

# **Explanatory Statement**

## **Accounting Standard AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information***

**March 2022**



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Standards Amended by AASB 2022-1

This Standard makes amendments to AASB 17 *Insurance Contracts* (July 2017).

These amendments arise from the issuance of International Financial Reporting Standard *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* (Amendment to IFRS 17) by the International Accounting Standards Board (IASB) in December 2021.

### 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 2022-1

### Main Requirements

This Standard amends AASB 17 to add a transition option referred to as ‘a classification overlay’ relating to comparative information about financial assets presented on initial application of AASB 17 and AASB 9 *Financial Instruments* at the same time. The amendments relate to financial assets for which comparative information presented on initial application of AASB 17 and AASB 9 has not been restated for AASB 9. Applying the transition option would permit an entity to present comparative information about such a financial asset as if the classification and measurement requirements of AASB 9 had been applied to that financial asset. This enables insurers to reduce potentially significant accounting mismatches between financial assets and insurance contract liabilities in the comparative period (or periods), to improve the usefulness of the comparative information in the general purpose financial statements.

### Application Date

AASB 2022-1 applies to annual reporting periods beginning on or after 1 January 2023. The amendments may be applied to earlier reporting periods.

### 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 313 *Initial Application of AASB 17 and AASB 9 – Comparative Information* in August 2021, with comments due by 20 August 2021. ED 313 incorporated IASB Exposure Draft ED/2021/8 *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*. No comment letters were received by the AASB relating to ED 313. The AASB did not make a submission to the IASB on ED/2021/8.

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 availability of the classification overlay to all financial assets, while also providing relief in disclosure requirements. The IASB concluded that these amendments will help insurers to avoid differences in transition requirements causing temporary accounting mismatches and, therefore, will improve the usefulness of information to investors on initial application of the insurance contracts Standard. 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 2022-1 and the amendments to AASB 17.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2022-1 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 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information***

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

This Standard amends AASB 17 to add a transition option referred to as ‘a classification overlay’ relating to comparative information about financial assets presented on initial application of AASB 17 and AASB 9 *Financial Instruments* at the same time. The amendments relate to financial assets for which comparative information presented on initial application of AASB 17 and AASB 9 has not been restated for AASB 9. Applying the transition option would permit an entity to present comparative information about such a financial asset as if the classification and measurement requirements of AASB 9 had been applied to that financial asset. This enables insurers to reduce potentially significant accounting mismatches between financial assets and insurance contract liabilities in the comparative period (or periods), to improve the usefulness of the comparative information in the general purpose financial statements.

### **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*.