

requirements in Australian Accounting Standards. Therefore, these entities are not permitted to apply AASB 1 when preparing consolidated GPFS for the first time for periods beginning on or after 1 July 2021.

- BC18 However, the Board noted that AASB 1053 (paragraph 18A(b)) allows entities that were preparing SPFS on the same basis (i.e. their SPFS complied with all the recognition and measurement requirements without presenting consolidated financial statements, on the basis that neither the parent nor the group was a reporting entity) to apply AASB 1, including the relief for the first-time preparation of consolidated financial statements set out in Appendix C, to their transition to Tier 2 GPFS.
- BC19 The Board previously considered whether the transitional relief in paragraph 18A(b) should also be extended to entities transitioning from unconsolidated Tier 2 – Reduced Disclosure Requirements GPFS to consolidated Tier 2 – Simplified Disclosures GPFS. However, when finalising AASB 2020-2, the Board decided that it would not be appropriate to extend the transition relief at that time as the extent to which entities would be affected was unknown, although it was expected to be limited. Furthermore:
- (a) the Board expected that such entities should already have comprehensive IFRS-compliant information available to help produce consolidated financial statements, as the entity would be reporting that information to its parent; and
 - (b) entities that were preparing SPFS instead would be required to provide new additional disclosures as well as potential changes to recognition and measurement requirements, and hence it could be argued that not having such other challenges would mean entities already preparing GPFS would have enough resources to consolidate retrospectively.²
- BC20 Following the issue of AASB 2020-2, the Board received feedback from stakeholders expressing concern that as entities transitioning from unconsolidated Tier 2 – Reduced Disclosure Requirements GPFS to consolidated Tier 2 – Simplified Disclosures GPFS are unable to apply AASB 1, there is no specific guidance in Australian Accounting Standards to explain how such entities should account on transition. Therefore, Australian Accounting Standards could be read to require such entities to apply the consolidation requirements fully retrospectively. Stakeholders were concerned about this as they noted their view that many of these entities do not have sufficient information to retrospectively consolidate as information might be prepared at the higher group level that is not relevant at the level of the ultimate Australian parent entity. Further, stakeholders were also concerned about the ability for comparative information to be audited retrospectively.
- BC21 Although the Board previously considered this matter as noted in paragraph BC19, as the subsequent feedback is inconsistent with the Board's expectations, the Board decided to propose extending the transition relief to also allow entities transitioning from unconsolidated Tier 2 – Reduced Disclosure Requirements GPFS to consolidated Tier 2 – Simplified Disclosures GPFS to apply AASB 1 when preparing consolidated financial statements for the first time.
- BC22 The Board acknowledged that proposing this transition relief would allow entities to potentially restate previously recognised amounts in accordance with AASB 1, even though the previous Tier 2 – Reduced Disclosure Requirements GPFS complied with all recognition and measurement requirements without presenting consolidated financial statements. However, the Board noted that this outcome is consistent with the application of the relief available in AASB 1053 paragraph 18A(b) for entities that were preparing SPFS on the same basis (i.e. their SPFS complied with all the recognition and measurement requirements, without presenting consolidated financial statements, on the basis that neither the parent nor the group was a reporting entity).

Scope

- BC23 Although both for-profit and not-for-profit (NFP) entities are affected by the replacement of Tier 2 – Reduced Disclosure Requirements with Tier 2 – Simplified Disclosures, NFP entities are not affected by the removal of SPFS and the reporting entity definition in Australian Accounting Standards at this stage. Therefore, NFP entities can continue to consider themselves to be non-reporting entities and prepare single entity Tier 2 – Simplified Disclosure GPFS, applying the exemption in AASB 10 if relevant.
- BC24 For this reason, the Board decided the Tier 2 transition relief proposed in this Exposure Draft should be consistent with the scope of AASB 2020-2 and should therefore be limited to certain for-profit private sector entities.

Effective date

- BC25 The Board confirmed that, consistent with the effective date of AASB 2020-2 for most entities, the proposals should be effective for annual periods ending on or after 30 June 2022.

² AASB 2020-2 paragraph BC142