

Technical Accounting Alert

TA 2022-11

Amendments to Form FS70

INTRODUCTION

The purpose of this Alert is to draw attention to the recently updated [Form FS70](#) applicable to holders of Australian Financial Services Licenses (AFS Licensees). The changes to Form FS70 include changes in the form of financial reporting for certain AFS License holders and may require preparation of consolidated general purpose financial statements.

This Alert replaces the previously issued TA 2022-07 due to a subsequent change to Form FS70 on 19 September 2022. TA 2022-07 is no longer current and should not be relied upon. The previous Form FS70 required certain entities that were permitted by Australian Accounting Standards to prepare separate (i.e. non-consolidated) financial statements to prepare consolidated financial statements. The amendments remove this requirement.

DISCUSSION

Form FS70 has been updated to describe a transition process to general purpose financial statements for AFS Licensees that previously prepared special purpose financial statements and have not, for its most recent financial period commencing before 1 July 2021, prepared general purpose financial statements. It also clarifies that these financial statements must be prepared as Tier 1 financial statements for certain classes of entities, and that include, for many AFS Licensees, a requirement that general purpose financial statements be prepared in the future. Generally, the following outcomes occur:

- Entities that:
 - are not required to prepare financial statements under Chapter 2M of the *Corporations Act 2001*;
 - prepared special purpose financial statements for their most recent financial year; and
 - do not meet the meaning contained in the first paragraph of the definition of a ‘reporting entity’ in Appendix A of AASB 1057 *Application of Australian Accounting Standards*,
may prepare special purpose financial statements for a financial year commencing between 1 July 2021 and 23 June 2022 (and/or include this information as its comparatives for financial years commencing before 23 June 2023);
- Entities that are required to prepare financial statements by Chapter 2M of the *Corporations Act 2001* must lodge these audited financial statements, which will be general purpose financial statements for years commencing on or after 1 July 2021;
- When entities that had control of an investee under AASB 10 *Consolidated Financial Statements* prepare general purpose financial statements, both parent entity and consolidated financial statements must be provided

Where entities prepare general purpose financial statements, these are required to be Tier 1 general purpose financial statements, as defined by AASB 1053 *Application of Tiers of Australian Accounting Standards*, where:

- The entity is required to prepare a financial report under Chapter 2M of the *Corporations Act 2001* and the entity has 'public accountability' as defined by AASB 1053; or
- The entity is one of the types of entities listed in paragraph 11(a)(ii) of Form FS70.

Otherwise, entities may elect to prepare either Tier 1 or Tier 2 general purpose financial statements, as defined by AASB 1053.

ADDITIONAL CONSIDERATIONS

FIRST-TIME PREPARATION OF GENERAL PURPOSE FINANCIAL STATEMENTS

For many entities, the impact of changes to Form FS70 will be minor, however we are aware that a large number of entities have prepared special purpose financial statements in the past. These entities may be required to prepare general purpose financial statements for the first time as a result of the application of Form FS70, if not otherwise required to do so by AASB 1053.

Generally, the transition from special purpose financial statements to general purpose financial statements requires the application of AASB 1 *First-time Adoption of Australian Accounting Standards* or AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. There is no relief included in Australian Accounting Standards that provides disclosure relief in comparative information, outside of specific circumstances introduced by AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*. This relief is not available for reporting periods commencing on or after 1 July 2021.

As a result of the differences in relief between Form FS70 and the Australian Accounting Standards, entities should consider whether, as a result of applying the relief in Form FS70, a statement of compliance with Australian Accounting Standards can be made.

PREPARATION OF SEPARATE FINANCIAL STATEMENTS OR CONSOLIDATED FINANCIAL STATEMENTS

Entities that have historically prepared general purpose financial statements may have prepared separate financial statements in accordance with AASB 127 *Separate Financial Statements* by electing to apply specific relief from preparing consolidated financial statements provided by paragraphs 4 to AusCFAus4.2 of AASB 10 *Consolidated Financial Statements*. The operation of paragraph 11(a)(iii) of Form FS70 requires the preparation of consolidated financial statements for these entities except that an intermediate parent entity need not present consolidated financial statements where an exemption in the accounting standards applies.

The paragraph requires an entity preparing consolidated financial statements to prepare both parent and consolidated financial statements. These may or may not be included in a single document, at the election of the entity.

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.