the IFRS for SMEs Standard. However, based on the principles listed in paragraph BC41, the Board did not consider that additional disclosures would be warranted in relation to this exemption. The Board noted that the IASB discussed the investment entity exception in the context of the 2020 Request for Information Comprehensive Review of the IFRS for SMEs Standard and concluded that few entities eligible to apply the IFRS for SMEs Standard would be investment entities. The Board also expects the exemption to have limited practical impact, since the majority of investment entities will be publicly accountable and therefore not able to apply this Standard.
In responding to stakeholders’ concerns that an investment entity preparing separate financial statements could not comply with paragraph 105 of this Standard because the paragraph requires the entity to identify the consolidated financial statements or other primary financial statements to which the separate financial statements relate, the Board noted that separate financial statements are defined in AASB 127 Separate Financial Statements as financial statements that are presented in addition to consolidated financial statements or to financial statements that apply equity-accounting to investments in associates or joint ventures (consistent with the definition of separate financial statements in the IFRS for SMEs Standard). Therefore, the financial statements prepared by investment entities would not be separate financial statements under that definition and as a result paragraph 105 would not apply.

Judgements made in adding, removing or adapting the disclosures in the IFRS for SMEs Standard

The Board has exercised a number of significant judgements while adding, removing and amending disclosures from the certain sections of the IFRS for SMEs Standard.

In considering the R&M differences between AASB 16 Leases and Section 20 Leases in the IFRS for SMEs Standard, the Board 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 Board 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).

The Board 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 Board 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. AASB 16 is a recent Standard that was finalised after the IFRS for SMEs Standard was developed. As noted in paragraph BC40, the Board 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 Board decided to replace the disclosures in the IFRS for SMEs Standard with the relevant disclosures from AASB 16.

In considering the R&M differences between AASB 15 and Section 23 Revenue in the IFRS for SMEs Standard, the Board 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, the Board decided to adapt the disclosures in the IFRS for SMEs Standard to reflect the different terminology used in AASB 15 but without adding unnecessary details. For example, the requirement 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”.

In considering the difference between AASB 123 Borrowing Costs and Section 25 Borrowing Costs in the IFRS for SMEs Standard, the Board noted that the IFRS for SMEs Standard does not permit the capitalisation of borrowing costs and therefore does not require any additional disclosures. As this is an R&M difference, the Board decided to require disclosure of the amount of capitalised borrowing costs on the grounds that total interest is an important element for a user to understand liquidity and solvency of an entity, and that information about these amounts capitalised would therefore be relevant. The Board further considered that the benefits of this disclosure would exceed the cost, noting that it is also required for RDR entities.

Based on the principle to avoid differences to the IFRS for SMEs Standard as far as possible, the Board decided to retain certain disclosures even though they were not required for RDR entities. These include:

(a) in relation to the section covering employee benefits, disclosures about termination benefits which are over and above what is required under full IFRS/AAS (paragraphs 173(d),(g), 174-175);

(b) disclosures about the entity’s domicile and other general information (paragraph 32), the qualitative factors that make up goodwill (paragraph 142(g)), adjusting events that occurred after the end of the reporting period (paragraph 185) and parent-subsidiary relationships where an entity applies the exemption from providing related party disclosures for government-related entities (paragraph 200);
(c) disclosures about hedging (paragraphs 121 and 122), investments in associates (paragraph 126) and leasing (paragraphs 144(b), 147(d) and 148(b)) where some disclosures were added but many others removed as a result of applying the principles in paragraph BC41; and

(d) a number of disclosures in relation to the section covering transition to Australian Accounting Standards – Simplified Disclosures – see paragraph BC100 for details.

BC71 While acknowledging stakeholders concerns about the potential increase in disclosures, the Board noted that the small increases will be more than offset with the reduction in disclosures in other areas. On this basis, the Board agreed to retain the disclosures from IFRS for SMEs Standard, which have been demonstrated to be appropriate for small and medium sized entities without public accountability. However, consistent with the principles in paragraph BC40, the Board agreed to remove disclosures about specific components of capitalised defined benefit cost, group plans and other long-term benefits from the disclosures proposed in ED 295 as these disclosures had been included in full IFRS when the IFRS for SMEs Standard was first issued, but had since been removed from full IFRS.

BC72 In relation to the adjusting events after the end of the reporting period, the Board noted that paragraph 185 specifically refers to an update of ‘related disclosures’, which is different to the equivalent requirements in AASB 110. Events after the Reporting Period, where paragraph 8 requires the adjustment of amounts recognised in the financial statements and paragraphs 19 and 20 deal with disclosure-related adjustments. While RDR entities were not required to comply with paragraphs 19 and 20 of AASB 110, the Board noted that paragraph 185 refers only to disclosures that relate to amounts recognised in the financial statements and is therefore narrower than the requirements in paragraphs 19 and 20 of AASB 110. On that basis, the Board did not consider the requirements to be particularly onerous and decided to retain them consistent with the principle of consistency with the IFRS for SMEs Standard.

BC73 In considering differences between AASB 138 Intangible Assets and Section 18 Intangible Assets other than Goodwill in the IFRS for SMEs Standard, the Board noted that the IFRS for SMEs Standard does not permit the revaluation of intangible assets and therefore does not require relevant disclosures. The Board decided that these disclosures would be relevant and should be added, using the disclosures for property plant and equipment from paragraph 17.33 of the IFRS for SMEs Standard as a basis. The Board also decided to add a requirement to disclose the reason for an intangible asset having an indefinite useful life based on AASB 140 Investment Property paragraph 122(a), as this option is not available under the IFRS for SMEs Standard.

BC74 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 Board 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, they do not discuss the associated disclosures that were added in the process. When the Board discussed this particular disclosure requirement in the context of the original RDR disclosures in ED 192 Revised Differential Reporting Framework, 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. The Board therefore concluded that the cost of this disclosure would outweigh the benefits. These arguments are still valid and on that basis the Board decided not to include this particular disclosure from the IFRS from SMEs Standard.

Audit fees

BC75 Stakeholders were generally supportive of adding the requirement to disclose the fees paid to each auditor and reviewer, including any network firm, from AASB 1054 to AASB 1060 (paragraphs 98 and 99). The Board considered that the disclosure of audit fees is a public policy issue (see paragraph BC42) and requiring this disclosure will assist in improving auditor independence and accountability, thereby increasing users’ confidence in the quality of companies’ financial reports. The Board noted that the term ‘network firm’ is defined in APES 110 Code of Ethics for Professional Accountants issued by Accounting and Professional Ethical Standards Board (APESB) (November 2018 incorporating all amendments to April 2018) and that preparers and auditors may refer to APES 110 for guidance.

11 2015 Amendments to the IFRS for SMEs, paragraph BC210-BC212
12 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

AASB 1060 80 BASIS FOR CONCLUSIONS
Maturity Analysis

BC76 A number of respondents to ED 295 and roundtable participants noted an inconsistency in disclosures about the maturity of financial liabilities. While paragraph 144(b) (paragraph 20.13(b) in the IFRS for SMEs Standard) requires disclosure of a quantitative maturity analysis for future lease payments of lessees in fixed time periods, paragraph 114 (paragraph 11.42 in the IFRS for SMEs Standard) only has a general requirement for other financial liabilities to disclose terms and conditions “such as … maturity, repayment schedule …”.

BC77 The Board acknowledged that information about the maturity of an entity’s financial liabilities is important as the users of financial statements of entities that do not have public accountability are particularly interested in information about short-term cash flows, obligations and commitments, and liquidity. However, as stakeholder feedback on this issue was mixed, the Board decided to retain the disclosures consistent with the IFRS for SMEs Standard. Noting that the IFRS for SMEs disclosures, in particular the leasing disclosures, are currently being reviewed by the IASB, the Board decided to flag the inconsistency in the disclosures to the IASB instead.

BC78 However, The Board also noted that while paragraph 114 only has general disclosure requirements, these still require disclosure of the terms and conditions of the debt instrument and make specific reference to the instruments’ maturity and repayment schedule. The Board therefore expects entities to provide this information in some form.

Tax reconciliation

BC79 Consistent with the disclosures in the IFRS for SMEs Standard, ED 295 only required disclosure of 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. Stakeholder feedback on this proposed reduction in disclosures was mixed. Amongst others, the Australian Taxation Office noted that the audited tax reconciliation is an important source of information for its risk identification and assessment purposes.

BC80 After considering the stakeholders’ feedback, the Board decided to require disclosure of a numerical tax reconciliation (paragraph 178(c)) on the basis that this is a public policy issue. The Board further noted that there has been 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.

Individually material items of income and expenses

BC81 Some respondents to ED 295 were concerned about the absence of a specific requirement to disclose individually material items of income and expenses and noted that this disclosure is currently explicitly required for both RDR GPFS and SPFS. While the Board acknowledged these concerns, it noted that entities applying this Standard are still expected to disclose information that is not presented elsewhere but that is relevant to an understanding of the financial statement in accordance with paragraph 91(c). This would include information about individually material items of income and expense where information about these items is necessary to assess the entity’s financial performance.

BC82 However, the Board, also agreed to monitor entities’ disclosure practices and may revisit this issue should it become apparent that entities do not provide sufficient disclosures in this regard.

Imputation credits

BC83 In response to stakeholders’ feedback, the Board decided to add in paragraphs 100–103 the disclosure of imputation credits from paragraphs 12–15 in AASB 1054. The Board noted that, although the disclosure of imputation credits was not required under the current RDR framework, it was mandatory for entities preparing SPFS under Part 2M.3 of the Corporations Act 2001 and therefore it should not be onerous to provide for the majority of entities transitioning from SPFS to the new Tier 2 GPFS.

BC84 The Board noted that Australia and New Zealand are among a limited number of jurisdictions that have an imputation tax regime and information about imputation credits provides useful information as the credits have the characteristics of an asset to equity investors. Moreover, published research demonstrates that the franking status of dividends increases the association between dividends and future earnings and therefore
provides useful information about an entity’s future earnings potential and short-term cash flows. Requiring the disclosure will ensure that information about the entity’s imputation credits will not be lost when entities transition from SPFS to this Standard.

Specific transition disclosure requirements in another Standard

BC85 The Board noted that other Australian Accounting Standards may provide transition options for entities on initial application and that these options may be accompanied by specific transition disclosure requirements. Examples of such transition options can be found in AASB 15, AASB 16, AASB 1058 Income of Not-for-Profit Entities or AASB 1059 Service Concession Arrangements: Grantors. The Board decided that where this is the case, the entity shall apply the relevant specific transition disclosures that are required under that Standard for the selected transition option instead of the disclosures for a change in accounting policy specified in paragraph 106 of this Standard.

BC86 This is because even though the specific transition option under another Standard may require additional disclosures compared to what would be required under paragraph 106, 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 required under paragraph 106.

BC87 For example, where an entity adopts AASB 16 using the simplified transition approach and does not restate comparative information, AASB 16 paragraph C12 requires disclosure of an explanation of the differences between operating lease commitments disclosed under AASB 117 Leases at the end of the previous annual reporting period to the lease liabilities recognised in the statement of financial position at the date of initial application under AASB 16, together with the weighted average lessee’s incremental borrowing rate applied to the lease liabilities recognised at the date of initial application. In addition, the entity must also disclose whether it has used any of the specified practical expedients when adopting AASB 16. This provides more relevant information than a disclosure of the adjustments recognised for each financial statement line item affected by the new accounting policy in paragraph 106(b) for the current and each prior period presented.

AASB Standards and Interpretations not covered in AASB 1060

BC88 There are a number of Standards that the Board decided not to address in this Standard for the following reasons:

(a) AASB 14 Regulatory Deferral Accounts as it would only be relevant for entities that have recognised regulatory deferral account balances under their current accounting policy (eg where the entity prepared SPFS without complying with the R&M of full AAS). None of the respondents to ED 295 identified any entities that intend to apply AASB 14 on transition to GPFS. The Board’s decision also is consistent with IASB’s view that it should not incorporate the requirements of IFRS 14 as part of the current comprehensive review of the IFRS for SMEs Standard;

(b) AASB 4 Insurance Contracts, AASB 17 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contacts and AASB 1056 Superannuation Entities are not addressed in this Standard as the majority of the entities applying these Standards would have public accountability by holding assets in a fiduciary capacity.

The Board acknowledged that AASB 4 and AASB 17 would also be applicable to entities such as ‘captive insurers’ which may not be publicly accountable and hence would be eligible to apply this Standard. These entities will have to provide the full disclosures of AASB 4 or AASB 17, as the disclosures in these standards have not been replaced by AASB 1060. However, the Board was of the view that ‘captive insurers’ deal only with insurance contracts within their own group and as a result are likely to have relatively simple insurance arrangements. They would therefore not be unduly impacted by the full disclosure requirements under these Standards.

In relation to AASB 1056, the Board 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 Board further noted that there is currently

14 IASB Request for Information Comprehensive Review of the IFRS for SMEs Standard – N1
no legislative requirements for superannuation entities to prepare financial statements in accordance with AAS. Until such time as the legislation is changed, superannuation entities could therefore continue preparing SPFS and thus AASB 1056 has been excluded from this Standard.

(c) 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 Board decided that these Standards are not applicable for Tier 2 entities. Instead, consistent with the IFRS for SMEs Standard, paragraph 33 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.

(d) 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 1060 is intended to be used in the preparation of annual GPFS. Accordingly, the Board considered that AASB 134 and AASB 1039 are not relevant in relation to this disclosure Standard.

(e) The majority of the disclosures from AASB 1054 are now covered in AASB 1060: paragraphs 7 and 8 of AASB 1054 are covered in paragraphs 10–11 of AASB 1060, paragraphs 10 and 11 of AASB 1054 are covered in paragraphs 98 and 99 of AASB 1060 as discussed in paragraph BC75 and paragraphs 12–15 of AASB 1054 are covered in paragraphs 100–103 of AASB 1060 as discussed in paragraphs BC83–BC84. Paragraph 9 of AASB 1054 will no longer be relevant as it refers to SPFS and paragraph 16 of AASB 1054 does not provide information about short-term cash flows, obligations, commitment, contingencies, liquidity or solvency and is therefore not required.

(f) AASB 1057 and AASB 1053 do not include any R&M or disclosure requirements and as a result have not been included in this Standard.

BC89 In assessing whether disclosure requirements of a particular AASB Interpretation would need to be added to AASB 1060, the Board has 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 interpretations that have been superseded or do not have any disclosure requirements.

BC90 The Board further considered whether disclosure requirements from AASB Interpretations would need to be added to AASB 1060 but concluded this was not necessary for the following reasons: 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 the IFRS for SMEs Standard, the Board 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 AASB 112 that are captured in paragraphs 96, 97 and 154 of AASB 1060.

(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 Tier 2 entities on the basis of cost-benefit considerations. However, as there are also no R&M differences to the IFRS for SMEs Standard, the Board concluded that no additional disclosures would be required.
Not-for-profit private sector entities and public sector entities

BC91 As explained in paragraph BC51, the Board decided that AASB 1060 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 Board therefore also considered any NFP private sector and public sector entity differences in AAS and to what extent, if any, additional disclosures would be required for such Tier 2 entities.

BC92 In summary, the Board 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 and AASB 1059 which are only applicable for NFP private sector and/or public sector entities.

Consistent with the conclusions in paragraph BC53, the proposed disclosures reflect the fact that the relevant transactions and circumstances covered are unique to NFP private sector and/or public sector entities and that users would require information on non-financial accountability and stewardship, even if the broad principles in paragraph BC41 would not indicate such a need.

BC93 As a general rule, the Board 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.

Drafting conventions and future maintenance

BC94 While ED 295 used the numbering from the IFRS for SMEs Standard, the Board agreed to use consecutive paragraph numbers in this Standard consistent with the approach used in other AAS. To show the linkage to the IFRS for SMEs disclosures and allow easy comparison, equivalent IFRS for SMEs paragraph numbers are added at the end of each paragraph where applicable. Where paragraphs from the IFRS for SMEs Standard have been amended, the words ‘based on’ are used.

BC95 The Board further decided that the analysis tables developed for ED 295 (See 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 and Analysis of NFP modifications paragraphs in AAS and NFP specific AASB Standards for detailed analysis) will include all the edits and mark-ups and will be used as an ongoing document for future reference. They will be a record of the rationale behind certain decisions and judgements and would facilitate any future amendments.

BC96 The Board also acknowledged that a review of the disclosures will need to take place any time the IFRS for SMEs Standard is updated, a new Australian Accounting Standard or Interpretation is issued or amendments are made to existing Australian Accounting Standards or Interpretations.

Transitional requirements

BC97 The Board considered whether specific transitional requirements needed to be added to AASB 1053 in relation to AASB 1060, 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.

BC98 Therefore, the Board concluded that the transition requirements in paragraph 18A of AASB 1053 can be retained without further changes (except some changes required by AASB 2020-2 to clarify the scope of the paragraph for certain entities required to consolidate for the first time). However, the Board decided to add an explanatory paragraph 18C to AASB 1053 which confirms the different disclosures that apply to Tier 2 entities that apply this Standard.
The Board 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 R&M requirements of AAS and is preparing GPFS for the first time. Separate transition relief has been provided in Appendix E of AASB 1053 Application of Tiers of Australian Accounting Standards for entities moving from SPFS to Tier 2 GPFS when adopting the requirements of AASB 2020-2. Further discussion of the Board’s consideration on this matter is available in AASB 2020-2 paragraphs BC122–BC144.

The Board also decided to retain the requirements to explain how the adoption of AAS has 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 208, 210(c), 211 and 212 of this Standard) even though they were not previously required for RDR entities, to keep differences to the IFRS for SMEs Standard at a minimum.

**Effective date**

In proposing the effective date in ED 295, the Board had noted that the revised Conceptual Framework as issued by the IASB in March 2018 is effective for annual periods beginning on or after 1 January 2020 and 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.

With these factors in mind and in order to provide an option for large proprietary companies to early adopt AASB 1060, the Board had proposed that AASB 1060 should be ready for adoption latest by 30 June 2020, to be effective for annual periods beginning on or after 1 July 2020.

However, respondents to ED 295 and ED 297 expressed mixed views on the proposed effective date, with many recommending the Board defer the effective date of both standards by one to two years. After considering the arguments provided by stakeholders and various options, the Board ultimately decided to defer the effective date of both standards by one year to financial years beginning on or after 1 July 2021, with early adoption permitted.

Further discussion of the Board’s consideration on this matter is available in AASB 2020-2 paragraphs BC145–BC153.