AASB Exposure Draft

ED 295
August 2019

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

Comments to the AASB by 15 November 2019

Australian Government

Australian Accounting Standards Board

Commenting on this AASB Exposure Draft

Comments on this Exposure Draft are requested by 15 November 2019.

Formal Submissions

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

Other Feedback

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

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

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

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INTRODUCTION

Australian Accounting Standards

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

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

Exposure Drafts

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

What we are proposing

This ED proposes:

(a) a new Tier 2 disclosure framework that applies to all Tier 2 entities[1], including not-for-profit private sector entities and public sector entities (for-profit and not-for-profit, other than the Australian Government and State, Territory and Local Governments);

(b) a new set of principles and methodology to be used in determining Tier 2 disclosures that are necessary for meeting user needs and which are based on the IFRS for SMEs Standard, to replace the current Australian Accounting Standards - Reduced Disclosure Requirements (RDR) framework (see paragraphs BC33-BC43 for details);

(c) new Tier 2 disclosures to be referred to as Australian Accounting Standards – Simplified Disclosures that are the result of applying those principles; and

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

The ED does not change:

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

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

To identify disclosures that need to be added to the disclosures based on the IFRS for SMEs Standard in order to make this new Tier 2 Standard applicable also to Tier 2 not-for-profit (NFP) private sector entities and public sector entities, the AASB has analysed the NFP specific requirements included in AAS and Interpretations (see *Staff Analysis of NFP modifications paragraphs in AAS and NFP specific AASB Standards* for detailed analysis) and considered:

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

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

(c) to what extent NFP specific disclosure standards such as AASB 1052 *Disaggregated Disclosures* or AASB 1055 *Budgetary Reporting* need to be incorporated into the new Tier 2 Standard.

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

Why we are making these proposals

These proposals are being made in conjunction with Exposure Draft ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (referred to in this document as the ED on the proposed removal of SPFS)[2] to:

(a) provide Tier 2 reporting requirements for those for-profit entities that would be prohibited from preparing SPFS under the AASB's proposals, 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 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 RDR framework;

(c) maximise the use of relevant International Financial Reporting Standards (IFRS) based materials by more closely reflecting the IFRS for SMEs disclosures in the proposed Tier 2 reporting requirements and encourage the International Accounting Standards Board (IASB) to continue with its project to enable entities to use full IFRS R&M requirements with IFRS for SMEs disclosures by demonstrating what the outcomes of such a project could be[3].

Background

AASB 1053 currently sets out the application of two tiers of GPFS both with the same R&M requirements, but different levels of disclosure. In this context:

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

(b) other for-profit private sector entities (those without public accountability), not-for-profit (NFP) private sector entities and public sector entities other than the Australian Government and State, Territory and Local Governments have the option to apply Tier 2 reporting requirements (full R&M requirements with reduced disclosures – RDR).

Although there is a need for GPFS to cater for the information needs of a wide range of users, the Board, consistent with the IASB[4], continues to consider that information needs of users of Tier 2 entities are not the same as those of users of Tier 1 entities. The objective is to find a balance between the benefits of financial information to users of Tier 2 entities and the costs to the preparers of providing that information. There is also a need to ensure that users are not overburdened with unnecessary information that clutter the financial statements and makes them less understandable to users.

Proposed removal of SPFS for certain for-profit entities

Currently, entities may self-assess that they are not a reporting entity as defined in SAC 1 Definition of the Reporting Entity, and therefore elect to prepare special purpose financial statements (SPFS).

The ability of entities to self-assess their reporting requirements under the Australian reporting entity concept has led to the more fundamental 'SPFS problem', when two similar entities might prepare very different sets of financial statements, one preparing GPFS using a robust and consistent framework, and the other preparing SPFS with self-selected requirements. This reduces the comparability of financial reporting for entities of similar economic circumstances and undermines the fundamental principles of consistency, transparency and enforceability.

After considering the feedback received on ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems* (ITC 39), the AASB decided to issue the ED on the proposed removal of SPFS which will propose removing the ability for certain for-profit entities to prepare SPFS when they are required to comply with AAS, along with transitional relief.

The AASB noted the strong preference expressed by the majority of ITC 39 respondents for a for-profit framework to retain full R&M requirements in AAS for Tier 1 and Tier 2 on the grounds that it would enhance the comparability, consistency and transparency of the financial statements.

2 The ED on the proposed removal of SPFS is due to be issued in Q3 of this year.
3 In March 2019, the IASB added a project *Subsidiaries that are SMEs* to its research agenda. The objective of the project is to develop a proposal permitting subsidiaries that are SMEs to apply the recognition and measurement requirements of IFRS Standards with the disclosure requirements of the IFRS for SMEs Standard.
4 See paragraphs BC44-BC47 of the IFRS for SMEs Standard – Part B.

ITC 39 proposals

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

Feedback received on the proposals in ITC 39 through roundtable discussions[5], a user and preparer survey and submissions was that the majority did not like either the current RDR framework or the proposed alternative SDR framework. Instead, respondents felt that something in between the RDR and SDR framework would better satisfy user needs, reinforcing the feedback on ED 277 discussed below.

To help reduce the cost burden for for-profit entities that would be affected by these proposals, and noting the feedback from the post-implementation review of RDR discussed below, the AASB decided to propose further reductions to the disclosures that apply to Tier 2 entities compared to the current RDR, using the principles and methodology proposed in this ED.

Current Tier 2 too onerous

The current Tier 2 disclosure requirements in Australia (ie RDR) and New Zealand are essentially the same and are based on the approach developed by the AASB in 2010, which 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 'user needs' and 'cost-benefit' principles where the requirements are different. In 2016, the AASB carried out a post-implementation review of the current Tier 2 framework (ie RDR), which identified:

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

(b) a need to refine the principles used in determining the level of RDR to achieve an appropriate balance between the benefits of financial information to users and the costs to preparers of providing that information.[6]

In response to the findings of the post implementation review, the AASB issued ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*[7] in January 2017 as a joint project with the New Zealand Accounting Standards Board (NZASB).

After reviewing the comment letters received on ED 277, the Board decided to conduct further outreach and consultation on the proposals in ED 277 at its August 2017 meeting. However, any further work or outreach on ED 277 was subsequently put on hold with the commencement of the *Revised Conceptual Framework and Solving the Special Purpose Financial Statement Problems* project that resulted in the issue of ITC 39 in May 2018.

Use of IFRS

After considering the shortfalls of the RDR and the other two alternatives previously suggested, the disclosure principles applied by the IASB for the IFRS for SMEs Standard, and its preference to maximise the use of IFRS based materials, the AASB decided to develop a new Tier 2 disclosure framework using the disclosure requirements in the IFRS for SMEs Standard as a base. Under this approach, disclosures that are relevant to Tier 2 entities are set out in a separate standard, and have been developed via a 'bottom-up' approach based on the disclosures in the IFRS for SMEs Standard and the broad principles underlying these disclosures, as explained in BC33-BC43. Noting the principles applied by the IASB in developing the IFRS for SMEs Standard disclosures[8], the AASB considers that the disclosures resulting from the application of these requirements would be appropriate for GPFS that are publicly lodged or are required to comply with AAS, but do not relate to entities that are publicly accountable.

The AASB further noted that the IASB has recently added a project *Subsidiaries that are SMEs* to its research agenda which aims to develop a proposal permitting subsidiaries that are SMEs to apply the R&M requirements of IFRS Standards with the disclosure requirements of the IFRS for SMEs Standard. This ED demonstrates what the outcomes could be and may assist the IASB with their own project.

A comparison between disclosures proposed in this ED and RDR framework performed by AASB staff confirms that the adoption of the Simplified Disclosure Standard would address stakeholders concerns by providing a disclosure

5 See Enhancing financial reporting and replacing SPFS – Roundtable Summaries.

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

7 See ED 277 *Reduced Disclosure Requirements for Tier 2 Entities*. ED 277 proposed adopting a revised RDR decision-making framework, together with accompanying operational guidance. This framework was then applied to the disclosure requirements in Australian Accounting Standards/New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) to identify which of those disclosure requirements should be reduced for Tier 2 entities in each jurisdiction.

8 See paragraphs BC44-BC47, BC157 and BC158 of IFRS for SMEs Standard – Part B.

framework that lies between current RDR and the SDR proposed in ITC 39. See the detailed *Staff Analysis – Comparison of RDR disclosures with proposed AASB 10XX Simplified Disclosures for Tier 2 Entities* for more information.

Who will be affected: For-profit and NFP entities

The ED proposals apply to the GPFS of all entities that are eligible to report under Tier 2 of the differential reporting framework set out in AASB 1053[9]. These entities may elect to apply Tier 1 reporting requirements in preparing GPFS.

Public sector and NFP private sector

Although public sector entities and NFP private sector entities are not currently affected by the ED on the proposed removal of SPFS, the AASB decided that any reductions in the disclosures that apply to Tier 2 entities should also immediately benefit all public sector entities and NFP private sector entities currently applying Tier 2 reporting requirements.

In relation to the broader project of reshaping the financial reporting frameworks for the NFP private and public sectors, separate targeted consultations are being undertaken which may result in more than two tiers for those sectors, as the requirements in those sectors are quite different. For entities in these sectors, the Simplified Disclosure Standard is therefore an interim measure until more progress is made through further consultation and outreach.

We need your feedback

Comments are invited on any of the proposals in this ED by 15 November 2019. Submissions play an important role in the decisions that the AASB makes in regard to a Standard. The AASB would prefer that respondents express a clear overall opinion on whether the proposals, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or otherwise, on the major issues. The AASB regards supportive and non-supportive comments as essential to a balanced review of the issues and will consider all submissions, whether they address some or all specific matters, additional issues or only one issue (whether an issue specifically identified below or another issue).

Application date

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

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

Specific matters for comment

The AASB would particularly value comments on the following:

1 Do you agree with the overarching principles on which the proposed Simplified Disclosure Standard is based and the methodology described in paragraphs BC33-BC43 to this ED? If you disagree, please explain why.

2 Do you agree that these proposals should replace the current RDR framework? If you disagree, please explain why.

3 Do you agree with the following key decisions made and judgements exercised by the AASB in drafting the proposed Simplified Disclosure Standard in relation to:

(a) the replacement of 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* and in their entirety as explained in BC46?

(b) adding, removing or amending disclosures, for example the disclosures for lessees, revenue, borrowing costs, revalued property, plant and equipment (PPE) and intangible assets as explained in BC46-BC62?

(c) the inclusion of the audit fees disclosures from AASB 1054 *Australian Additional Disclosures* for the reasons set out in BC62?

(d) not including certain Australian Accounting Standards and Interpretations in this Simplified Disclosure Standard as explained in BC63-BC65?

(e) retaining the following disclosures from the IFRS for SMEs Standard that are not currently required under RDR framework or full AAS (see BC59 for explanations):

Section in the Simplified Disclosure Standard	**Paragraph number**	**Nature of disclosure**
Additional disclosures compared to RDR framework		
Section 3 *Financial Statement Presentation*	3.24 (a) and (b)	Domicile, legal form and description of the nature of the entity's operations and principal activities
Section 12 *Other Financial Instrument Issues – Hedging disclosures*	12.29(a)	For cash flow hedges – the periods when the cash flows are expected to occur and when they are expected to affect profit or loss
Section 14 *Investments in Associates*	14.13	Amount of dividends and other distributions recognised as income
Section 19 *Business Combinations and Goodwill*	19.25(g)	Qualitative description of the factors that make up recognised goodwill
Section 20 *Leases*	20.13(b) 20.30(b)	Lessees: Maturity analysis of future lease payments Lessors with operating leases: variable lease payments recognised as income
Section 28 *Employee Benefits*	28.41(g)(i),(j)	For defined benefit plans: - amounts recognised in profit or loss as expense - actual return on plan assets
Section 32 *Events after the End of the Reporting Period*	32.4	Requirement to adjust disclosures as a result of adjusting events
Section 33 *Related Party Disclosures*	33.11	Disclosure of parent-subsidiary relationship by government-related entities
Section 35 *Transition to Australian Accounting Standards – Simplified Disclosures*	35.12, 35.13(a) and (c), 35.14 and 35.15	Explanation of how transition has affected reported amounts, description of nature of each change in accounting policy, reconciliation of profit or loss with separate identification of errors, and (where applicable) a statement that the entity did not present financial statements for previous periods

Section in the Simplified Disclosure Standard	Paragraph number	Nature of disclosure
Additional disclosures compared to full AAS		
Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings*	6.5 (a) to (e)	Disclosures where an entity has applied the option of not presenting a separate statement of changes in equity
Section 12 *Other Financial Instrument Issues – Hedging disclosures*	12.28 (a) and (b)	For fair value hedges: separate disclosure of the amount of the change in fair value of the hedging instrument and of the hedged item
Section 20 *Leases*	20.23 (d)	Lessors with finance leases: disclosure of the loss allowance for uncollectable minimum lease payment receivables
Section 28 *Employee Benefits*	28.41(g) and (j), 28.42 and 28.43	For defined benefit plans: - the cost relating to defined benefit plans for the period that have been included in the cost of an asset - for group plans, subsidiaries must make all of the disclosures for the plan as a whole, without exemption and without being able to cross-refer to another group entity's financial statements Information about the nature of termination benefits and other long-term benefits, the amount of the obligations and extent of funding.

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

4 Do you agree with providing Tier 2 entities with an option of not having to prepare a separate statement of changes in equity as per paragraph 3.18 of AASB 10XX? If you disagree, or are concerned that this option could have unintended consequences, please explain why.

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

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

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

(See *Staff Analysis – Comparison of R&M requirements in IFRS for SMEs Standard and full IFRS and analysis of impact on disclosures (For for-profit private sector entities with no public accountability)*)

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

7 Do you agree:

(a) with the principles applied to identify the additional disclosures for NFP private sector and public sector Tier 2 entities (as explained in paragraph BC45)? If you disagree, please explain why.

(b) that previous decisions made under the RDR Framework in relation to the cost vs the benefits of these disclosures do not need to be revisited (as explained in BC68.) If you disagree, please explain why.

8 Do you agree with the disclosures identified for NFP private sector and public sector Tier 2 entities in this Simplified Disclosure Standard? If you disagree, please identify, with reasons:

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

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

(See *Staff Analysis of NFP modifications paragraphs in AAS and NFP specific AASB Standards* for detailed analysis)

9 Do you agree with using the proposed title of AASB 10XX *Simplified Disclosures for Tier 2 Entities*? If you disagree, please explain why.

10 Do you agree with the approach taken in this ED to include all the disclosure requirements for Tier 2 entities in one stand-alone standard (as explained in BC41)? If you disagree, please explain why.

11 Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 July 2020 with early application permitted (as explained in BC78-BC80)?

12 Do you agree with the transitional requirements proposed in this ED (as explained in BC72-BC77)? If you disagree, please explain why.

General matters for comment

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

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

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

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

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

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

Contents

Australian Accounting Standard AASB 10XX *Simplified Disclosures for Tier 2 Entities* is set out in paragraphs Aus1.1 – Aus37.1 and Appendices A – C. All the paragraphs have equal authority. AASB 10XX is to be read in the context of other Australian Accounting Standards, including AASB 1048 *Interpretation of Standards*, which identifies the Australian Accounting Interpretations, and AASB 1057 *Application of Australian Accounting Standards*.

PREFACE

Introduction

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

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

Main features of this [draft] 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 level of Tier 2 disclosures that are necessary for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework. The methodology and principles applied are outlined in the Basis for Conclusions to this Exposure Draft (ED).

This Standard does not change;

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

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

While entities that comply with this Standard will still need to apply the recognition and measurement requirements from other Australian Accounting Standards, they will be exempt from applying the disclosure requirements in specified paragraphs in other standards, and will not have to apply other standards in full, where the standards deal only with presentation and disclosure issues. Consequential amendments will be made to the relevant standards as set out in Appendix B, but for ease of reference, the relevant standards and paragraphs are also summarised in Appendix C of this ED.

Approach to numbering of paragraphs applied in this [draft] Standard

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

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

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

Application date

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

[Draft] Accounting Standard AASB 10XX

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

Kris Peach

Chair – AASB

Dated … [date]

[Draft] Accounting Standard AASB 10XX *Simplified Disclosures for Tier 2 Entities*

Objective

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

Scope

Aus1.2 This Standard applies to all entities that are eligible to apply 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 Statements.*

Aus1.3 Entities applying this Standard are required to apply all the recognition and measurement requirements in Australian Accounting Standards[10] and apply this Standard in relation to disclosure requirements only.

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

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

Aus1.6 AusCF paragraphs and footnotes included in this Standard apply only to:

(a) not-for-profit private sector entities; and

(b) public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

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.

Aus1.7 AusNFP paragraphs and footnotes included in this Standard apply only to:

(a) not-for-profit private sector entities; and

(b) public sector entities, whether for-profit or not-for-profit as appropriate, other than the Australian Government and State, Territory and Local Governments.

10 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

Sections 1 and 2

[Deleted by the AASB]

Section 3

Financial Statement Presentation[11]

Scope of this section

3.1 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.

Fair presentation

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

AusCF3.2 Notwithstanding paragraph 3.2, 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

3.3 An entity whose financial statements comply with the recognition and measurement requirements in Australian Accounting Standards 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[12] unless they comply with all the requirements of these Standards.

Aus3.3.1 An entity shall disclose in the notes:

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

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

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11 Equivalent AASB Standard: AASB 101 *Presentation of Financial Statements*

12 Australian Accounting Standards – Simplified Disclosures comprises the full recognition and measurement requirements of Australian Accounting Standards and the disclosures of AASB 10XX *Simplified Disclosures for Tier 2 entities*.

3.4 [Deleted by the AASB]

Aus3.4.1 Entities applying Australian Accounting Standards – Simplified Disclosures shall not depart from a requirement in an Australian Accounting Standard, including this Standard.

3.5 [Deleted by the AASB]

3.6 [Deleted by the AASB]

3.7 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 of 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.

AusCF3.7 Notwithstanding paragraph 3.7, 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 of 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

3.8 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.

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

Frequency of reporting

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

(a) that fact;

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

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

Consistency of presentation

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

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

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

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

(a) the nature of the reclassification;

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

(c) the reason for the reclassification.

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

Comparative information

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

Materiality and aggregation

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

3.16 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.

Offsetting

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

Complete set of financial statements

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

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

(b) either:

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

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

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

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

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

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

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

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

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

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

Identification of the financial statements

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

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

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

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

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

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

3.24 An entity shall disclose the following, 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;

Presentation of information not required by this Standard

3.25 This Standard does not address presentation of segment information (AASB 8 *Operating Segments*), earnings per share (AASB 133 *Earnings per Share*), or interim financial reports (AASB 134). An entity making such disclosures shall apply the relevant standards in preparing and presenting the information.

Section 4

Statement of Financial Position[13]

Scope of this section

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

Information to be presented in the statement of financial position

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

(a) cash and cash equivalents;

(b) trade and other receivables;

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

(d) inventories;

(e) property, plant and equipment;

(ea) investment property;

(f) [Deleted by the AASB]

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(g) intangible assets;

(h) biological assets;

(i) [Deleted by the AASB]

(j) investments in associates;

(k) investments in joint ventures;

(l) trade and other payables;

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

(n) liabilities and assets for current tax;

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

(p) provisions;

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

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

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

Current/non-current distinction

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

Current assets

4.5 An entity shall classify an asset as current when:

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

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

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

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

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

Current liabilities

4.7 An entity shall classify a liability as current when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) trade and other receivables showing separately amounts due from related parties, amounts due from other parties and 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, 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.

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

(a) for each class of share capital:

(i) the number of shares authorised.

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

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

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

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

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

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

(b) a description of each reserve within equity.

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

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

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

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

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

Section 5

Statement of Comprehensive Income and Income Statement[14]

Scope of this section

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

Presentation of total comprehensive income

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

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

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

5.3 A change from the single-statement approach to the two-statement approach, or vice versa, is a change in accounting policy to which AASB 108 applies.

Single-statement approach

5.4 Under the single-statement approach, the statement of comprehensive income shall include all items of income and expense recognised in a period unless 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

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

(i) gains and losses arising on translating the financial statements of a foreign operation (see AASB 121;

(ii) remeasurements of defined benefit plans (see AASB 119 *Employee Benefits*);

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

(iv) changes in the revaluation surplus (see AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets*);

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

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

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

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

Aus5.4(b)(ix) changes in the value of the forward elements of forward contracts when separating the forward element and spot element of a forward contract and designating as the hedging instrument only the changes in the spot element, and changes in the value of the foreign currency basis spread of a

14 Equivalent AASB Standard: AASB 101 *Presentation of Financial Statements*

financial instrument when excluding it from the designation of that financial instrument as the hedging instrument (see Chapter 6 of AASB 9).

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

(a) revenue;

(b) finance costs;

(c) share of the profit or loss of investments in associates 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 5.4(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—ie those in paragraph 5.4(b) (i), 5.4(b) (iii) and Aus5.4. (b). (vi); and

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

(h) share of the other comprehensive income of associates and 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).

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

(a) profit or loss for the period attributable to

(i) non-controlling interest; and

(ii) owners of the parent.

(b) total comprehensive income for the period attributable to

(i) non-controlling interest; and

(ii) owners of the parent.

Two-statement approach

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

Requirements applicable to both approaches

5.8 Under 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 (see AASB 108).

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

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

Analysis of expenses

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

Analysis by nature of expense

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

Analysis by function of expense

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

Section 6

Statement of Changes in Equity and Statement of Income and Retained Earnings[15]

Scope of this section

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

Statement of changes in equity

Purpose

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

Information to be presented in the statement of changes in equity

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

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

(b) for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with AASB 108; and

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

(i) profit or loss;

(ii) other comprehensive income; and

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

Statement of income and retained earnings

Purpose

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

15 Equivalent AASB Standard: AASB 101 *Presentation of Financial Statements*

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

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

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

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

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

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

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

Section 7

Statement of Cash Flows[16]

Scope of this section

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

Cash equivalents

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

Information to be presented in the statement of cash flows

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

Operating activities

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

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

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

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

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

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

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

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

Investing activities

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

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

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

(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 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.

Financing activities

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

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

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

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

(d) cash repayments of amounts borrowed; and

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

Reporting cash flows from operating activities

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

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

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

Indirect method

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

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

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

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

Aus7.8.1 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

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

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

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

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

(ii) other non-cash items; and

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

Reporting cash flows from investing and financing activities

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

Reporting cash flows on a net basis

Aus7.10.1 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.

Aus7.10.2 Examples of cash receipts and payments referred to in paragraph Aus7.10.1(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.

Aus7.10.3 Examples of cash receipts and payments referred to in paragraph Aus7.10.1(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.

Aus7.10.4 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

7.11 An entity shall record cash flows arising from transactions in a foreign currency in the entity's functional currency by applying to the foreign currency amount the exchange rate between the functional 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.

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

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

Interest and dividends

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

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

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

Income tax

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

Non-cash transactions

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

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

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

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

(c) the conversion of debt to equity.

Components of cash and cash equivalents

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

Other disclosures

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

Section 8

Notes to the Financial Statements[17]

Scope of this section

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

Structure of the Notes

8.2 The notes shall:

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

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

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

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

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

8.4 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 3.3);

(ii) significant accounting policies applied (see paragraph 8.5);

(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 21.15) and unrecognised contractual commitments; and

(2) non-financial disclosures.

Aus8.4.1 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.

Disclosure of accounting policies

8.5 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.

Information about judgements

8.6 An entity shall disclose, in the significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 8.7), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Information about key sources of estimation uncertainty

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

(a) their nature; and

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

Audit fees

Aus8.7.1 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.

Aus8.7.2 For paragraph Aus8.7.1 above, an entity shall describe the nature of other services.

Section 9

Consolidated and Separate Financial Statements[18]

Disclosures in consolidated financial statements

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

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

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

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

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

9.23A [Deleted by the AASB]

Disclosures in separate financial statements

9.27 When a parent, an investor in an associate or a venturer with an interest in a 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.

Disclosures in combined financial statements

9.30 [Deleted by the AASB]

Section 10

Accounting Policies, Estimates and Errors[19]

Disclosure of a change in accounting policy

10.13 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.

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

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

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

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

(i) for the current period;

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

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

(ii) for each prior period presented; and

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

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

Financial statements of subsequent periods need not repeat these disclosures.

Disclosure of a change in estimate

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

Disclosure of prior period errors

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

(a) the nature of the prior period error;

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

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

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

Financial statements of subsequent periods need not repeat these disclosures.

Section 11

Basic Financial Instruments Disclosures[20]

Aus11.38.1 The disclosures required in Section 11 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 12.27–12.29.

11.39 [Deleted by the AASB]

Disclosure of accounting policies for financial instruments

11.40 In accordance with paragraph 8.5, 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.

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

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

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

(b) financial assets measured at amortised cost;

(c) [Deleted by the AASB]

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

(e) financial liabilities measured at amortised cost; and

(f) [Deleted by the AASB]

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

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

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

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

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

11.43 For all financial assets and financial liabilities measured at fair value, the entity shall disclose the basis for determining fair value, for example, quoted market price in an active market or a valuation technique. When a valuation technique is used, the entity shall disclose the assumptions applied in determining fair value for each class of financial assets or financial liabilities. For example, if applicable, an entity discloses information about the assumptions relating to prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

11.44 [Deleted by the AASB]

Derecognition

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

(a) the nature of the assets;

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

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

Collateral

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

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

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

Defaults and breaches on loans payable

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

(a) details of that breach or default;

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

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

Items of income, expense, gains or losses

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

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

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

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

(iii) financial assets measured at amortised cost;

(iv) financial liabilities measured at amortised cost;

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

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

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

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

Section 12

Other Financial Instrument Issues – Hedging disclosures[21]

Disclosures

12.26 [Deleted by the AASB]

12.27 An entity shall disclose the following separately for each category of risk exposures that it decides to hedge~~s~~ 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.

12.28 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.

12.29 For cash flow hedges, an entity shall disclose the following:

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

(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.

Section 13

Inventories[22]

Disclosures

13.22 An entity shall disclose the following:

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

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

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

(d) impairment losses recognised or reversed in profit or loss in accordance with AASB 102 *Inventories*; and

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

AusNFP13.22.1 Not-for-profit entities shall disclose the basis on which any loss of service potential of inventories held for distribution is assessed, or the bases when more than one basis is used, in addition to the information required by paragraph 13.22.

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

22 Equivalent AASB Standard: AASB 102 *Inventories*

Section 14

Investments in Associates[23]

Disclosures

14.12 An entity shall disclose the following:

(a) its accounting policy for investments in associates;

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

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

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

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

14.15 For investments in associates accounted for by the fair value model, an investor shall make the disclosures required by paragraphs 11.41–11.43.

Section 15

Investments in Joint Ventures[24]

Disclosures

15.19 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 4.2(k));

(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.

15.20 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.

15.21 For joint ventures accounted for in accordance with the fair value model, the venturer shall make the disclosures required by paragraphs 11.41–11.43.

Section 16

Investment Property at Fair Value[25]

Disclosures

16.10 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.

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

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

25 Equivalent AASB Standard: AASB 140 *Investment Property*

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

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

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

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

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

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

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

    (v) other changes.

This reconciliation need not be presented for prior periods.

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

Section 17

Property, Plant and Equipment and Investment Property at Cost[26]

Disclosures

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

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

(b) the depreciation methods used;

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

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

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

    (i) additions;

    (ii) disposals;

    (iii) acquisitions through business combinations;

    (iv) increases or decreases resulting from revaluations under paragraphs 39 and 40 of 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.

17.32 An entity shall also disclose the following:

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

(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.

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

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

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

(d) [Deleted by the AASB]

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

Section 18

Intangible Assets other than Goodwill[27]

Disclosures

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

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

(b) the amortisation methods used;

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

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

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

(i) additions;

(ii) disposals;

(iii) acquisitions through business combinations;

(iv) amortisation;

(v) impairment losses; and

(vi) other changes.

This reconciliation need not be presented for prior periods.

18.28 An entity shall also disclose:

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

(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.

18.29 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

27 Equivalent AASB Standard: AASB 138 *Intangible Assets*

to research or development activities. (see paragraphs 66 and 67 of AASB 138 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 18.29)

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

(a) the effective date of the revaluation;

(b) whether an independent valuer was involved;

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

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

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

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

Section 19

Business Combinations and Goodwill[28]

Disclosures

For business combination(s) during the reporting period

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

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

(b) the acquisition date;

(c) the percentage of voting equity instruments acquired;

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

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

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

(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

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

For all business combinations

19.26 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.

28 Equivalent AASB Standard: AASB 3 *Business Combinations*

Section 20

Leases[29]

Disclosures

20.13 A lessee shall make the following disclosures for leases:

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

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

(i) not later than one year;

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

(iii) later than five years.

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

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

20.16 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.

(c) [Deleted by AASB]

Finance Lease- Lessor

Disclosures

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

(a) a reconciliation between the gross investment in the lease at the end of the reporting period and the present value of 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 contingent rent, renewal or purchase options and escalation clauses, subleases, and restrictions imposed by lease arrangements.

Operating Leases- Lessor

Disclosures

20.30 A lessor shall disclose the following for operating leases:

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

(i) not later than one year;

29 Equivalent AASB Standard: AASB 16 *Leases*

(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

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

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

Sale and leaseback transactions

Disclosures

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

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

AusNFP20.35.1 In addition to the disclosures required in paragraphs 20.13-20.16, where a lessee is a not-for-profit entity and elects to measure a class or classes of right-of-use assets at initial recognition at cost in accordance with paragraphs 23–25 of AASB 16 for leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives, the lessee shall disclose additional qualitative and quantitative information about those leases necessary to meet the disclosure objective in AASB 16. This additional information shall include, but is not limited to, information that helps users of financial statements to assess:

(a) the entity's dependence on leases that have significantly below-market terms and conditions principally to enable the entity to further its objectives; and

(b) the nature and terms of the leases, including:

(i) the lease payments;

(ii) the lease term;

(iii) a description of the underlying assets; and

(iv) restrictions on the use of the underlying assets specific to the entity.

AusNFP20.35.2 The disclosures provided by a not-for-profit entity in accordance with paragraph AusNFP20.35.1 shall be provided individually for each material lease that has significantly below-market terms and conditions principally to enable the entity to further its objectives or in aggregate for leases involving right-of-use assets of a similar nature. An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.

Section 21

Provisions and Contingencies[30]

Disclosures

Disclosures about provisions

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

(a) a reconciliation showing:

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

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

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

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

(iv) unused amounts reversed during the period.

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

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

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

Comparative information for prior periods is not required.

Disclosures about contingent liabilities

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

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

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

(c) the possibility of any reimbursement.

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

Disclosures about contingent assets

21.16 If an inflow of economic benefits is probable (more likely than not) but not virtually certain, an entity shall disclose a description of the nature of the contingent assets at the end of the reporting period and 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 paragraphs 21.16 is not disclosed because it is not practicable to do so, that fact shall be stated.

Prejudicial disclosures

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

Section 22

Liabilities and Equity[31]

22.20 [Deleted by the AASB]

Section 23

Revenue[32]

Disclosures

General disclosures about revenue

23.30 An entity shall disclose:

(a) information about its performance obligations in contracts with customers, including a description of when the entity typically satisfies its performance obligations, the significant payment terms, the nature of the goods or services that the entity has promised to transfer, obligations for returns, refunds and other similar obligations and types of warranties and related obligations; and

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

Disclosures relating to performance obligations satisfied over time

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

32 Equivalent AASB Standard: AASB 15 *Revenue from Contracts with Customers*

23.31 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).

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

Section 24

Government Grants[33]

Disclosures

24.6 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;

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

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

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

Section 25

Borrowing Costs[34]

Disclosures

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

Aus25.3.1 An entity shall disclose the amount of borrowing costs capitalised during the period.

AusNFP25.3.2 A not-for-profit public sector entity shall disclose the accounting policy adopted for borrowing costs.

Section 26

Share-based Payment[35]

Disclosures

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

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

(b) the number and weighted average exercise prices of share options for each of the following groups of options:

(i) outstanding at the beginning of the period;
(ii) granted during the period;
(iii) forfeited during the period;
(iv) exercised during the period;
(v) expired during the period;

33 Equivalent AASB Standard: AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*
34 Equivalent AASB Standard: AASB 123 *Borrowing Costs*
35 Equivalent AASB STANDARD: AASB 2 *Share-based Payment*

(vi) outstanding at the end of the period; and
(vii) exercisable at the end of the period.

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

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

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

26.22 [Deleted by the AASB]

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

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

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

Section 27

Impairment of Assets[36]

Disclosures

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

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

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

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

(a) inventories;

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

(c) goodwill;

(d) intangible assets other than goodwill;

(e) investments in associates; and

(f) investments in joint ventures.

Section 28

Employee Benefits[37]

Disclosures

Disclosures about short-term employee benefits

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

Disclosures about defined contribution plans

28.40 An entity shall disclose the amount recognised in profit or loss as an expense for defined contribution plans. If an entity treats a defined benefit multi-employer plan as a defined contribution plan because sufficient

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

37 Equivalent AASB Standard: AASB 119 *Employee Benefits*

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.

Disclosures about defined benefit plans

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

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

(b) [Deleted by the AASB]

(c) [Deleted by the AASB]

(d) [Deleted by the AASB]

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

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

- (i) contributions;
- (ii) benefits paid; and
- (iii) other changes in plan assets.

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

- (i) recognised in profit or loss as an expense; and
- (ii) included in the cost of an asset.

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

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

- (i) each class of the entity's own financial instruments; and
- (ii) any property occupied by, or other assets used by, the entity.

(j) the actual return on plan assets; and

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

- (i) the discount rates;
- (ii) the expected rates of return on any plan assets for the periods presented in the financial statements;
- (iii) the expected rates of salary increases;
- (iv) medical cost trend rates; and
- (v) any other material actuarial assumptions used.

The reconciliations in (e) and (f) need not be presented for prior periods. A subsidiary that recognises and measures employee benefit expense on the basis of a contractual agreement or stated policy for charging the net defined benefit cost or based on their contributions payable for the period, (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, the policy for determining the contributions to be paid by the entity and shall make the disclosures in (a)–(k) for the plan as a whole.

Disclosures about other long-term benefits

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

Disclosures about termination benefits

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

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

Section 29

Income Tax[38]

Presentation

Current/non-current distinction

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

Disclosures

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

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

(a) current tax expense (income);

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

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

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

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

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

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

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

29.40 An entity shall disclose the following separately:

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

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

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

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

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

    (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.

38 Equivalent AASB Standard: AASB 112 *Income Taxes*

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

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

29.41 [Deleted by the AASB]

Section 30

Foreign currency translation[39]

Disclosures

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

30.25 An entity shall disclose the following:

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

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

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

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

Section 31

Hyperinflation[40]

Disclosures

31.15 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; and

(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.

(c) [Deleted by the AASB]

Aus31.15.1 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.

Section 32

Events after the End of the Reporting Period[41]

Disclosure

Adjusting events after the end of the reporting period

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

Date of authorisation for issue

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

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

Non-adjusting events after the end of the reporting period

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

(a) the nature of the event; and

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

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

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

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

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

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

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

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

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

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

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

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

Section 33

Related Party Disclosures[42]

Scope of this section

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

Related party defined

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

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

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

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

   (iii) has significant influence over the reporting entity.

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

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

   (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.

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

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

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

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

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

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

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

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

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

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

(i) providers of finance;

(ii) trade unions;

(iii) public utilities; or

(iv) government departments and agencies.

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

Disclosures

Disclosure of parent-subsidiary relationships

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

Disclosure of key management personnel compensation

33.6 Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. Compensation includes all employee benefits (as defined in 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.

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

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

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

Disclosure of related party transactions

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

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

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

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

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

(a) the amount of the transactions;

(b) the amount of outstanding balances and:

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

(ii) details of any guarantees given or received.

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

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

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

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

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

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

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

(d) other related parties.

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

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

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

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

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

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

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

(c) rendering or receiving of services;

(d) leases;

(e) transfers of research and development;

(f) transfers under licence agreements;

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

(h) provision of guarantees or collateral;

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

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

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

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

Section 34

Biological Assets[43]

Disclosures – fair value model

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

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

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

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

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

(ii) increases resulting from purchases;

(iii) decreases resulting from harvest;

(iv) increases resulting from business combinations;

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

(vi) other changes.

This reconciliation need not be presented for prior periods.

Disclosures – cost model

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

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

(b) an explanation of why fair value cannot be measured reliably;

(c) the depreciation method used;

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

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

Section 35

Transition to Australian Accounting Standards – Simplified Disclosures [44]

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

Disclosures

Explanation of transition to Australian Accounting Standards – Simplified Disclosures

35.12 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.

35.12A An entity that has applied Australian Accounting Standards or IFRSs in a previous period, as described in paragraph 4A of AASB 1 *First-time Adoption of Australian Accounting Standards*, 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.

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43 Equivalent AASB Standard: AASB 141 *Agriculture*

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

Reconciliations

35.13 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.

(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.

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

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

AusNFP35.16 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) 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.

Section 36

Additional disclosures for Not-for-Profit entities and Public sector entities

Contributions[45]

AusNFP36.1 A government department shall disclose liabilities that were assumed during the reporting period by the government or other entity.

Administered Items[46]

AusNFP36.2 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.

45 Equivalent AASB Standard: AASB 1004 *Contributions*
46 Equivalent AASB Standard: AASB 1050 *Administered Items*

AusNFP36.3 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[47]

AusNFP36.4 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 *Land Under Roads* is applied.

Budgetary Reporting[48]

AusNFP36.5 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 AAS; and

(f) explanations of major variances between the actual amounts presented in the financial statements and the corresponding original budget amounts.

AusNFP36.6 Where an entity within the GGS's budgeted financial information reflecting major classes of administered income and expenses, or major classes of administered assets and liabilities, is presented to parliament and is separately identified as relating to that entity, the entity shall disclose for the reporting period:

(a) that original budgeted financial information presented to parliament, presented and classified on a basis that is consistent with the presentation and classification adopted for the corresponding information about administered items disclosed in accordance with AASB *1050 Administered Items*; and

(b) explanations of major variances between the actual amounts disclosed in the financial statements in accordance with AASB 1050 and the corresponding original budget amounts.

AusNFP36.7 Comparative budgetary information in respect of the previous period need not be disclosed.

When disclosing budgetary information under AusNFP36.5-36.7, the entity must comply with the requirements in AASB 1055 *Budgetary Reporting.*

Income of Not-for-Profit Entities[49]

AusNFP36.8 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 AusNFP36.9-AusNFP36.23 specify requirements relating to this objective.

AusNFP36.9 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.

AusNFP36.10 An entity need not disclose information in accordance with AASB 1058 *Income of Not-for-Profit Entities* if it has provided the information in accordance with another Standard.

47 Equivalent AASB Standard: AASB 1051 *Land under Roads*
48 Equivalent AASB Standard: AASB 1055 *Budgetary Reporting*
49 Equivalent AASB Standard: AASB 1058 *Income of Not-for-Profit Entities*

AusNFP36.11 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

AusNFP36.12 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.

AusNFP36.13 To meet the objective in paragraph AusNFP36.8, an entity shall consider disclosing information about assets and liabilities recognised at the reporting date in accordance with AASB 1058, 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.

AusNFP36.14 Other information that may be appropriate for an entity to disclose includes, for each class of taxation income that the entity cannot measure reliably during the period in which the taxable event occurs (see paragraphs B28–B31 of AASB 1058):

(a) information about the nature of the tax;

(b) the reason(s) why that income cannot be measured reliably; and

(c) when that uncertainty might be resolved.

Transfers to enable an entity to acquire or construct a recognisable non-financial asset to be controlled by the entity

AusNFP36.15 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.

AusNFP36.16 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).

AusNFP36.17 An entity shall disclose the judgements, and changes in the judgements, made in 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 AusNFP36.18 and AusNFP36.19).

AusNFP36.18 For obligations that an entity satisfies over time, an entity shall disclose the following the methods used to recognise income (for example, a description of the output methods or input methods used and how those methods are applied).

AusNFP36.19 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

AusNFP36.20 Paragraphs AusNFP36.21- AusNFP36.23 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 AusNFP36.21-

AusNFP36.23 include any amounts appropriated in respect of which the entity recognises revenue or other income in accordance with another Australian Accounting Standard.

AusNFP36.21 **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.

AusNFP36.22 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.

AusNFP36.23 Broad summaries of the major categories of appropriations and associated expenditures, rather than detailed reporting of appropriations for each activity or output, is sufficient for most users of such an entity's financial statements. Determining the level of detail and the structure of the summarised information is a matter of judgement. To develop effective disclosures, entities also subject to AASB 1055 *Budgetary Reporting* might consider the variance disclosure requirements in that Standard at the same time.

Service Concession Arrangements: Grantors that are public sector entities[50]

AusNFP36.24 The objective of the disclosure requirements is for a public sector entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements. To achieve this, an entity shall consider disclosing qualitative and quantitative information about its service concession arrangements, including the following:

(a) a description of the arrangements;

(b) significant terms of the arrangements that may affect the amount, timing and uncertainty of future cash flows (eg the period of the arrangement, re-pricing dates and the basis upon which re-pricing or renegotiation is determined);

(c) the nature and extent (eg quantity, time period, or amount, as appropriate) of:

(i) rights to receive specified services from the operator;

(ii) the carrying amount of service concession assets as at the end of the reporting period, including separate disclosure for existing assets of the grantor reclassified as service concession assets during the reporting period;

(iii) rights to receive specified assets at the end of an arrangement;

(iv) renewal and termination options;

(v) other rights and obligations (eg major overhaul of service concession assets); and

(vi) obligations to provide the operator with access to service concession assets or other revenue-generating assets; and

(d) changes in arrangements occurring during the reporting period.

50 Equivalent AASB Standard: AASB 1059 *Service Concession Arrangements - Grantors*

AusNFP36.25 The disclosures provided by an entity in accordance with paragraph AusNFP36.24 are provided individually for each material service concession arrangement or in aggregate for service concession arrangements involving services of a similar nature, in addition to disclosures required by AASB 116 and AASB 138. Service concession assets of a similar nature may form a subset of a class of assets disclosed in accordance with AASB 116 or AASB 138 or may be included in more than one class of assets disclosed in accordance with AASB 116 or AASB 138. For example, for the purposes of AASB 116, a toll bridge may be included in the same class as other bridges, and for the purposes of paragraph AusNFP36.24.1 may be included with service concession assets reported in aggregate as toll roads.

Commencement of the legislative instrument

Aus37.1 For legal purposes, this legislative instrument commences on 30 June 2020.

Appendix A
Effective Date

This appendix is an integral part of the Standard.

Effective date

A1 An entity shall apply this Standard for annual reporting periods beginning on or after 1 July 2020. Earlier application is permitted. If an entity applies this Standard earlier, it shall disclose that fact.

Appendix B
Amendments to Other Standards

This appendix sets out the amendments to other Australian Accounting Standards that are a consequence of the AASB issuing this Standard.

The amendments set out in this appendix apply to entities and financial statements in accordance with the application of the Standards and Interpretations set out in AASB 1057 *Application of Australian Accounting Standards* (as amended).

The amendments apply to annual reporting periods beginning on or after 1 July 2020.

If an entity applies this Standard to an earlier period, it shall also apply these amendments to that earlier period.

Amendments are made to the latest principal version of a Standard (or an Interpretation), unless otherwise indicated. The amendments also apply, as far as possible, to earlier principal versions of the amended Standards and Interpretations when this Standard is applied for earlier periods, as necessary.

This appendix uses underlining, striking out and other typographical material to identify some of the amendments to a Standard or an Interpretation, in order to make the amendments more understandable. However, the amendments made by this appendix do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (…) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

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

A footnote to paragraph 1 is amended.

1 [Aus] The term 'Australian Accounting Standards' refers to Standards (including Interpretations) made by the AASB that apply to any reporting period beginning on or after 1 January 2005. In this context, the term encompasses Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ 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 F
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusF1 Paragraphs Aus3.2 and 20-33 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 2 *Share-based Payment*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier 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 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 3 *Business Combinations*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 The following do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities:*

(a) paragraphs 59-63; and

(b) application guidance paragraphs B64-B67.

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*

Appendix D is deleted and replaced by the following:

Appendix D
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusD1 Paragraphs 30-42 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 6 *Exploration for and Evaluation of Mineral Resources*

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 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 7 *Financial Instruments: Disclosure*

A footnote to paragraph B32 is deleted

Appendix D is deleted and replaced by the following:

Appendix D
Australian simplified disclosures for Tier 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 10XX Simplified Disclosures for Tier 2 Entities.*

AASB 8 *Operating Segments*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 5-34 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities*. If an entity applying AASB 10XX elects to provide segment disclosures, it shall apply this standard in preparing and presenting the information.

AASB 10 *Consolidated Financial Statements*

Paragraphs Aus4.1 and AG1 is amended.

Aus4.1 Notwithstanding paragraph 4(a) (iv), a parent that meets the criteria in paragraphs 4(a) (i), 4(a) (ii) and 4(a) (iii) need not present consolidated financial statements if its ultimate or any intermediate parent produces financial statements that are available for public use in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with this Standard and:

(a) the parent and its ultimate or intermediate parent are:

(i) both not-for-profit entities complying with Australian Accounting Standards; or

(ii) both entities complying with Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures; 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*

In Appendix E paragraph IG 2 is amended.

IG2 AASB 12 includes specific disclosure requirements regarding both consolidated and unconsolidated structured entities. ~~Some of those disclosures are not required of e~~ Entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities* are not required to comply with AASB 12.

Appendix F is deleted and replaced by the following:

Appendix F
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusF1 This Standard does not apply to entities preparing general purpose financial statements that apply *AASB 10XX Simplified Disclosures for Tier 2 Entities*.

AASB 13 *Fair Value Measurement*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 **Paragraphs 91-99 and Aus93.1 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.***

AASB 15 *Revenue from Contracts with Customers*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 **Paragraphs 110-129 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities*.**

AASB 16 *Leases*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 **The following do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities:***

(a) paragraphs 51-60, Aus59.1, Aus59.2 and 89-92; and

(b) Appendix B Application guidance paragraphs B48-B52.

AASB 101 *Presentation of Financial Statements*

Paragraph Aus19.1 is amended.

Aus19.1 In relation to paragraph 19, the following shall not depart from a requirement in an Australian Accounting Standard:

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

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

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

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 **This Standard does not apply to entities preparing general purpose financial statements that apply *AASB 10XX Simplified Disclosures for Tier 2 Entities*.**

AASB 102 Inventories

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 36-39 and Aus36.1 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 107 *Statement of Cash Flows*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 This Standard does not apply to entities preparing general purpose financial statements that apply *AASB 10XX Simplified Disclosures for Tier 2 Entities*.

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*

A footnote to paragraph 7 is amended.

2 [Aus] The term 'Australian Accounting Standards' refers to Standards (including Interpretations) made by the AASB that apply to any reporting period beginning on or after 1 January 2005. In this context, the term encompasses Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures, which some entities are permitted to apply in accordance with AASB 1053 *Application of Tiers of Australian Accounting Standards* in preparing general purpose financial statements.

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 28-31, 39-40 and 49 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 110 *Events after the Reporting Period*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 13, 16 and 17-22 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 112 *Income Taxes*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 79-88 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities:*

AASB 116 *Property, Plant and Equipment*

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 73-79 and Aus77.1 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 119 *Employee Benefits*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 25, 33(b)-34(b), 42, 53, 54, 135-152, 158 and 171 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities*

AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*

Appendix A is added.

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraph 39 does not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 121 *The Effects of Changes in Foreign Exchange Rates*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 51-57 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 123 *Borrowing Costs*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraph 26 and Aus26.1 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities*.

AASB 124 *Related Party Disclosure*

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 This Standard does not apply to entities preparing general purpose financial statements that apply *AASB 10XX Simplified Disclosures for Tier 2 Entities*.

AASB 127 *Separate Financial Statements*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraph 15-17 and Aus16.1 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities*.

AASB 128 *Investments in Associates and Joint Ventures*

Paragraph Aus17.1 is amended.

Aus17.1 Notwithstanding paragraph 17(d), an entity that meets the criteria in paragraphs 17(a), 17(b) and 17(c) need not apply the equity method in accounting for an interest in an associate or joint venture if its ultimate or any intermediate parent produces financial statements that are available for public use in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with AASB 10 and:

(a) the investor or the joint venturer and its ultimate or intermediate parent are:

(i) both not-for-profit entities complying with Australian Accounting Standards; or

(ii) both entities complying with Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ <u>Simplified Disclosures</u> ; or

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

AASB 129 *Financial Reporting in Hyperinflationary Economies*

Appendix A is added.

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 39 and 40 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 133 *Earnings per Share*

Appendix C is deleted and replaced by the following:

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs 3-73A and the Application Guidance Appendix do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.* If an entity applying AASB 10XX elects to disclose earnings per share, it shall apply this standard in preparing and presenting the information.

AASB 134 *Interim Financial Reporting*

Appendix A is deleted.

AASB 136 *Impairment of Assets*

Appendix E is deleted and replaced by the following:

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 126-137 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 The following do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities:*

(a) paragraphs 84-92; and

(b) in paragraph 75 the text "If an entity starts to implement a restructuring plan… of the financial statements."

AASB 138 *Intangible Assets*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 118-128 and Aus124.1 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 140 *Investment Property*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 74-79 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 141 *Agriculture*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 40-57 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1004 *Contributions*

Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraph 43A do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1050 *Administered Items*

Paragraph 6A and 6B are deleted and Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 7, 8 and 22 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1051 *Land Under Roads*

Appendix D is added

Appendix D
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusD1 Paragraphs 11 and 12 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1052 *Disaggregated Disclosures*

Paragraph 10A and 10B is deleted and Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 15-21 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1053 *Application of Tiers of Australian Accounting Standards*

Paragraphs 7, 9 and 17 are amended and footnote 3 is added to paragraph 9. Paragraph 18C is added.

7 Australian Accounting Standards consist of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – ~~Reduced Disclosure Requirements~~ Simplified Disclosures.

9 Tier 2 comprises the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. Except for the presentation of a third statement of financial position under Tier 1[2], the separate presentation of assets classified as held for sale and assets and liabilities included in disposal groups classified as held for sale and the option of not presenting a statement of changes in equity if the only changes to equity during the periods for which financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy[3], the presentation requirements under Tier 1 and Tier 2 are the same. Tier 2 disclosure requirements are set out in AASB 10XX *Simplified Disclosures for 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.

3 As permitted under AASB 10XX *Simplified Disclosures for Tier 2 Entities*, paragraph 3.18.

17 ~~Some of the disclosure requirements in AASB 1 First-time Adoption of Australian Accounting Standards have been excluded from Tier 2 reporting requirements. Accordingly, e~~ Entities adopting Tier 2 reporting requirements for the first time that are required to apply AASB 1 shall comply with the ~~reduced disclosure requirements~~ simplified disclosures in section 35 of AASB 10XX, including for the purposes of paragraph 18A(a).[51]

18C Entities that are applying AASB 10XX *Simplified Disclosures for Tier 2 Entities* shall provide the disclosures required under section 35 of AASB 10XX if they are applying paragraph 18A(a)(i)[51], and the disclosures required under section 10 of AASB 10XX if they are applying paragraph 18A(a)(ii)[51], instead of the disclosures required under AASB 1 or AASB 108.

A footnote to paragraph 19B is amended.

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

51 AASB 1053, 18A When applying Tier 2 reporting requirements for the first time, an entity that prepared its most recent previous financial statements in the form of special purpose financial statements:
(a) without applying, or only selectively applying, applicable recognition and measurement requirements of Australian Accounting Standards shall apply either:
(i) all the relevant requirements of AASB 1; or
(ii) Tier 2 reporting requirements directly using the requirements in AASB 108

AASB 1054 *Australian Additional Disclosures*

Paragraphs 5A, 5B, 5C and RDR 7.1 are deleted and Appendix A is added

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 7-16 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1055 *Budgetary Reporting*

Appendix B is added

Appendix B
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusB1 Paragraphs 6-8 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1057 *Application of Australian Accounting Standards*

Paragraphs 20B and 20C are added and paragraph 7 is amended.

20B AASB 10XX *Simplified Disclosures for Tier 2 Entities* applies to:

(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act and that is a reporting entity;

(b) general purpose financial statements of each other reporting entity; and

(c) financial statements that are, or are held out to be, general purpose financial statements provided the entity is eligible to apply the Tier 2: Australian Accounting Standards – Simplified Disclosures as set out in AASB 1053 paragraph 13[52].

20C Entities applying AASB 10XX 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*;

(d) AASB 107 *Statement of Cash Flows*; and

(e) AASB 124 *Related Party Disclosures.*

7 Except as specified in paragraph 20B, AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1048 *Interpretation of Standards* and AASB 1054 *Australian Additional Disclosures* apply to:

(a) each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;

(b) general purpose financial statements of each reporting entity; and

(c) financial statements that are, or are held out to be, general purpose financial statements

AASB 1058 *Income of Not-for-Profit Entities*

Appendix E is deleted and replaced by the following:

52 Another paragraph "5.2(d) for-profit private sector entities that are required by legislation or otherwise to comply with accounting standards or Australian Accounting Standards" will be added in the forthcoming ED that will propose removing the ability for entities to prepare SPFS in accordance with AAS.

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 Paragraphs 23-41 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

AASB 1059 *Service Concession Arrangements: Grantors*

Appendix E is added

Appendix E
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusE1 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities:*

(a) paragraphs 28-29; and

(b) Appendix B Application guidance paragraphs B79-B80

Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*

Appendix B is deleted and replaced by the following:

Appendix B
Australian simplified disclosures for Tier 2 Entities

This appendix is an integral part of the Standard.

AusB1 Paragraph 13 does not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 11-13 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

Interpretation 17 *Distributions of Non-cash Assets to Owners*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 16-17 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

Interpretation 23 *Uncertainty over Income Tax Treatments*

Appendix C is added.

Appendix C
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusC1 Paragraphs A4 and A5 in Appendix A application guidance do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

Interpretation 129 *Service Concession Arrangements: Disclosures*

Appendix A is deleted and replaced by the following:

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 6 - 7 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

Interpretation 1052 *Tax Consolidation Accounting*

Paragraphs 23A and 23B are deleted and Appendix A is added.

Appendix A
Australian simplified disclosures for Tier 2 entities

This appendix is an integral part of the Standard.

AusA1 Paragraphs 16 and 59-60 do not apply to entities preparing general purpose financial statements that apply AASB 10XX *Simplified Disclosures for Tier 2 Entities.*

Appendix C

Summary of disclosures in other Standards and Interpretations not applicable

C1 The table in this Appendix has been provided for ease of reference, and lists the Standards and specific disclosure paragraphs that do not apply to an entity that is applying AASB 10XX *Simplified Disclosures for Tier 2 Entities*.

AASB Standard	Paragraphs superseded by this Standard
AASB 1 *First-time Adoption of Australian Accounting Standards*	Paragraphs 20-33 and Aus3.2
AASB 2 *Share-based Payment*	Paragraphs 44-52
AASB 3 *Business Combinations*	Paragraphs 59-63 and Application guidance p. B64- B67
AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*	Paragraphs 30-42
AASB 6 *Exploration for and Evaluation of Mineral Resources*	Paragraphs 23-25
AASB 7 Financial Instruments: Disclosures	The standard is replaced in its entirety
AASB 9 *Financial Instruments*	No Disclosures
AASB 10 *Consolidated Financial Statements*	No Disclosures
AASB 11 *Joint Arrangements*	No Disclosures
AASB 12 *Disclosure of Interests in Other Entities*	The standard is replaced in its entirety
AASB 13 *Fair Value Measurement*	Paragraphs 91-99 and Aus93.1
AASB 15 *Revenue from Contracts with Customers*	Paragraphs 110 -129
AASB 16 *Leases*	Paragraphs 51-60, B48-B52, Aus59.1, Aus59.2 and 89-92
AASB 101 *Presentation of Financial Statements*	The standard is replaced in its entirety.
AASB 102 *Inventories*	Paragraphs 36-39 and Aus36.1
AASB 107 *Statement of Cash Flows*	The standard is replaced in its entirety
AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*	Paragraphs 28-31, 39-40 and paragraph 49
AASB 110 *Events after the Reporting Period*	Paragraphs 13, 16 and 17-22
AASB 112 *Income Taxes*	Paragraphs 79-88
AASB 116 *Property, Plant and Equipment*	Paragraphs 73-79 and Aus77.1
AASB 119 *Employee Benefits*	Paragraphs 25, 33(b), 34(b), 42, 53,54, 135-152, 158, 17
AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*	Paragraph 39

AASB Standard	Paragraphs superseded by this Standard
AASB 121 *The Effects of Changes in Foreign Exchange Rates*	Paragraphs 51-57
AASB 123 *Borrowing Costs*	Paragraph 26 and Aus26.1
AASB 124 *Related Party Disclosures*	The standard is replaced in its entirety
AASB 127 *Separate Financial Statements*	Paragraphs 15-17 and Aus16.1
AASB 128 *Investments in Associates and Joint Ventures*	No disclosures
AASB 129 *Financial Reporting in Hyperinflationary Economies*	Paragraphs 39-40
AASB 132 *Financial Instruments: Presentation*	No disclosures
AASB 136 *Impairment of Assets*	Paragraphs 126-137
AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*	Paragraphs 84-92 and last sentence of paragraph 75
AASB 138 *Intangible Assets*	Paragraphs 118-128 and Aus124.1
AASB 139 *Financial Instruments: Recognition and Measurement*	No Disclosures
AASB 140 *Investment Property*	Paragraphs 74-79
AASB 141 *Agriculture*	Paragraphs 40-57
AASB 1004 *Contributions*	Paragraph 43A
AASB 1050 *Administered Items*	Paragraphs 7,8 and 22
AASB 1051 *Land Under Roads*	Paragraphs 11 and 12
AASB 1052 *Disaggregated Disclosures*	Paragraphs 15-21
AASB 1054 *Australian Additional Disclosures*	Paragraphs 7-16
AASB 1055 *Budgetary Reporting*	Paragraphs 6-8
AASB 1058 *Income of Not-for-Profit Entities*	Disclosure paragraphs 23-41
AASB 1059 *Service Concession Arrangements: Grantors*	Presentation and disclosure paragraphs 28 and 29 and application guidance B79 and B80

C2 The table below lists out the Interpretations and specific disclosure paragraphs that do not apply to an entity that is applying AASB 10XX *Simplified Disclosures for Tier 2 Entities*.

AASB Interpretations	Paragraphs superseded by this Standard
Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*	No disclosures
Interpretation 2 *Members' Shares in Co-operative Entities and Similar Instruments*	Paragraph 13
Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	Paragraphs 11-13
Interpretation 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*	No disclosures
Interpretation 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*	No disclosures
Interpretation 10 *Interim Financial Reporting and Impairment*	No disclosures
Interpretation 12 *Service Concession Arrangements*	No disclosures
Interpretation 14 AASB 119 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*	No disclosures
Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*	No disclosures
Interpretation 17 *Distributions of Non-cash Assets to Owners*	Paragraphs 16-17
Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments*	No disclosures
Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine*	No disclosure
Interpretation 21 *Levies*	No disclosure
Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	No disclosures
Interpretation 23 *Uncertainty over Income Tax Treatments*	Application guidance paragraphs A4-A5
Interpretation 107 *Introduction of the Euro*	No disclosures
Interpretation 110 *Government Assistance – No Specific Relation to Operating Activities*	No disclosures
Interpretation 125 *Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*	No disclosures
Interpretation 129 *Service Concession Arrangements: Disclosures*	Paragraphs 6 and 7
Interpretation 132 *Intangible Assets – Web Site Costs*	No disclosures
Interpretation 1003 *Australian Petroleum Resource Rent Tax*	No disclosures
Interpretation 1030 *Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods*	No disclosures

Interpretation 1031 *Accounting for the Goods and Services Tax (GST)*	No disclosures
Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*	No disclosures
Interpretation 1052 *Tax Consolidation Accounting*	Paragraphs 16 and 59-60

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB 10XX.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board's considerations in reaching the conclusions in this Exposure Draft (ED). It sets out the reasons why the Board developed the proposed new Tier 2 Standard, the approach taken to developing the Standard and key decisions made. In making decisions, individual Board members gave greater weight to some factors than to others.

The need for a new disclosure Standard for Tier 2 entities

BC2 This ED has been developed in conjunction with Exposure Draft ED 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* (referred to as the ED on the proposed removal of SPFS)[53] to:

(a) provide Tier 2 reporting requirements for those for-profit entities that would be prohibited from preparing SPFS under the AASB's proposals, 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) and 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 the proposed Tier 2 reporting requirements and encourage the International Accounting Standards Board (IASB) to continue with its project to enable entities to use full IFRS recognition and measurement (R&M) requirements with IFRS for SMEs disclosures by demonstrating what the outcomes of such a project could be[54].

BC3 At present, entities that are required to prepare financial statements in accordance with Australian Accounting Standards (AAS) have a choice of two disclosure frameworks[55]:

(a) Tier 1 reporting requirements which apply to the general purpose financial statements of for-profit private sector entities that have public accountability and the Australian Government and State, Territory and Local Governments.

(b) Tier 2 reporting requirements which apply to the general purpose financial statements of for-profit private sector entities that do not have public accountability, not-for-profit private sector entities and public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

BC4 In addition, entities that have self-assessed themselves to be a non-reporting entity, can elect to prepare special purpose financial statements (SPFS). However, in February 2019 the Board tentatively decided to remove this ability based on the feedback received on their March 2018 consultation paper ITC 39 *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*.

BC5 The ED on the proposed removal of SPFS will propose:

(a) amendments to AAS to remove the ability to prepare SPFS for the following for-profit entities:

53 The ED on the proposed removal of SPFS is due to be issued in Q3 of this year.
54 In March 2019, the IASB added a project *Subsidiaries that are SMEs* to its research agenda. The objective of the project is to develop a proposal permitting subsidiaries that are SMEs to apply the recognition and measurement requirements of IFRS Standards with the disclosure requirements of the IFRS for SMEs Standard.
55 AASB 1053 *Application of Tiers of Australian Accounting Standards*, paragraphs 11-13

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

(ii) 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 2020; and

(iii) other for-profit entities that elect to prepare general purpose financial statements and apply the revised Conceptual 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 2019-Y *Removal of Special Purpose Financial Statements for Certain For-Profit Sector Entities*; and

(b) to provide relief from restating and presenting comparative information in the year of transition for entities transitioning to full R&M requirements.

BC6 To help reduce the cost burden for for-profit entities that would be affected by these proposals, and noting the comments received on ITC 39, the Board agreed to propose further reductions to the disclosures that apply to Tier 2 entities compared to the current GPFS Tier 2 framework.

BC7 The Board also noted the strong preference expressed by respondents of 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.

BC8 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 once the increase of the reporting thresholds for large proprietary companies becomes applicable, the development and maintenance of more than two GPFS disclosure frameworks was not warranted. 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.

BC9 However, separate targeted consultations will be undertaken in relation to the implementation of the IASB's revised *Conceptual Framework for Financial Reporting* by not-for-profit (NFP) private and public sector entities which may result in more than two tiers for those sectors, as the requirements in those sectors are quite different. For these entities, the proposed AASB 10XX is therefore an interim measure until more progress is made through further consultation and outreach.

BC10 After having considered the various options outlined below, the Board is of the view that the proposed AASB 10XX will address stakeholders' concerns and provides an appropriate balance between user needs and costs.

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

BC11 In developing AASB 10XX, 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 BC13);

(c) revisit the proposals in ED 277; or

(d) develop a new disclosure standard based on the IFRS for SMEs Standard.

RDR and SDR frameworks – feedback from ITC39

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 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 *Revenues*, 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 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 responses. 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, survey and submissions on ITC 39 Phase 2 was that whilst the disclosures in SDR are important, requiring full disclosure of those nine Standards (as explained in 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 the users and the costs to the preparers of providing that information is crucial. The feedback from the roundtables, surveys and submissions on ITC 39 indicated that RDR has too many disclosure requirements.

Revisiting the proposals in ED277

BC18 The current Tier 2 disclosure requirements in Australia and New Zealand are essentially the same and are based on an approach developed by the Board in 2010 which 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 Tier 2 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 current Tier 2 framework was carried out by the Board which identified that the existing Tier 2 disclosure requirements have not delivered the expected outcome and that take up of current Tier 2 framework by entities was consequently low[56]. In response to the findings of the post implementation review, the Board issued ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* in January 2017 as a joint project with the New Zealand Accounting Standards Board (NZASB).

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

56 As per BC14 of ED 277, the level of adoption among other types of companies, including large proprietary companies was very low – with the likely reason being that the general level of disclosure under Tier 2 was still viewed as burdensome. 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.

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 current 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 special purpose financial statements (SPFS) when required to comply with AAS by legislation or otherwise.

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 will maximise the use of relevant IFRS based materials. The Board further noted that the IASB added a research project on Subsidiaries that are SMEs to their agenda in March 2019. Consistent with the policy of adopting standards issued by the IASB for application by Australian entities, AASB 10XX 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 proposed removal of SPFS from 1 July 2020. 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 10XX, and have been developed via a 'bottom-up' approach based on the disclosures in the IFRS for SMEs Standard, without reference to the full IFRS disclosures (ie no shading). The key methodology followed is explained in BC33-BC43.

BC26 In considering the IFRS for SMEs Standard, the Board noted that the nature and degree of the differences between the disclosures in full IFRSs and the disclosures in the IFRS for SMEs Standard is determined on the basis of users' needs and cost-benefit analyses[57].

BC27 The disclosure requirements in the IFRS for SMEs Standard are substantially reduced when compared with the disclosure requirements in full IFRSs. 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 IFRSs that are omitted from the IFRS for SMEs Standard (as per 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 BC98–BC136 of the IFRS for SMEs Standard 2015 – Part B);

(c) Some disclosures are not included because they relate to options in full IFRSs that are not included in the IFRS for SMEs Standard as per (BC84–BC86 of the IFRS for SMEs Standard 2015 – Part B); and

57 As per BC46 of IFRS for SMEs Standard – Part B.

(d) Some disclosures are not included on the basis of users' needs or cost-benefit considerations as per (BC44–BC47, BC157 and BC158 of the IFRS for SMEs Standard 2015 – Part B).

Costs vs benefits

BC28 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[58].

(b) A comparison of the new proposed disclosures to the disclosures that would be required under the SDR and RDR has confirmed that adoption of the new Tier 2 Standard would address stakeholders concerns by resulting in a level of disclosures that lies in between the current RDR and the proposed SDR requirements.

(c) This option is based on a bottom-up approach in developing disclosures and avoids needing to identify specific full IFRS disclosures that need to be retained and those that can be excluded. It is a more rigorous and targeted way of reducing disclosures to an appropriate level (based on previous experiences with RDR approach, as it involves needing to justify additional disclosures rather than the removal of disclosures from full IFRS).

(d) This option introduces more flexibility as it allows drafting disclosures to suit the circumstances and not be restricted by existing full IFRS disclosures.

(e) Setting out the disclosures in a separate Standard will make it easier for users, as it avoids having to identify applicable disclosures via shading in between the full disclosures. The Board noted that this will also improve readability where parts of sentences are currently shaded in RDR (ie excluded).

BC29 However, the Board noted that adopting the proposed Tier 2 disclosure Standard will result in a divergence from the New Zealand RDR Framework. The AASB's *For-Profit Standard-setting Framework* sets out that differences between accounting Standards issued in Australia and New Zealand for for-profit entities should be minimised wherever possible to reduce the costs for entities operating trans-Tasman. This divergence could cause inconvenience for entities operating trans-Tasman. Notwithstanding this, the 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.

BC30 The Board also noted that the new Tier 2 disclosures will be contained in a separate Standard which might not be welcomed by preparers who prefer seeing the disclosure requirements together with the R&M requirements in each Standard.

BC31 Finally, entities that are currently preparing SPFS will have to step up their disclosures if the Board's proposals in the forthcoming ED on the proposed removal of SPFS are implemented. The disclosures will also likely exceed what would have been required under the SDR proposals outlined in BC13. However, the recent doubling of the reporting thresholds for large proprietary companies has already reduced the number of affected entities by approximately 2,100 companies, and the Board will further reduce the burden for affected entities by providing transitional relief for the first year.

BC32 After considering both the advantages and disadvantages noted above, the Board was of the view that the proposed simplified disclosures strike the right balance between user needs and cost to preparers and appropriately address the concerns raised by respondents to ITC 39. In particular, the 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 10XX 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 if the Board's proposals in the

58 The IASB was guided by the broad principles set out in BC37, 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.

forthcoming ED on the proposed removal of SPFS for certain for-profit private sector entities that are required to prepare financial statements that comply with AAS or accounting standards are implemented.

Methodology and principles applied

BC33 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.

BC34 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.

BC35 While the Board has decided not to adopt IFRS for SMEs Standard as an alternative for Tier 2 reporting[59], 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.

BC36 The disclosure 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 to 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.

BC37 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[60]:

(a) users of the financial statements of for-profit entities that are not publicly accountable entities are particularly interested in information about short-term cash flows and about obligations, commitments or contingencies, whether or not recognised as liabilities. Thus disclosures in full IFRSs that provide this sort of information are necessary;

(b) users of the financial statements of for-profit entities that are not publicly accountable entities are particularly interested in information about liquidity and solvency. Thus disclosures in full IFRSs that provide this sort of information are necessary;

(c) information on measurement uncertainties is important;

(d) information about an entity's accounting policy choices is important;

(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 IFRSs are more relevant to investment decisions in public capital markets than to the transactions and other events and conditions encountered by typical for-profit entities that are not publicly accountable entities.

BC38 Consistent with the IASB's comments in relation to the proposed Subsidiaries that are SMEs project, tailoring of the IFRS for SMEs disclosure requirements has further been restricted to the absolute minimum:

59 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.

60 See BC157 of IFRS for SMEs Standard – Part B

(a) to avoid the risk of appearing to create a third dialect of IFRS Standards (alongside IFRS Standards and the IFRS for SMEs Standard); and

(b) to minimise the work needed for stakeholders.

As identified in BC59, this did result in the retention of certain disclosures in particular about employee benefits that are over and above what is required to be disclosed under full IFRS. However, where the IASB has removed disclosures from full IFRS after the IFRS for SMEs Standard was finalised, the Board decided that similar reductions in disclosures should also be carried over to AASB 10XX. This has affected in particular the leasing disclosures, see BC55-BC56.

BC39 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 analysis of standards, where a topic is covered by neither of these two sources.

BC40 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 BC46 to BC62.

BC41 The disclosures that are relevant to Tier 2 entities are set out in a separate standard AASB 10XX (ie will not be shaded in the body or the appendix of each AAS). They are considered by the Board to be appropriate for general purpose financial statements that are publicly lodged or are required to comply with AAS, but do not relate to entities that are publicly accountable.

BC42 As a general rule, presentation requirements have been retained in AAS and not replaced with AASB 10XX and the Board noted that it does not intend to make any changes to the presentation requirements or accounting treatments available under AAS. This applies in particular to the presentation requirements that are included in AASB 101 and AASB 107 and that have been replaced in their entirety with AASB 10XX sections 3 to 8. The only exceptions made relate to the option of not presenting a separate statement of changes in equity as noted in BC52, and the removal of the requirement to present assets held-for-sale and assets and liabilities relating to discontinued operations separately in the statement of financial position (see BC63(a)).

BC43 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 10XX. Where necessary, amendments to AASB 10XX 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 10XX will continue to be appropriately aligned with the requirements of full AAS.

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

BC44 While the disclosures in the IFRS for SMEs Standard are developed specifically for for-profit private sector entities, the Board considers that AASB 10XX should also be made applicable to not-for-profit private sector entities and public sector entities, other than the Australian Government and State, Territory and Local Governments. Making the proposed AASB 10XX applicable to all Tier 2 entities, whether for-profit or NFP, would result in an immediate reduction in disclosures compared to the current RDR framework, and NFP private sector entities would be able to benefit from this reduction in disclosures while waiting for legislative action on the ACNC legislative review recommendations and for a revised NFP Financial Reporting Framework to be developed[61]. Similarly, public sector entities would also benefit while considerations is being given to improving public sector financial reporting[62]. 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.

61 See AASB Discussion Paper: Improving Financial Reporting for Australian Charities
62 See AASB Discussion Paper: Improving Financial Reporting for Australian Public Sector

BC45 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 BC37 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 10XX for that reason. Further details about the decisions made in relation to specific disclosures are set out in BC66-BC68.

Significant decisions made by the Board in developing the disclosures

Replacing entire standards with AASB 10XX

BC46 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 10XX. New paragraphs 20A and 20B are to be added to AASB 1057 *Application of Australian Accounting Standards* to note that entities applying AASB 10XX do not need to comply with AASB 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 equivalent sections from the IFRS for SMEs Standard:

(a) Section 3 *Financial Statement Presentation* (AASB 101)

(b) Section 4 *Statement of Financial Position* (AASB 101)

(c) Section 5 *Statement of Comprehensive Income and Income Statement* (AASB 101)

(d) Section 6 *Statement of Changes in Equity and Statement of Income and Retained Earnings* (AASB 101)

(e) Section 7 *Statement of Cash Flows* (AASB 107)

(f) Section 8 *Notes to the Financial Statements* (AASB 101)

(g) Section 9 *Consolidated and Separate Financial Statements* (AASB 12)

(h) Section 11 *Basic Financial Instruments* (AASB 7)

(i) Section 12 *Other Financial Instruments Issues* (AASB 7)

(j) Section 14 *Investments in Associates* (AASB 12)

(k) Section 15 *Investments in Joint Ventures* (AASB 12)

(l) Section 33 *Related Party Disclosures* (AASB 124)

BC47 The Board noted that by replacing the five standards listed in BC46, 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 BC42, the Board does not intend the removal of the guidance to result in any differences in the presentation requirements to full AAS.

BC48 To prevent possible differences in presentation requirements to full AAS, the Board further decided to add the following requirements from AASB 101 and AASB 107 to AASB 10XX which deal with:

(a) the prohibition for Australian entities that apply AASB 10XX to depart from a requirement in an Australian Accounting Standard (paragraphs Aus19.1 in AASB 101 and Aus3.4.1 in AASB 10XX);

(b) the specific prohibition to offset assets and liabilities or income and expenses, unless required or permitted by an Australian Accounting Standard (paragraphs 32 in AASB 101 and Aus3.16.1 in AASB 10XX);

(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 recevaibles and payables (AASB 107 paragraph 20); and

(d) options to report certain cash flows on a net basis (AASB 107 paragraphs 22 to 24).

BC49 The prohibition to depart from a requirement 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 AASB 10XX.

BC50 The offsetting prohibition in (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 AASB 10XX on the basis that it does not include any disclosures, the prohibition had to be separately added to AASB 10XX. 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).

BC51 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. The Board also replaced the guidance on the presentation of information in the notes (structure of notes, paragraph 8.4) 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 4.7 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.

BC52 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.

BC53 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 BC37, the Board did not consider that additional disclosures would be warranted in relation to this exemption. 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 AASB 10XX.

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

BC54 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.

BC55 In considering the R&M differences between AASB 16 *Leases* and Section 20 *Leases*, 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 etc).

BC56 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/IFRS 16. IFRS 16 is a recent standard that was finalised after the IFRS for SMEs Standard was developed. 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.

BC57 In considering the R&M differences between AASB 15 *Revenue from Contracts with Customers* and Section 23 *Revenue* 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".

BC58 In considering the difference between AASB 123 *Borrowing Costs* and Section 25 *Borrowing Costs*, 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 already currently required for RDR entities.

BC59 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 are not currently required for Tier 2 entities. These include:

(a) in relation to Section 28 *Employee Benefits*, disclosures about specific components of capitalised defined benefit cost, group plans and other long-term benefits and termination benefits which are over and above what is required under full IFRS/AAS (paragraphs 28.41(g),(j), 28.42-44);

(b) disclosures about the entity's domicile and other general information (paragraph 3.24), the qualitative factors that make up goodwill (paragraph 19.25(g)), adjusting events that occurred after the end of the reporting period (paragraph 32.4) and about parent-subsidiary relationships where an entity applies the exemption from providing related party disclosures for government-related entities (paragraph 33.11);

(c) disclosures about hedging (paragraphs 12.28 and 12.29), investments in associates (paragraph 14.13) and leasing (paragraphs 20.13(b) and 20.23(b),(d)) where some disclosures were added but many others removed as a result of applying the principles in BC37; and

(d) a number of disclosures in relation to section 35 *Transition to Australian Accounting Standards – Simplified Disclosures* – see BC77 for details.

BC60 In considering differences between AASB 138 *Intangible Assets* and Section 18 *Intangible Assets other than Goodwill* 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.

BC61 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[63], 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 ED192, it noted that the revaluation model provides more relevant information than the cost model, and that it would appear illogical and irrelevant to provide comparative information about the cost model[64]. 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.

BC62 The Board also decided to add the requirement to disclose the fees paid to each auditor and reviewer, including any network firm, from AASB 1054 to AASB 10XX (paragraphs Aus8.7.1 and Aus8.7.2). 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) (December 2010 incorporating all amendments to May 2017) and that preparers and auditors may refer to APES 110 for guidance.

63 *2015 Amendments to the IFRS for SMEs*, BC210-BC212
64 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 Standards and Interpretations not covered in AASB 10XX

BC63 There are a number of Standards that the Board decided not to address in AASB 10XX for the following reasons:

(a) The Board decided to use the IFRS for SMEs Standard presentation and disclosures in relation to assets held for sale and discontinued operations without further changes. AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* is not separately covered in the IFRS for SMEs Standard. Instead, the IFRS for SMEs Standard has the following requirements:

(i) holding assets for sale triggers an assessment for impairment per section 27; and
(ii) specific disclosures in paragraph 4.14 when an entity has a binding sale agreement for a major disposal of assets, or a group of assets and liabilities.

The IASB confirmed in BC119 of the IFRS for SMEs Standard that these requirements would ensure assets are not overstated and relevant information is provided to users of SMEs financial statements. The Board concluded that the impairment requirements in section 27 will essentially result in the same carrying amount of the assets as if AASB 5 is applied, thus there are no differences in R&M requirements that could require any further disclosures.

(b) The Board decided not to address AASB 14 *Regulatory Deferral Accounts* as it is only relevant for entities that have recognised regulatory deferral account balances under previous GAAP. It would not be applicable for Australian entities that have complied with all R&M requirements;

(c) AASB 4 *Insurance Contracts*, AASB 17 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 1038 *Life Insurance Contarcts* and AASB 1056 *Superannuation Entities* are not addressed in the new Tier 2 Disclosure Standard as the entities applying these standards would have public accountability as they hold assets in a fiduciary capacity. Thus, the Board concluded that these standards are not applicable for Tier 2 entities. 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 no legislative requirements for superannuation entities to prepare financial statements in accordance with AAS. Until such time as the legislation is changed, superannaution entities could therefore continue preparing SPFS and thus AASB 1056 has been excluded from the proposed new Tier 2 Standard.

(d) AASB 8 *Operating Segments* and AASB 133 *Earnings per Share* require disclosure of segment information and of earnings per share data only for entities which have debt or equity instruments that are traded, or are in the process of being issued for trading in a public market. These entities would have public accountability and, accordingly, the Board decided that these standards are not applicable for Tier 2 entities. Instead, consistent with the IFRS for SMEs Standard, paragraph 3.25 refers back to these standards and provides that an entity disclosing segment information or earnings per share must comply with AASB 8 or AASB 133 respectively in full.

(e) AASB 134 *Interim Financial Reporting* is applicable for the specific purpose of preparing interim financial reports and AASB 1039 *Concise Financial Reports* is applicable for the specific purpose of preparing concise reports under the Corporations Act 2001. AASB 10XX is intended to be used in the preparation of annual GPFS. Accordingly, the Board considered that AASB 134 and AASB 1039 are not relevant in relation to this disclosure Standard.

(f) Some of the disclosures from AASB 1054 (ie paragraph 7 and 8) are covered in paragraph 3.3 of AASB 10XX. Paragraph 9 will no longer be relevant as it refers to SPFS. The Board noted that the rest of the disclosures (except for paragraph 10 and 11 of AASB 1054 as explained in BC62) do not provide information about short-term cash flows, obligations, commitment, contingencies, liquidity or solvency and are therefore not required.

(g) AASB 1057 and AASB 1053 do not include any R&M or disclosure requirements and as a result have not been included for in this AASB 10XX.

BC64 In assessing whether disclosure requirements of a particular AASB Interpretation would need to be added to the proposed new Tier 2 Standard, 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 interprations that have been superseded or do not have any disclosure requirements.

BC65 The Board further considered whether disclosure requirements from AASB Interpretations would need to be added to the new Tier 2 Standard but concluded this was not necessary for the following reasons:

(a) AASB Interpretation 1019 *The Superannuation Contributions Surcharge* and AASB Interpretation 1047 *Professional Indemnity Claims Liabilities in Medical Defence Organisations* are not relevant for Tier 2 entities, as entities applying these interpretations would have public accountability by holding assets in a fiduciary capacity.

(b) The disclosures in AASB Interpretation 1052 *Tax Consolidation Accounting Disclosure* were excluded for RDR entities on the basis of cost-benefit considerations. In addition, as the interpretation is not creating any R&M differences to IAS 12, and therefore also not to 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 8.6, 8.7 and 21.15 of the new Tier 2 Standard.

(d) Two of the three disclosure paragraphs in AASB Interpretation 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* were already excluded for 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

BC66 As explained in BC44, the Board decided that the new Tier 2 standard should be equally applicable to both for-profit and NFP private sector entities and any public sector entities that are eligible to report under Tier 2 based on the requirements in AASB 1053. The 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.

BC67 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 BC45, 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 BC37 would not indicate such a need.

BC68 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

BC69 The Board noted that it is essential to maintain comparability between the new Tier 2 Standard and the IFRS for SMEs Standard and concluded that the section and paragraph numbers from the IFRS for SMEs Standard should be retained for ease of reference. Paragraphs that have been added by the Board and that therefore do not have an equivalent number in the IFRS for SMEs Standard are preceded with 'Aus'.

BC70 The Board decided that the analysis tables (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) would include all the edits and mark-ups and will be used as an ongoing document for future reference. It will be a record of the rationale behind certain decisions and judgements and would facilitate any future amendments.

BC71 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

BC72 The Board considered whether specific transitional requirements needed to be added to AASB 1053 in relation to the new Tier 2 Standard, but has concluded that this is not necessary for the following reasons:

(a) Adjustments to recognised amounts will only arise where an entity did not previously report either under Tier 1 or Tier 2 (RDR); and

(b) The principles of transitioning to full R&M requirements are the same, regardless of the level of disclosures to be provided.

BC73 Therefore, the Board concluded that the transition requirements in paragraph 18A of AASB 1053 can be retained without further changes.

BC74 However, the Board further decided to add an explanatory paragraph 18C to AASB 1053 which confirms the different disclosures that apply to Tier 2 entities that apply AASB 10XX.

BC75 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.

BC76 The Board further noted that this ED does not reflect any of the decisions made at the AASB's April 2019 meeting in relation to further transitional relief for entities moving from SPFS to Tier 2 GPFS as a consequence of Phase 2 of the adoption of the revised conceptual framework. As this ED is intended to be available also for adoption by NFP private sector entities and public sector entities, the additional transitional relief will not be relevant to these entities and hence have not been reflected in this ED, to avoid any potential confusion. Appropriate changes to reflect the specific transitional relief for certain entities will be covered in the forthcoming ED on the proposed removal of SPFS that is due to be issued later in the year.

BC77 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 35.12, 35.13(c), 35.14 and 35.16 of the IFRS for SMEs Standard) even though they are not currently required for RDR entities, to keep differences to the IFRS for SMEs Standard at a minimum.

Effective date

BC78 The Board noted that *Conceptual Framework for Financial Reporting* as issued by the International Accounting Standards Board (IASB) in March 2018 is effective for annual periods beginning on or after 1 January 2020.

BC79 The Board also noted that the regulations in relation to doubling of thresholds for large proprietary companies are applicable to financial years beginning on or after 1 July 2019.

BC80 With these factors in mind and in order to provide an option for large proprietary companies to early adopt AASB 10XX, the Board decided that AASB 10XX should be ready for adoption latest by 30 June 2020, to be effective for annual periods beginning on or after 1 July 2020.