

Explanatory Statement

Accounting Standard AASB 2021-6

Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards

December 2021



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2021-6

This Standard makes amendments to the following Australian Accounting Standards:

- (a) AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007);
- (b) AASB 1054 *Australian Additional Disclosures* (May 2011); and
- (c) AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (March 2020).

The amendments arise from the issuance of AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* in March 2021. AASB 2021-2 amended AASB 101 *Presentation of Financial Statements* and three other Standards to address disclosure of material accounting policy information rather than significant accounting policies. These amendments were designed to help entities provide accounting policy disclosures that are more useful to the users of their financial statements.

The amendments made by AASB 2021-6 are consistent with the amendments made by AASB 2021-2.

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 2021-6

Main Requirements

This Standard amends:

- (a) AASB 1049, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- (b) AASB 1054, to reflect the updated terminology used in AASB 101; and
- (c) AASB 1060, to require entities to disclose their material accounting policy information rather than their significant accounting policies and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.

Application Date

AASB 2021-6 applies to annual reporting periods beginning on or after 1 January 2023.

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 312 *Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards* in August 2021 for comment by 4 October 2021. The AASB received formal comment letters on ED 312 from three stakeholders and verbal feedback from another stakeholder. The feedback received indicated that, in general, all respondents were supportive of the proposals. However, some respondents also provided additional feedback.

For example, one stakeholder expressed concerns about the proposed inclusion of guidance paragraphs in AASB 1060. Although the guidance might be helpful to users, the stakeholder was concerned that guidance paragraphs were not

included in AASB 1060 originally and was also unsure whether all of the proposed guidance was necessary. They were also concerned that the inclusion of guidance paragraphs might create an expectation that guidance paragraphs would be added to AASB 1060 routinely in the future. One stakeholder also suggested the AASB consider whether certain paragraphs in AASB 1060 requiring accounting policy information for specific transactions and balances are necessary, and that if they are, suggested it might be helpful for users of AASB 1060 if the AASB clarified that the specific disclosures are required only where they are material to the financial statements.

The AASB analysed the feedback it received on the proposed amendments and decided to finalise the amendments after making some minor changes. The AASB decided not to add the proposed guidance paragraphs to AASB 1060 because the AASB noted that the proposed guidance paragraphs correspond with guidance paragraphs in AASB 101 *Presentation of Financial Statements* and AASB 1060 permits an entity applying AASB 1060 to refer to other Australian Accounting Standards (including AASB 101) for guidance where necessary. However, the AASB decided to clarify that the accounting policy disclosure requirements in AASB 1060 for specific transactions or balances apply only where the accounting policy information is material to the financial statements.

The AASB set an effective date for the amendments of annual periods beginning on or after 1 January 2023, with earlier application permitted. This effective date is the same as the effective date of AASB 2021-2.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2021-6 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

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Overview of the Accounting Standard

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The amendments made by AASB 2021-2 are consistent with the amendments made by AASB 2021-2.

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*.