

# **Explanatory Statement**

## **Accounting Standard AASB 2021-1** ***Amendments to Australian Accounting Standards –*** ***Transition to Tier 2: Simplified Disclosures for Not-for-Profit*** ***Entities***

**March 2021**



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Standards Amended by AASB 2021-1

This Standard makes amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards* (June 2010) and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020).

### Marked-up Text

This Standard incorporates marked-up text to clearly identify some of the amendments to AASB 1053 and AASB 1060. Those amendments are incorporated using clean text into the compilations of those Standards when they are prepared, based on the legal commencement date of the amendments.

### 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 2021-1

### Main Requirements

This Standard amends AASB 1060 to provide not-for-profit (NFP) entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements. This relief is available for not-for-profit entities transitioning from either Tier 1: Australian Accounting Standards or Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements (RDR) to Tier 2: Australian Accounting Standards – Simplified Disclosures (SD) for a reporting period prior to the entity's mandatory application of AASB 1060.

Amendments to AASB 1053 highlight that the relief set out in Appendix E of AASB 1053 is available only to for-profit private sector entities.

### Application Date

AASB 2021-1 applies to annual periods beginning on or after 1 July 2021. Earlier application is permitted, provided that AASB 1060 is also applied to the same period.

### 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.

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## Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 306 *Transition Between Tier 2 Frameworks for Not-for-Profit Entities* in December 2020 for comment by 15 January 2021. Six formal submissions were received by the AASB in respect of the proposals in ED 306. The feedback received indicated that, in general, all respondents were supportive of the proposals. However, some respondents suggested that:

- (a) the Board should adopt a sector-neutral approach to transition relief. In their view, NFP entities should have the same transition relief as for-profit private sector entities whether they are transitioning from special purpose financial statements (SPFS), Tier 1 or Tier 2 RDR and preparing Tier 2 SD for the first time; and
- (b) consequently, AASB 1060 may not be the best place for the proposed amendments, given their support for additional transitional relief for NFP entities.

The Board considered this feedback and decided:

- (a) to extend the relief from presenting comparative information for those disclosures not previously made to also include transition from Tier 1 to Tier 2 SD. This was because both Tier 1 and Tier 2 SD are prepared on the same recognition and measurement basis and there would be very few, if any, disclosures for which comparative information was not presented. Extending the relief would therefore have a limited impact on comparability and would provide consistent optional relief for NFP entities transitioning between types of general purpose financial statements;
- (b) not to provide any relief to NFP entities transitioning from SPFS at this time. This was because NFP entities are not currently required to transition from SPFS. The Board did however reaffirm that it intends to consider specific transition relief for NFP entities, including those that may be required to transition from SPFS, as part of its NFP Private Sector Financial Reporting Framework project; and
- (c) AASB 1060 remained the most appropriate location for these amendments. Although the optional relief in this Standard does not apply solely to NFP entities transitioning between Tier 2 frameworks, the Board heard no compelling reasons to relocate the amendments from AASB 1060 to AASB 1053. NFP entities applying the optional relief will be transitioning to Tier 2 SD. Therefore, including the relief in the applicable Tier 2 Standard (AASB 1060) remained appropriate.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2021-1 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 2021-1 *Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities***

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

This Standard makes amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards* (June 2010) and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020).

This Standard amends AASB 1060 to provide not-for-profit entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements. This relief is available for not-for-profit entities transitioning from either Tier 1: Australian Accounting Standards or Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements to Tier 2: Australian Accounting Standards – Simplified Disclosures for a reporting period prior to the entity's mandatory application of AASB 1060.

Amendments to AASB 1053 highlight that the relief set out in Appendix E of AASB 1053 is available only to for-profit private sector entities.

### **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*.