

# Technical Accounting Alert

## TA 2022-03

### What's new for June 2022

#### INTRODUCTION

The objective of this Technical Accounting (TA) Alert is to:

- provide information on new and revised Accounting Standards that are mandatorily applicable for the first time to 30 June 2022 annual and/or half-year ends; and
- highlight other recent financial reporting developments

This TA Alert incorporates all the relevant pronouncements and developments as at 5 May 2022. Entities should also take into account any new pronouncements issued, or developments taking place, after this date if they are relevant for the financial year and/or half-year ending 30 June 2022.

For a list of all the pronouncements issued by the AASB and the IASB that are not yet effective, refer to our latest TA Alert on this topic on our website (<http://www.grantthornton.com.au/en/insights/technical-publications--ifrs/local-technical-and-financial-reporting-alerts/>).

#### OVERVIEW

There are a number of new and revised Australian accounting requirements that are mandatory for the first time to annual and/or half-year reporting periods ending 30 June 2022, which are summarised overleaf.

Standard / Interpretation	Mandatory effective date (Annual periods beginning on or after...)	Applicable for the first time to year ending	
<a href="#">AASB 1060</a> <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>	1 July 2021	✓	x
<a href="#">AASB 2020-2</a> <i>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i>	1 July 2021	✓	x
<a href="#">AASB 2020-7</a> <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures</i>	1 July 2021	✓	x
<a href="#">AASB 2020-9</a> <i>Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments – December 2020</i>	1 July 2021	✓	x
<a href="#">AASB 2021-1</a> <i>Amendments to Australian Accounting Standards – Transition to Simplified Disclosures for Not-for-Profit Entities – March 2021</i>	1 July 2021	✓	x
<a href="#">AASB 2021-3</a> <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021	✓	x
<a href="#">AASB 2022-2</a> <i>Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1</i>	Ending 30 June 2022	✓	x

## FIRST TIME APPLICATION TO FULL-YEAR REPORTING PERIODS ENDING 30 JUNE 2022

Although a number of new and revised standards became effective for the annual/half-year periods ending 30 June 2022, this TA Alert focuses only on standards and interpretations with relatively significant changes. Other standards are unlikely to have any significant impact of entities.

### [AASB 1060: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#)

The AASB issued [AASB 1060: General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#) which comprises a stand-alone disclosure standard to be applied by all entities that are reporting under Tier 2 of the differential reporting framework defined in AASB 1053 *Application of Tiers of Australian Accounting Standards*.

AASB 1060 was developed based on principles to be used in determining the disclosures that are necessary for meeting user needs for Tier 2 entities to replace the current Reduced Disclosure Requirements (RDR) framework.

This standard does not change:

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

Entities that comply with this Standard must apply the recognition and measurement requirements in other Standards but are exempt from the disclosure requirements in those other standards.

While this Standard includes certain presentation requirements, these do not result in presentations or classifications that are different to those required for Tier 1 entities.

### [AASB 2020-2: Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#)

[AASB 2020-2: Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities](#) amends several accounting standards via AASB 1057: *Application of Australian Accounting Standards* and the *Conceptual Framework for Financial Reporting (Conceptual Framework)* so that they apply explicitly to:

- for-profit private sector entities that are required by legislation to prepare financial statements that comply with either Australian Accounting Standards or accounting standards (with the previous limitation to entities with public accountability removed); and
- other for-profit private sector entities that are required only by their constituting document or another document to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or amended on or after 1 July 2021.

The *Conceptual Framework* is also amended to apply to other for-profit entities (including for-profit public sector entities) that elect to prepare general purpose financial statements and as a result, apply the *Conceptual Framework* and the consequential amendments to other pronouncements set out in AASB 2020-2, as well as in AASB 2019-1: *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.

The applicability of the *Framework for the Preparation and Presentation of Financial Statements* and the Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* is amended so that they continue to apply to for-profit entities that do not need to apply the *Conceptual Framework* (e.g. for-profit public sector entities and those whose constituting document was created or amended before 1 July 2021), as well as to not-for-profit entities (subject to exceptions stated in the Standards).

Consequential amendments are also made to various Standards, including amending the applicability of the 'reporting entity' definition in AASB 1057 so that it is not relevant to the entities to which AASB 2020-2 is applicable (all of which would apply the *Conceptual Framework*). Consequently, the ability of such an entity to prepare special purpose financial statements is removed and it will need to prepare general purpose financial statements that comply with Australian Accounting Standards (or accounting standards under legislative requirements).

[AASB issued an amendment to AASB 16 Leases to simplify lessee accounting during the pandemic.](#)

In June 2020, the Australian Accounting Standard Board issued [AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions](#) incorporating the International Accounting Standard Board's (IASB) standard *COVID-19-Related Rent Concessions – Amendment to IFRS 16* issued on 28 May 2020. More recently the Board has issued an extension to this amendment: [AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021](#).

The amendment allows lessees to elect to not apply lease modification accounting when rent concessions (including deferrals or abatements) are received as a direct consequence of COVID-19 pandemic. AASB 2021-3 applies to rent concessions received as a direct result of COVID-19 impacting payments due on or before 30 June 2022 which is a one year extension from AASB 2020-4.

For further information, refer to our [AASB 16 Lease Modifications: Point of reference for preparers of financial reports](#).

## OTHER DEVELOPMENTS THAT ARE RELEVANT TO ANNUAL PERIODS ENDING 30 JUNE 2022

[Australian Charities and Not-for-profits Commission Amendment \(2021 Measures No.3\) Regulation 2021](#)

The ACNC Amendment (2021 Measures No.3) Regulations 2021 was passed on 11 November 2021 and amends the following:

- increases financial reporting thresholds for small charities from less than \$250,000 to \$500,000 and for medium charities from less than \$1 million to \$3 million for the 2021-2022 financial year onwards'
- requires large size charities with two or more key management personnel preparing special purpose financial statements to disclose aggregated remuneration paid to those personnel in accordance with AASB 124 *Related Party Disclosures* for the 2021-22 financial year onwards; and
- requires medium and large charities, other than basic religious charities, to disclose other related party transactions that do not relate to the disclosure of compensation to key management personnel in their special purpose annual financial reports in accordance with AASB 124 *Related Party Disclosures* for the 2022-23 financial year onwards.

[ASIC focus areas for 30 June 2022.](#)

The Australian Securities and Investments Commission (ASIC) has announced focus areas for 30 June 2022 financial reports which have been included in TA 2022-05 *ASIC focus areas for 30 June 2022 financial reports*.

The focus areas at 30 June 2022 primarily address the accounting and reporting implications as a result of the continuation of the COVID-19 pandemic and conflict in Europe, particularly as it relates to asset values, provisions, solvency and going concern assessments, events occurring after year end and before completing the financial report, and disclosures in the financial report and Operating and Financial Review (OFR).

Preparers of financial reports must take into consideration any continuous disclosure requirements and the obligation to keep the market informed. Useful and meaningful disclosure about the business impacts and potential uncertainties are considered of particular importance to investors. Assumptions underlying estimates and judgements for financial reporting purposes should be reasonable and supportable.



## FURTHER INFORMATION

If you wish to discuss any of the information included in this Technical Accounting Alert, please get in touch with your Grant Thornton Relationship Partner or a member of the Financial Reporting Advisory team at [FRA@au.gt.com](mailto:FRA@au.gt.com).