

Technical Accounting Alert

TA 2022-12

What's new for December 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 31 December 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 28 October 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 31 December 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 31 December 2022, which are summarised overleaf.

Standard / Interpretation	Mandatory effective date (Annual periods beginning on or after...)	Applicable for the first time to year ending 31 December 2022	Applicable for the first time to half-year ending 31 December 2022
AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i>	1 July 2021	✓	X
AASB 2020-2 <i>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</i>	1 July 2021	✓	X
AASB 2020-3 <i>Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022	✓	✓
AASB 2020-7 <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures</i>	1 July 2021	✓	X
AASB 2020-9 <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
AASB 2021-1 <i>Amendments to Australian Accounting Standards – Transition to Simplified Disclosures for Not-for-Profit Entities – March 2021</i>	1 July 2021	✓	X
AASB 2021-3 <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021	✓	X
AASB 2021-7a <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]</i>	1 January 2022	✓	✓
AASB 2022-2 <i>Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1</i>	Ending 30 June 2022	✓	X
AASB 2022-4 <i>Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities</i>	Ending 30 June 2022	✓	X

FIRST TIME APPLICATION TO FULL-YEAR REPORTING PERIODS ENDING 31 DECEMBER 2022

Although a number of new and revised standards became effective for the annual/half-year periods ending 31 December 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 be available to be applied by for-profit entities that are not required 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 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities](#)

In June 2022, [AASB 2022-4: Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities](#) was issued, which further amends AASB 1057 to ensure that these for-profit private sector entities are also made subject to AASB 1054. This amendment renders the relevant disclosure requirements in AASB 1054 applicable to these entities' special purpose financial statements. These disclosures include:

- 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.

[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 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.

Financial Reporting Changes for AFS Licensees

Form FS70 has been updated to describe a transition process to general purpose financial statements for AFS Licensees that previously prepare 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 includes, a requirement for many AFS Licensees, a requirement that general purpose financial statements be prepared in the future. For further information, refer to our publication [TA 2022-11 Amendments to Form FS 70](#).

ASIC focus areas for 31 December 2022

The Australian Securities and Investments Commission (ASIC) has announced focus areas for 31 December 2022 financial reports which have been included in *TA 2022-13 ASIC focus areas for 31 December 2022 financial reports*.

The focus areas at 31 December 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, disclosures in the financial report and disclosures in the Operating and Financial Review (OFR) including those surrounding cyber security risks. Other matters of focus include assessing and disclosing the impact of the new insurance standard on an insurer's financial statements, the treatment of bed licences as they will be discontinued on 1 July 2024, the impact of deferred claims liability for changes in the backlog of delayed procedures for private health insurers and material penalties for non-compliance with sanctions imposed in Australia or elsewhere in relation to Russia.

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.

Auditors should also be prepared for major new auditing standards that apply from 15 December 2022 on firm quality management, engagement quality reviews and quality control for financial report audits. Auditors should also ensure that they meet requirements of a new standard on risk assessment that applies from periods commencing 15 December 2021.



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 National Assurance Quality Team at national.assurance.quality@au.gt.com.