

# **Explanatory Statement**

## **Accounting Standard AASB 2018-3** *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*

**August 2018**



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Standards Amended by AASB 2018-3

This Standard makes amendments to AASB 16 *Leases* (February 2016) and AASB 1058 *Income of Not-for-Profit Entities* (December 2016).

These amendments establish Reduced Disclosure Requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.

### Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the AASB has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

## Main Features of AASB 2018-3

### Main Requirements

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. This Standard makes amendments to AASB 16 and AASB 1058 to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). Tier 2 requirements comprise the recognition and measurement requirements of Tier 1 (Australian Accounting Standards) but substantially reduced disclosure requirements in comparison with Tier 1.

### Application Date

AASB 2018-3 applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

### References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

## Consultation Prior to Issuing this Standard

The Board issued Exposure Draft ED 284 *Recent Standards – Reduced Disclosure Requirements* in December 2017 for comment by 31 March 2018. ED 284 set out the disclosures in AASB 16 *Leases*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 1059 *Service Concession Arrangements: Grantors* from which the Board proposed entities applying Tier 2 reporting requirements should be exempt.

The Board developed the proposals based on the current RDR decision-making framework, which specifies the following principles are applied in determining disclosures under Tier 2:

- (a) drawing directly on the *IFRS for SMEs* when Tier 2 recognition and measurement requirements are the same as those under the *IFRS for SMEs*; and
- (b) using the ‘user need’ and ‘cost-benefit’ principles applied by the IASB in developing its *IFRS for SMEs* when Tier 2 recognition and measurement requirements are not the same as those available under the *IFRS for SMEs*.

The Board received five submissions on ED 284. The respondents generally agreed that the Board had appropriately applied the current RDR decision-making framework and expressed support for the proposed RDR concessions for AASB 16 and AASB 1058. The Board amended some of the proposed disclosure concessions in response to the submissions received. The Board concluded that reduced disclosure requirements were not required for AASB 1059, as had been proposed in ED 284. This approach was supported by most respondents.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2018-3 as the amendments made do not have a substantial direct or indirect impact on business or competition.

# Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the  
*Human Rights (Parliamentary Scrutiny) Act 2011*

## **Accounting Standard AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements***

### **Overview of the Accounting Standard**

This Standard makes amendments to AASB 16 *Leases* (February 2016) and AASB 1058 *Income of Not-for-Profit Entities* (December 2016).

The amendments establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). Tier 2 requirements comprise the recognition and measurement requirements of Tier 1 (Australian Accounting Standards) but substantially reduced disclosure requirements in comparison with Tier 1.

### **Human Rights Implications**

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

### **Conclusion**

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.