

Explanatory Statement

Accounting Standard AASB 2021-2

Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

March 2021



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2021-2

This Standard makes amendments to the following Australian Accounting Standards:

- (a) AASB 7 *Financial Instruments: Disclosures* (August 2015);
- (b) AASB 101 *Presentation of Financial Statements* (July 2015);
- (c) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (August 2015); and
- (d) AASB 134 *Interim Financial Reporting* (August 2015).

The Standard also makes amendments to AASB Practice Statement 2 *Making Materiality Judgements* (December 2017).

These amendments arise from the issuance by the International Accounting Standards Board (IASB) in February 2021 of the following International Financial Reporting Standards:

- (a) *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2); and
- (b) *Definition of Accounting Estimates* (Amendments to IAS 8).

Marked-up Text

This Standard incorporates marked-up text to clearly identify some or all of the amendments to the Standards. All 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 2021-2

Main Requirements

This Standard amends:

- (a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- (b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- (c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- (d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
- (e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Application Date

AASB 2021-2 applies to annual reporting periods beginning on or after 1 January 2023. The amendments to individual Standards may be applied early, separately from the amendments to the other Standards, where feasible.

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 AASB issued Exposure Draft ED 281 *Accounting Policies and Accounting Estimates* in September 2017 for comment by 17 November 2017. ED 281 incorporated IASB Exposure Draft ED/2017/5 *Accounting Policies and Accounting Estimates*. Two comment letters were received by the AASB relating to ED 281, which supported the proposals and did not raise any concerns. The AASB did not make a submission to the IASB on ED/2017/5.

The AASB issued Exposure Draft ED 296 *Disclosure of Accounting Policies* in August 2019 for comment by 28 October 2019. ED 296 incorporated IASB Exposure Draft ED/2019/6 *Disclosure of Accounting Policies*. Three comment letters were received by the AASB relating to ED 296, which generally supported the proposals but raised some concerns relating to the application of materiality and strict interpretation of immaterial transactions in the proposed amendments. The AASB did not make a submission to the IASB on ED/2019/6.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments after making some minor changes, including expanding the interpretation of immaterial transactions. The IASB set an effective date for the amendments of annual periods beginning on or after 1 January 2023, with earlier application permitted. The AASB considered and adopted the amendments made by the IASB to IFRS Standards in finalising AASB 2021-2 and the amendments to the Australian Accounting Standards.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2021-2 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 2021-2 *Disclosure of Accounting Policies and Definition of Accounting Estimates*

Overview of the Accounting Standard

This Standard makes amendments to the following Australian Accounting Standards:

- (a) AASB 7 *Financial Instruments: Disclosures* (August 2015);
- (b) AASB 101 *Presentation of Financial Statements* (July 2015);
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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*.