

# Financial Reporting and Accounting Guide

April 2020

## ‘Simplified Disclosures’ to replace ‘Reduced Disclosure Regime’

This publication provides a summary of the key changes to the preparation of Tier 2 general purpose financial statements under AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

### **Principal requirements of the standard**

AASB 1060 applies to annual reporting periods beginning on or after 1 July 2021 with earlier application permitted. It replaces the existing ‘Reduced Disclosure Regime’ (RDR) and provides simplified disclosures for those entities that prepare Tier 2 general purpose financial statements (GPFS).

### **Who does this apply to?**

The standard will apply to

- For-profit and not-for-profit (NFP) entities currently preparing Tier 2 GPFS; and
- Certain for-profit private sector entities having to prepare GPFS for the first time, given the removal of the ability for such entities to prepare special purpose financial statements (SPFS) [refer to separate accounting guide for more on this].

### **Why change?**

The objective of the Simplified Disclosures framework is to reduce the reporting burden of for-profit and NFP entities currently applying the existing RDR framework and to provide simplified disclosures for those entities moving from preparing SPFS to GPFS as a result of the application of AASB 2020-2 [refer to separate accounting guide for more on this]. A further benefit of this framework is that it will better align our Tier 2 disclosure requirements to the international benchmark of IFRS for small and medium-sized enterprises (SMEs).

### **What is the impact?**

For those entities currently preparing Tier 2 RDR financial statements, whether a for-profit or NFP entity, there will likely be some reduction in disclosures, although this will be dependent on the relevance of the disclosures to the particular entity.

For those for-profit entities currently preparing SPFS, there is likely to be additional disclosures required in a number of areas, including related parties, tax and financial instruments. The extent of additional disclosures is dependent on the disclosures adopted in the previous SPFS.

## What does not change?

AASB 1060 does not change:

- Which entities are permitted to apply Tier 2 reporting requirements; and/or
- The recognition and measurement requirements of Tier 2, which are the same as for Tier 1.

## Main differences between Simplified Disclosures and RDR

### Disclosures

The areas of increased or reduced disclosures will depend on the nature of the entity and type of transactions it undertakes during the reporting period.

The areas where additional disclosures have been included over and above the existing RDR framework include general information about the entity (domicile, legal form, etc), employee benefits, audit fees, imputation credits, hedging and first-time adoption.

The areas where disclosures have been significantly reduced from the existing RDR disclosures include financial instruments, interests in other entities and leases.

In other areas covered by the standard, disclosures tend to be marginally less than the RDR disclosures.

### Presentation

While AASB 1060 includes certain presentation requirements, these do not result in presentations or classifications that are significantly different to those required for Tier 1 entities. The only exception is the option available not to include a separate statement of changes in equity in certain circumstances. This option allows one statement of income and retained earnings to be presented in place of both the statement of comprehensive income and a statement of changes in equity. This is only allowable if the only changes to equity during the periods for which the financial statements are presented arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.

### Format

The existing RDR framework highlights the areas of reduced disclosures through 'shading' within individual standards or appendices. This approach will no longer be applicable. Instead, all the relevant disclosures for Tier 2 GPFS are presented in AASB 1060 which is a separate, stand-alone standard. Entities applying this standard will be exempt from disclosure requirements in specified paragraphs in all other standards as well as other standards that deal only with presentation and disclosures.

## Further information and assistance

Contact Pitcher Partners for further information and assistance on preparing general purpose financial statements under the new Simplified Disclosures standard.

## Contact us



**Kylee Byrne** *Melbourne*  
Executive Director  
+61 3 8610 5292  
kylee.byrne@pitcher.com.au



**Kerry Hicks** *Sydney*  
Director, Technical Standards  
+61 2 9228 2272  
kerry.hicks@pitcher.com.au

The material contained in this publication is general commentary only, it is not professional advice. Before making any decision or taking any action in relation to your organisation or business, you should consult your professional advisor. To the maximum extent permitted by law, neither Pitcher Partners or its affiliated entities, nor any of our employees will be liable for any loss, damage, liability or claim whatsoever suffered or incurred arising directly or indirectly out of the use or reliance on the material contained in this publication.



Adelaide Brisbane Melbourne Newcastle Perth Sydney



Pitcher Partners is an association of independent firms. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

[pitcher.com.au](http://pitcher.com.au)