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Technical Accounting Alert TA 2020-12

Accounting standards issued but not yet effective for 30 June 2020

Introduction

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

- provide information regarding the Accounting Standards (and Interpretations) that have been issued with an effective date post 30 July 2020; and
- assist entities in meeting the disclosure requirements in paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Overview

When the AASB issues a new or revised Standard (or an Interpretation)[1] with an effective date after the end of the reporting period, an entity[2] has a choice of either:

- early adoption of the Standards in accordance with section 334(5) of *Corporations Act 2001* (via a Director's minute – an example is included in this Alert) and disclosing this fact in the financial statements; or
- not adopting the Standard; in which case the entity must comply with paragraph 30 of AASB 108.

Requirements of paragraph 30 of AASB 108

30 When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:

a **this fact; and**

b **known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application.**

[1] Where an entity includes an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRSs) as required by paragraph 16 of AASB 101 *Presentation of Financial Statements*, the entity needs to consider Standards issued by the IASB but not yet issued by the AASB. This is likely to apply to all entities, except for those issuing special purpose financial statements and not-for-profit entities.

[2] The requirements of paragraph 30 of AASB 108 are mandatory for all entities preparing financial statements under Part 2M.3 of the *Corporations Act 2001* and for those preparing general purpose financial statements (excluding entities applying Australian Accounting Standards – Reduced Disclosure Requirements).

Furthermore, paragraph 31 of AASB 108 states that in complying with paragraph 30 an entity should consider disclosing:

a the title of the new Australian Accounting Standard;

b the nature of the impending change or changes in accounting policy;

c the date by which application of the Australian Accounting Standard is required;

d the date at which the entity plans to apply the Australian Accounting Standard initially; and

e either:

  i a discussion of the impact that initial application of the Australian Accounting Standard is expected to have on the entity's financial report; or

  ii if the impact is not known or reasonably estimable; a statement to that effect.

Standards and Interpretations with an effective date post 30 June 2020

The table following (pages 3 - 10) summarises all Accounting Standards (and Interpretations) that have been issued by the AASB and IASB as at **5 August 2020**. Any further Standards (and Interpretations) issued after this date will also need to be disclosed up until the date of authorisation of the financial report.

Although the table lists most of the Standards (and Interpretations) issued but not yet effective, entities should only disclose Standards (and Interpretations) that are relevant to them. For instance, a for-profit entity does not need to disclose the impact of a new Standard that only applies to entities in the public sector.

In addition, it is important that the sample disclosure/indicative impact for each Standard and Interpretation is tailored to suit the particular circumstances of each entity. Entities should pay particular attention to this disclosure, considering that the Australian Securities and Investments Commission (ASIC) has been expressing concerns over a number of years with entities providing 'boiler plate' disclosures.

Entities applying Australian Accounting Standards – Reduced Disclosure Requirements (RDR)

Tier 2 entities reporting under the RDR regime are not required to disclose Accounting Standards issued but not yet effective. Accordingly, none of the RDR-related amendments have been included in the table. Given the relative significance of different standards not yet effective, entities may choose to make related disclosures. We encourage entities to consider disclosing such standards where the impact is significant – for instance, the disclosures related to the adoption of AASB 1060 (below).

Early adoption of Standards

Where Standards or Interpretations are adopted early, the following Director's minutes may be used for Corporations Act entities[3]:

"In accordance with s334(5) of the *Corporations Act*, the Directors are early adopting the following Accounting Standards:

- list Standards / Interpretations".

[3] Section 334(5) of *Corporations Act 2001* states that a company, registered scheme or disclosing entity may elect to apply the Accounting Standard to an earlier period unless the Standard says otherwise. The election must be made in writing by the Directors.

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 17 *Insurance Contracts*	AASB 4 *Insurance Contracts* AASB *1023 General Insurance Contracts* AASB *1038 Life Insurance Contracts*	AASB 17 requires all insurance contracts to be accounted for in a consistent manner and requires insurance obligations to be accounted for using current values. The standard introduces insurance contract measurement principles requiring: • current, explicit and unbiased estimates of future cash flows • discount rates that reflect the characteristics of the contracts' cash flows • explicit adjustment for non-financial risk. Under AASB 17: • day one profits should be deferred as contractual service margin and allocated systematically to profit or loss as entities provide coverage and are released from risk • revenue is no longer equal to written premiums but to the change in the contract liability covered by consideration • a separate measurement model applies to reinsurance contracts held. Modifications are allowed for qualifying short-term contracts and participating contracts • increased disclosure requirements apply.	1 January 2021 Note that the IASB recently proposed a one-year deferral of the effective date of IFRS 17 to 1 January 2022	*[If the entity has undertaken a detailed assessment and concluded that there will be no material impact.]* *When this standard is first adopted for the year ending 30 June 2022, there will be no material impact on the transactions and balances recognised in the financial statements.* *[If the entity has undertaken a detailed assessment and concluded that there will be material impact.]* *Based on the entity's assessment, it is expected that the first-time adoption of AASB 17 for the financial year ending 30 June 2022 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *(insert impact)* • *(insert impact)* *[If the entity has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]* *The entity is yet to undertake a detailed assessment of the impact of AASB 17. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2022.* *[If the entity has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]* *The entity is yet to undertake a detailed assessment of the impact of AASB 17. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2022 includes:* • *(insert impact)* • *(insert impact)* *[If the entity has not yet assessed the impact.]* *The entity has not yet assessed the full impact of this Standard.*
AASB 1059 *Service Concession Arrangements: Grantors*	None	AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to: • recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset; • reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under	1 January 2020* * The mandatory effective date of AASB 1059 has been deferred to	*[Non-public sector entities]* *When this Standard is first adopted for the year ending 30 June 2021, there will be no impact on the transactions and balances recognised in the financial statements as AASB 1059 only applies to public sector entities.* *[Public sector entities that are not grantors in a service concession arrangement]* *When this Standard is first adopted for the year ending 30 June 2021, there will be no impact on the transactions and balances*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
		roads) as a service concession asset when it meets the criteria for recognition as a service concession asset; • initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, except as specified AASB 1059; • recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and • disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.	1 January 2020 by AASB 2018-5.	*recognised in the financial statements as the entity is not a grantor in a service concession arrangement.* *[If the entity is a grantor in the public sector and has undertaken a detailed assessment and concluded that there will be no material impact.]* *When this Standard is first adopted for the year ending 30 June 2021, there will be no material impact on the transactions and balances recognised in the financial statements.* *[If the entity is a grantor in the public sector and has undertaken a detailed assessment and concluded that there will be material impact]* *Based on the entity's assessment, it is expected that the first-time adoption of AASB 1059 for the year ending 30 June 2021 will have a material impact on the transactions and balances recognised in the financial statements, in particular:* • *(insert impact)* • *(insert impact)* *[If the entity is a grantor in the public sector and has not undertaken a detailed assessment but expects there will be no material impact based on a preliminary assessment.]* *The entity is yet to undertake a detailed assessment of the impact of AASB 1059. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2021.* *[If the entity is a grantor in the public sector and has not undertaken a detailed assessment but expects there will be material impact based on a preliminary assessment.]* *The entity is yet to undertake a detailed assessment of the impact of AASB 1059. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2021 includes:* • *(insert impact)* • *(insert impact)*
AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*	None	AASB 1060 sets out a new separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 *Application of Tiers of Australian Accounting Standards*. The Standard has been developed based on a new methodology and principles to be used in determining the Tier 2 disclosures that	1 July 2021	*If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.* *[If the entity has concluded that there will be a material impact.]*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
		are necessary for meeting user needs, to replace the current Reduced Disclosure Requirements (RDR) framework. This Standard does not change: • which entities are permitted to apply Tier 2 reporting requirements; and • 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.		*Based on the entity's assessment, it is expected that the first-time adoption of these amendments for the year ending 30 June 2021 will have a material impact on the financial statements, in particular:* • *(insert impact)* • *(insert impact)*
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	None	The amendments address a current inconsistency between AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 *Business Combinations*. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.	1 January 2022* *The mandatory effective date of AASB 2014-10 has been deferred to 1 January 2022 by AASB 2017-5.	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2023, there will be no material impact on the financial statements.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	None	AASB 2018-6 amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	1 January 2020	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.* *[If the entity has concluded that there will be a material impact.]* *Based on the entity's assessment, it is expected that the first-time adoption of these amendments for the year ending 30 June 2021 will have a material impact on the financial statements, in particular:* • *(insert impact)* • *(insert impact)*
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	None	AASB 2018-7 principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across the Australian Accounting Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.	1 January 2020	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.*
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	None	AASB 2019-1 amends Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the revised *Conceptual Framework for Financial Reporting (Conceptual Framework).* The application of *Conceptual Framework* is limited to • For profit entities that have public accountability • Other for-profit entities that voluntarily elect to apply the *Conceptual Framework*	1 January 2020	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059	None	AASB 2019-2 amends AASB 16 *Leases* and AASB 1059 *Service Concession Arrangements: Grantors* to amend transitional relief relating to service concession arrangements and incorporate editorial amendments	1 January 2020	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.* *[If the entity has concluded that there will be a material impact.]* *Based on the entity's assessment, it is expected that the first-time adoption of these amendments for the year ending 30 June 2021 will have a material impact on the financial statements, in particular:* • *(insert impact)* • *(insert impact)*
AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*	None	AASB 2019-3 amends AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments* and *AASB* 139 *Financial Instruments: Recognition and Measurement* to modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform. In addition, the amendments require entities to provide additional information about their hedging relationships that are directly affected by these uncertainties.	1 January 2020	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.* *[If the entity has concluded that there will be a material impact.]* *Based on the entity's assessment, it is expected that the first-time adoption of these amendments for the year ending 30 June 2021 will have a material impact on the financial statements, in particular:* • *(insert impact)* • *(insert impact)*
AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	None	AASB 2019-5 makes amendments to AASB 1054 *Australian Additional Disclosures* by adding a disclosure requirement for an entity intending to comply with IFRS standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* on the potential effect of an IFRS standard that has not yet been issued by the AASB. This ensures that for-profit publicly accountable entities complying with Australian Accounting Standards can assert compliance with IFRS standards.	1 January 2020	*[For-profit publicly accountable entities stating compliance with IFRS standards]* *When this Standard is first adopted for the year ending 30 June 2021, additional disclosures may be necessary if there are any pronouncements issued by the International Accounting Standards Board that have not yet been issued by the AASB at the date of authorisation of the entity's financial report.* *[All entities other than those for-profit publicly accountable entities stating compliance with IFRS standards]* *When this Standard is first adopted for the year ending 30 June 2021, there will be no impact on the entity's financial statements.*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as current or Non-current*	None	AASB 2020-1 makes amendments to AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for the liability for at least 12 months after the reporting period. The AASB recently issued amendments at AASB 101 to clarify the requirements for classifying liabilities as current. Specifically: • clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period; • stating that management's expectations around whether they will defer settlement or not does not impact the classification of the liability; • adding guidance about lending conditions and how these can impact classification; and • including requirements for liabilities that can be settled using an entity's own instruments.	1 January 2020	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.* *[If the entity has concluded that there will be a material impact.]* *Based on the entity's assessment, it is expected that the first-time adoption of these amendments for the year ending 30 June 2021 will have a material impact on the financial statements, in particular:* • *(insert impact)* • *(insert impact)*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2020-02 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities	None	AASB 2020-02 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 this Standard, as well as in AASB 2019-1. The applicability of the Framework for the Preparation and Presentation of Financial Statements and 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 (eg 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 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 this Standard is applicable (all of which would apply the Conceptual Framework). As a consequence, 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).	1 July 2021	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2021, there will be no material impact on the financial statements.* *[If the entity has concluded that there will be a material impact.]* *Based on the entity's assessment, it is expected that the first-time adoption of these amendments for the year ending 30 June 2021 will have a material impact on the financial statements, in particular:* • *(insert impact)* • *(insert impact)*

New / revised pronouncement	Superseded pronouncement	Nature of change	Effective date (annual reporting periods beginning on or after)	Likely impact on initial application
AASB 2020-05 Amendments to Australian Accounting Standards – Insurance Contracts	None	AASB 2020-05 amends AASB 17 *Insurance Contracts* to: • reduce the costs of applying AASB 17 by simplifying some of its requirements; • make an entity's financial performance relating to insurance contracts easier to explain; and • ease the transition to AASB 17 by deferring its effective date to annual periods beginning on or after 1 January 2023 instead of 1 January 2021 and by providing additional optional relief to reduce the complexity in applying AASB 17 for the first time. The amendments to AASB 4 permit eligible insurers to continue to apply AASB 139 Financial Instruments: Recognition and Measurement until they are required to apply AASB 9 Financial Instruments alongside AASB 17.	1 January 2021	*[If the entity has concluded that there will be no material impact.]* *When these amendments are first adopted for the year ending 30 June 2022, there will be no material impact on the financial statements.*

Action required

With the 30 June 2020 reporting deadlines fast approaching, entities should now take time to review and consider the impact of new and revised accounting standards that have been issued but are not yet effective. This is particularly important considering that ASIC is looking to scrutinise disclosures in this area.

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.