

Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

[AASB 16 & AASB 1058]



Australian Government

**Australian Accounting
Standards Board**

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

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AASB 2018-3 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – REDUCED DISCLOSURE REQUIREMENTS

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Australian Accounting Standard AASB 2018-3 <i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements</i> is set out in paragraphs 1 – 7. All the paragraphs have equal authority.
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Preface

Standards amended by AASB 2018-3

This Standard makes amendments to AASB 16 *Leases* (February 2016) and AASB 1058 *Income of Not-for-Profit Entities* (December 2016).

These amendments establish Reduced Disclosure Requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

Main features of this Standard

Main requirements

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. This Standard makes amendments to AASB 16 and AASB 1058 to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). Tier 2 requirements comprise the recognition and measurement requirements of Tier 1 (Australian Accounting Standards) but substantially reduced disclosure requirements in comparison with Tier 1.

Application date

This Standard applies to annual periods beginning on or after 1 January 2019. Earlier application is permitted.

Accounting Standard AASB 2018-3

The Australian Accounting Standards Board makes Accounting Standard AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements* under section 334 of the *Corporations Act 2001*.

Dated 8 August 2018

Kris Peach
Chair – AASB

Accounting Standard AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*

Objective

- 1 This Standard amends:
 - (a) AASB 16 *Leases* (February 2016); and
 - (b) AASB 1058 *Income of Not-for-Profit Entities* (December 2016);to identify Reduced Disclosure Requirements for entities applying Australian Accounting Standards – Reduced Disclosure Requirements.

Application

- 2 The amendments set out in this Standard apply to entities and financial statements in accordance with the application of the other Standards set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).
- 3 This Standard applies to annual periods beginning on or after 1 January 2019.
- 4 This Standard may be applied to annual periods beginning before 1 January 2019. When an entity applies this Standard to such an annual period, it shall disclose that fact.

Amendments to AASB 16

- 5 Appendix E *Australian reduced disclosure requirements* is added as set out below.

Appendix E

Australian reduced disclosure requirements

This appendix is an integral part of the Standard and has the same authority as the other parts of the Standard.

AusE1 The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:

- (a) paragraphs 54, 58, 91, B50(a), (b) and (d), B51(a), (b) and (d), and B52; and
- (b) in paragraph 90(b), the text “, separately disclosing income relating to variable lease payments that do not depend on an index or a rate”.

Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.

AusE2 The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are also identified in this Standard by shading of the relevant text.

AusE3 The RDR paragraph in this Standard applies only to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

RDR54.1 The amounts disclosed in accordance with paragraph 53 shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.

Amendments to AASB 1058

- 6 Appendix E *Australian reduced disclosure requirements* is added as set out below.

Appendix E

Australian reduced disclosure requirements

This appendix is an integral part of the Standard.

- E1 The following do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements:**

- (a) paragraphs 27, 33, 35(b) and 37; and
- (b) in paragraph 35, the text “both of”.

Entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of these excluded requirements.

- E2 The requirements that do not apply to entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements are also identified in this Standard by shading of the relevant text.

Commencement of the legislative instrument

- 7 For legal purposes, this legislative instrument commences on 31 December 2018.

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 2018-3.

Background

- BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in this Standard. Individual Board members gave greater weight to some factors than to others.
- BC2 The Board's current approach to setting Reduced Disclosure Requirements (RDR) is to consider the disclosure requirements for Tier 2 entities once a Standard has been issued. This ensures that the Board and stakeholders do not spend time and effort considering RDR for proposed disclosure requirements that might not be included in the final Standard.

Exposure Draft proposals

- BC3 In 2016 and 2017, the Board issued new Standards AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 1059 *Service Concession Arrangements: Grantors*. To address RDR in respect of these Standards, the Board issued Exposure Draft ED 284 *Recent Standards – Reduced Disclosure Requirements* in December 2017. ED 284 set out the disclosures in AASB 16, AASB 1058 and AASB 1059 from which the Board proposed entities applying Tier 2 reporting requirements should be exempt.
- BC4 The Board developed the proposals based on the current RDR decision-making framework, which specifies the following principles are applied in determining disclosures under Tier 2:
- (a) drawing directly on the *IFRS for SMEs* when Tier 2 recognition and measurement requirements are the same as those under the *IFRS for SMEs*; and
 - (b) using the 'user need' and 'cost-benefit' principles applied by the IASB in developing its *IFRS for SMEs* when Tier 2 recognition and measurement requirements are not the same as those available under the *IFRS for SMEs*.
- BC5 A new RDR decision making framework is being developed jointly with the New Zealand Accounting Standards Board (NZASB) – see AASB Exposure Draft ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* (January 2017). However, the proposed RDR framework had not been finalised and approved by the Board when preparing ED 284. In its August 2017 meeting, the Board decided to conduct further outreach on ED 277 and its financial reporting framework project, to which the RDR decision-making framework is linked. This likely meant that the proposals in ED 277 would not be finalised in time for the effective date of the three subject Standards. Therefore, the current RDR decision-making framework was applied in determining the proposed disclosures for Tier 2 entities in ED 284.

Responses to the Exposure Draft

- BC6 The Board received five submissions on ED 284. The respondents generally agreed that the Board had appropriately applied the current RDR decision-making framework and expressed support for the proposed RDR concessions for AASB 16 and AASB 1058. However, in some cases, respondents suggested a different justification for certain disclosure concessions, such as a disclosure not being necessary for accountability purposes rather than the cost exceeding the benefits. Several respondents contrasted some of the AASB 1058 proposals with the RDR approach in AASB 15 *Revenue from Contracts with Customers*, and the Board decided to change the RDR outcome from that proposed to be consistent.
- BC7 Two respondents suggested that the Board should revisit the disclosure concessions in light of the proposed RDR decision-making framework set out in ED 277. The Board confirmed applying the current RDR decision-making framework in determining the RDR requirements for AASB 16, AASB 1058 and AASB 1059 as the proposed RDR decision-making framework has not yet been finalised.
- BC8 Two respondents commented that they did not support the Board's approach of reducing disclosures that are already discretionary. The Board concluded that where a disclosure is encouraged, whether under the full IFRS Standards as adopted in Australia or the *IFRS for SMEs*, it is reduced for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements in accordance with the approach set out in the current RDR decision-making framework.

- BC9 The Board concluded that reduced disclosure requirements were not required for AASB 1059, as had been proposed in ED 284. This approach was supported by most respondents.
- BC10 Respondents supported the proposed effective date of annual periods beginning on or after 1 January 2019, so that the RDR disclosure concessions would be in place for the mandatory application of the Standards. The Board confirmed the effective date and permitted early adoption for entities applying the Standards early.