Technical Accounting Alert

TA 2021-12

What's new for December 2021?

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 31 December 2021 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 22 December 2021. 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 31 December 2021.

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 are mandatory for the first time to annual and/or half-year reporting periods ending 31 December 2021, which are summarised overleaf.

New and Revised Australian Accounting Requirements

Standard / Interpretation	**Mandatory effective date** (Annual periods beginning on or after…)	Applicable for the first time to year ending 31 December 2021?	Applicable for the first time to half-year ending 31 December 2021?
AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*	1 June 2020	✓	*x*
AASB 2020-5 *Amendments to Australian Accounting Standards – Insurance Contracts*	1 January 2021	✓	*x*
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	1 January 2021	✓	*x*
AASB 2021-4 *Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concessions Grantors*	1 July 2020	✓	*x*

First time application to full-year reporting periods ending 31 December 2021

Although a number of new and revised standards became effective for the annual/half-year periods ending 31 December 2021, 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 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 31 December 2021

Payments Times Reporting Act 2020

While not directly related to financial reporting, on 14 October 2020 the Australian Government introduced the Payment Times Reporting Scheme (PTRS). The PTRS aims to improve payment times for Australian small businesses.

Under the PTRS, large businesses (as defined in the act) and large government enterprises will need to report their small business payment terms and times. The goals of the PTRS are to:

- Increase transparency around large businesses' payment performance;
- Help small businesses decide who to do business with;
- Create incentives for improved payment times and practice; and
- Help the public make decisions about the large businesses they buy from.

The PTRS applies to:

- Large businesses and certain government enterprises with a total annual income of over $100 million;
- Controlling corporations where the combined total annual income for all members is more than $100 million; and
- Businesses with a total annual income greater than 10 million and that are part of a group headed by a controlling corporation with a collective income greater than $100 million.

Reporting under the PTRS commences for semi-annual periods commencing on 1 January 2021.

IFRS Interpretation Committee has issued an agenda decision on configuration or Customisation Costs in a Cloud Computing Arrangements (IAS 38 Intangible Assets)

On 16 March 2021, the IFRIC Committee has issued an agenda decision on how a customer accounts for costs of configuring or customising a supplier's application software in a Software as a Service (SaaS) arrangement.

For further information, please refer to the IFRIC agenda decision on the IASB website.

Casual Employment: After WorkPac vs Rossato – Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Act 2021

On 26 March 2021, the Fair Work Act 2009 (FW Act) was amended when Fair Work Amendment (Supporting Australia's Jobs and Economic Recovery) Act 2021 (the Amendment) received royal assent. The Amendment amends the employment rights of casual workers while clarifying the obligations of employers to their employees with respect to leave and other entitlements.

The Amendment had the effect of substantially relieving additional leave liability burdens from employers of employees that had historically been classed as 'casual', but may have met the definition of 'permanent' as described and decided in the Full Federal Court's decision in WorkPac vs Rossato. This decision clarified that an employee, when employed on a regular and systematic basis, is as a permanent employee and not a casual employee, and thus entitled to receive certain leave entitlements. This decision reconfirmed the position reached in WorkPac v Skene in 2018. Whilst having similarities, the Rossato decision went further than findings in Skene, as the court denied WorkPac's right to set off the outstanding leave entitlements against the casual loading previously paid to employees. This right to offset is a key characteristic of the Amendment.

The Amendment came into effect on 27 March 2021.

On 4 August 2021, the High Court found that Mr. Rossato was a casual employee for the purpose of the FW Act and, as such, was not entitled to be paid annual leave, personal leave, and compassionate leave under the FW Act. The High Court also found that Mr. Rossato did not qualify for entitlements for permanent employees under the applicable enterprise agreement.

Given the complex nature of the findings and related legislation, where entities are uncertain as to the application of Workpac vs Rossato and the Amendment to their particular facts, legal advice should be sought.

For further information, refer to our Casual Employment: After WorkPac vs Rossato: Points of references for prepares of financial reports

ASIC allows certain AFS licensees to use lease assets to satisfy their licence financial requirements.

On 29 April 2021, ASIC has made changes to the financial requirements for some types of Australian financial services (AFS) licensees in relation to the treatment of leased assets. These changes will allow certain AFS licensees to include, where the licensee is a lessee, a right-of-use asset in the calculation of their net tangible assets and, where the right-of-use asset is a current asset, adjusted surplus liquid funds and surplus liquid funds.

For Further information, refer to our TA Alert 2021-04 ASIC allows certain AFS licensees to use lease assets to satisfy their licence financial requirements.

Financial reporting implications due to COVID-19

The COVID-19 outbreak has caused extensive disruptions to the entire global economy, in Australia, additional precautions were taken which limited the operating activities of businesses.

COVID-19 has also introduced many significant financial reporting issues that entities need to be across this reporting season. For more information, refer to Grant Thornton's publication entitled *Accounting implication of Coronavirus (COVID-19)* which considers key COVID-19-related accounting implications in detail.

Furthermore, in response to the COVID-19 pandemic ASIC has extended reporting deadlines by one month and amended the previous 'no action' position for unlisted entities that are required to lodge financial reports under Chapters 2M and 7 of the *Corporations Act 2001* where the entity's financial year-end is between 24 December 2021 and 7 January 2022 (inclusive) to assist with any pressures on resources for the audits of smaller entities and provide adequate time for the completion of the audit process considering challenges presented by COVID-19 conditions.

For further information, refer to the following TA Alerts:

- TA Alert 2020-07 20-068MR *Guidelines for meeting upcoming AGM and financial reporting requirements;*
- TA Alert 2020-08 20-084MR *ASIC to provide additional time for unlisted entity financial reports*;
- TA Alert 2020-10 20-113MR *ASIC to further extend financial reporting deadlines for listed and unlisted entities;*
- TA Alert 2020-16 20-276MR *ASIC to further extend financial reporting deadlines for listed and unlisted entities;*
- TA Alert 2021-02 21-082MR *ASIC to extend deadlines for 30 June 2021 financial reports and amends 'no action' position for AGMs*
- TA Alert 2021-09 21-323MR *ASIC to extend deadlines for 31 December 2021 unlisted entity financial reports*

ASIC focus areas for 31 December 2021

On 9 December 2021, Australian Securities and Investments Commission (ASIC) announced its focus areas for 31 December 2021 financial reports.

The focus areas primarily address the accounting and reporting implications as a result of the continuation of the COVID-19 pandemic, 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 assessments for financial reporting purposes should be reasonable and supportable.

For further information, refer to TA Alert 2021-10 *ASIC Findings from review of 30 June 2021 financial reports*.

Other financial reporting developments that are relevant to future periods

Removal of special purpose financial statements and the introduction of simplified disclosure framework

The Australian Accounting Standards Board ("AASB") has released major reforms to Australian financial reporting requirements that:

- remove the ability to prepare special purpose financial statements ("SPFS") for certain for-profit entities; and
- introduce a new Tier 2 disclosure framework ("Simplified Disclosures") replacing the existing Reduced Disclosure Requirements ("RDR").

The new requirements were issued in the form of AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Both of these standards are effective for annual periods beginning on or after 1 July 2021, with a requirement to restate comparatives (unless the changes are early adopted).

For further information, refer to our TA Alert 2020-06 *Removal of special purpose financial statements and the introduction of simplified disclosure framework* and our thought leadership article on the subject.

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.