

Technical Accounting Alert

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AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities

INTRODUCTION

The purpose of this Alert is to draw attention to a recently released standard [AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities](#).

This standard applies to annual periods ending on or after 30 June 2022.

OVERVIEW

The AASB has released AASB 2022-4 which makes amendments to AASB 1054 *Australian Additional Disclosures* and AASB 1057 *Application of Australian Accounting Standards*.

It is applicable to for-profit private sector entities that are required only by their constituting documents or another document (such as a debt agreement) created and last amended before 1 July 2021 to prepare financial statements “in compliance with Australian Accounting Standards”.

The amendments require that when such entities prepare special purpose financial statements (SPFS) that refer to compliance with Australian Accounting Standards, the financial statements include disclosures that inform users of the basis upon which those financial statements were prepared.

BACKGROUND

This amendment builds upon previous amendments to AASB 1057 already implemented by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

AASB 2020-2 amended Australian Accounting Standards (AAS) in part by removing the ability of certain for-profit private sector entities to prepare SPFS by removing the ‘reporting entity’ concept. Specific relief was granted to those entities required only by their constituting document or another document to prepare financial statements in compliance with AAS, provided that the relevant document was created or last amended before 1 July 2021. Entities which do not meet the scope exemptions of AASB 2020-2 are required to prepare general purpose financial statements for annual periods beginning on or after 1 July 2021.

Certain for-profit prepare financial statements in compliance with AAS due to a requirement of:

- Their constituting documents;
- Debt agreements; or
- Other contractual arrangements;

Such entities are not required to comply with AAS by the operation of the *Corporations Act 2001* or other legislation. They are therefore able to prepare financial statements that are not general purpose financial statements.

The amendments to AASB 1057 ensure that these for-profit private sector entities are made subject to AASB 1054 (in addition to AASB 1057) – so that the relevant disclosure requirements in AASB 1054 are applicable to their special purpose financial statements.

DISCLOSURES REQUIRED

The amendments require that when such entities prepare special purpose financial statements, the financial statements include disclosures that inform users of the basis upon which those financial statements were prepared, including:

- Disclosing the basis on which the decision to prepare special purpose financial statements was made;
- Disclosing information about the material accounting policies applied, including changes in those policies;
- Where the entity has interests in other entities, whether or not AASB 10 and AASB 128 have been complied with, and, if not, why not;
- Disclosing whether the financial statements overall comply with all the recognition and measurement requirements in Australian Accounting Standards (except for AASB 10 and AASB 128);
- Disclose the statutory or other reporting framework under which the financial statements have been prepared, and that the financial statements are special purpose financial statements; and
- Where there is a material departure from the recognition and measurement requirements in Australian Accounting Standards (except for AASB 10 and AASB 128), disclosure of how the financial statements does not comply.

The full text of the standard is available on the AASB website.

ADDITIONAL CONSIDERATIONS

The new disclosures do not require entities to change their existing accounting policies or financial reporting practices but requires disclosure of how the existing policies or practices depart from the Australian Accounting Standards.

This amendment places the onus on management to determine the appropriate framework for presentation of their SPFS. In addition to the requirements in AASB 1057 and AASB 1054, management may choose to consider existing guidance in Australian Accounting Standards, such as AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies and Changes in Accounting Estimates and Errors*.

FURTHER INFORMATION



If you wish to discuss any of the information included in this Technical Accounting Alert, please get in touch with your local Grant Thornton Australia contact or a member of the National Assurance Quality Team at national.assurance.quality@au.gt.com.