

# Explanatory Statement

## Accounting Standard AASB 2024-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures*

March 2024



**Australian Government**

**Australian Accounting  
Standards Board**

# EXPLANATORY STATEMENT

## Standards Amended by AASB 2024-1

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

## Main Features of AASB 2024-1

AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* (June 2023) amended AASB 107 *Statement of Cash Flows* and AASB 7 *Financial Instruments: Disclosures* to introduce the requirement for an entity to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

This Standard (AASB 2024-1) amends AASB 1060 to require a Tier 2 entity to include in its financial statements the same specific disclosures that AASB 2023-1 requires in the financial statements of Tier 1 entities. Accordingly, Tier 2 entities will be required to disclose the terms and conditions of supplier finance arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

## Application Date

This Standard applies to annual periods beginning on or after 1 January 2024 that end on or after 30 June 2024, with earlier application permitted.

## Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 328 *Supplier Finance Arrangements: Tier 2 Disclosures* in December 2023 for public comment, with comments due by 5 February 2024.

One submission was received indicating that, in general, the stakeholder supported the proposals. The stakeholder provided additional feedback that the disclosure objective proposed in ED 328 was unnecessary because the AASB generally has not included disclosure objectives in AASB 1060. Additionally, the AASB noted that the International Accounting Standards Board (IASB) had tentatively decided not to include some of the text proposed in ED 328 in relevant IFRS Standards, such as the proposed transition relief.

Following the consultation period and after considering the comments received, the AASB decided to proceed with issuing this Standard, with minimal changes from the proposals in ED 328. In particular, the AASB decided not to retain the proposed disclosure objective for AASB 2024-1. However, the AASB retained the proposed transition relief given the short period between the issue of these amendments and their application date, in contrast to the long lead time expected for the IASB's forthcoming amendments to the *IFRS for SMEs* Standard. The AASB also retained the additional explanation of supplier finance arrangements. The AASB will monitor future IASB decisions about its amendments and will consider whether further amendments are required to AASB 1060 at that time.

The AASB set an effective date of annual periods beginning on or after 1 January 2024 that end on or after 30 June 2024, with earlier application permitted. This is consistent with the effective date of AASB 2023-1 for most Tier 1 entities.

A Policy Impact Analysis has not been prepared in connection with the issue of AASB 2024-1 as the amendments made do not have a substantial direct or indirect impact on business or competition.

## Legislative Features of Accounting Standards

### 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*.

### 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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## Exemption from Sunsetting

Accounting Standards promulgated by the AASB that are legislative instruments are exempt from the sunsetting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemptions and Other Matters) Regulation 2015* (Item 18(a)).

The AASB's Australian Accounting Standards incorporate Standards set by the International Accounting Standards Board in respect of publicly accountable for-profit entities. The AASB's Standards are exempt from sunsetting because a more stringent review process than sunsetting applies to the Standards. This review process ensures Australia's Accounting Standards regime remains consistent with international Standards. Typically, the AASB Standards are revised at least once within a ten-year period, with most of the Standards subject to much more frequent revisions. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunsetting regime would have very limited practical application to AASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

## Statement of Compatibility with Human Rights

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

### **Accounting Standard AASB 2024-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures***

## Overview of the Accounting Standard

This Standard makes amendments to Australian Accounting Standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Tier 2 entities will be required to disclose the terms and conditions of supplier finance arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.

## 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*.