



Technical Accounting Alert

TA 2021-03

AASB issues AASB 2021-1: Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-profit Entities

Executive summary

On 15 April, the Australian Accounting Standards Board (AASB or the Board) issued AASB 2021-1: Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-profit Entities (AASB 2021-1) amending the previously issued AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060) and AASB 1053 Application of Tiers of Australian Accounting Standards (AASB 1053).

AASB 2021-1 provides not-for-profit (NFP) entities with optional relief from presenting comparative information in the notes to the financial statements where the entity has not disclosed the comparable information in its most recent previous financial statements.

This standard applies from annual periods beginning on or after 1 July 2021 with early adoption permitted, provided AASB 1060 is also applied in the same period. The amendments made to AASB 1053 are minor in nature and clarify that no recognition and measurement relief is available to not-for-profit entities transitioning from special purpose financial statements (SPFS) to Tier 1: Australian Accounting Standards (Tier 1), Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements (RDR) or to Tier 2: Australian Accounting Standards – Simplified Disclosures (SD). Who is impacted?

All entities that currently possess an AFS licence who are required to present Net Tangible Assets (NTA) are impacted.

Who is impacted?

AASB 2021-1 applies to NFP entities transitioning from either Tier 1 or RDR to SD.

Background

In March 2020, the AASB issued AASB 1060. Entities that prepare Tier 2 GPFS (prior to AASB 1060, RDR), or intend to prepare Tier 2 GPFS, as defined by AASB 1053, will be required to prepare financial statements that comply with AASB 1060 for reporting periods commencing on or after 1 July 2021. The existing RDR disclosures will be removed from Australian Accounting Standards, effective the same date.

Reasons for issuing AASB 2021-1

AASB 2021-1 was issued in order to encourage NFP entities to early adopt AASB 1060 by providing relief on early adoption for certain disclosures. Where AASB 1060 is early-adopted by an NFP, their comparative disclosures are permitted to be prepared according to the RDR framework where their most recent financial statements were prepared in accordance with that framework.

Example 1: Early adoption

Entity NFP Inc., a not-for-profit entity, prepared RDR-compliant general purpose financial statements for its year ended 30 June 2020. The Board of NFP Inc. wishes to comply with AASB 1060 for the year ended 30 June 2021. As AASB 1060 is not mandatorily applicable until years commencing on or after 1 July 2021, NFP Inc. has early-adopted AASB 1060.

NFP Inc. is provided relief from disclosing comparative information required by AASB 1060 but not required by RDR, such as that related to auditor remuneration, for the comparative financial period in its 30 June 2021 financial statements. NFP Inc. therefore limits its auditor remuneration disclosures to those for the year ended 30 June 2021.

Example 2: On-time adoption

Entity NFP Inc., a not-for-profit entity, prepared RDR-compliant general purpose financial statements for its year ended 30 June 2021. The Board of NFP Inc. identify that they must comply with AASB 1060 for the year ended 30 June 2022. AASB 1060 is mandatorily applicable for years commencing on or after 1 July 2021 and NFP Inc. has not early-adopted AASB 1060.

NFP Inc. is not provided relief from any AASB 1060 mandatory disclosures and must comply with all relevant disclosure requirements of AASB 1060.

Further information



If you wish to discuss any of the information included in this Technical Accounting Alert, please contact your Grant Thornton Relationship Partner or a member of the Financial Reporting Advisory Team at fra@au.gt.com.