

# AFSL financial reporting changes

Reporting update  
15 August 2022, 22RU-13 Updated



## How AFS licensees apply the new Australian financial reporting framework

## GPFS (Not SPFS)

## ASIC Form FS 70

### Highlights

- In a nutshell ....
- Reporting by AFS licensees
- Consolidated and separate financial statements
- Transition relief (30 June 2022)

### In a nutshell ....

In early June 2022 ASIC issued a [media release](#) announcing the regulators requirements for Australian Financial Services (AFS) licensees in implementing the new Australian financial reporting framework.

The Australian Accounting Standards Board (AASB) introduced a new Australian private sector financial reporting framework which first mandatory applies for financial years beginning on or after 1 July 2021, for example years ended 30 June 2022. The new framework effectively brings an end to special purpose financial statements (SPFS) for a number of entities – that is the removal of the 'reporting entity framework' which has been in place for the last 30 old years.

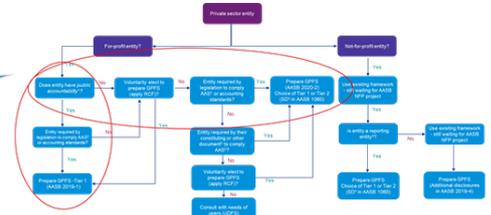
An overview of the new Australian private sector financial reporting framework is contained in [Appendix 1](#) and further materials on the change in framework can be found on the [KPMG website](#).

The change requires **all** AFS licensees to complete a form of general purpose financial statements (GPFS), that is they can no longer prepare SPFS. There is limited transition relief for financial years **commencing** before 24 June 2022, for example years ended 30 June 2022. This relief is discussed below.

[ASIC Form FS 70](#) (FS 70) is the instrument which gives legal effect of the changes announced by ASIC. ASIC issued the updated FS 70 on 1 July 2022. In addition, ASIC has now issued some [frequently asked questions](#) which support FS 70. **This Reporting Update has been updated for the revised FS 70 and supporting frequently asked questions.**

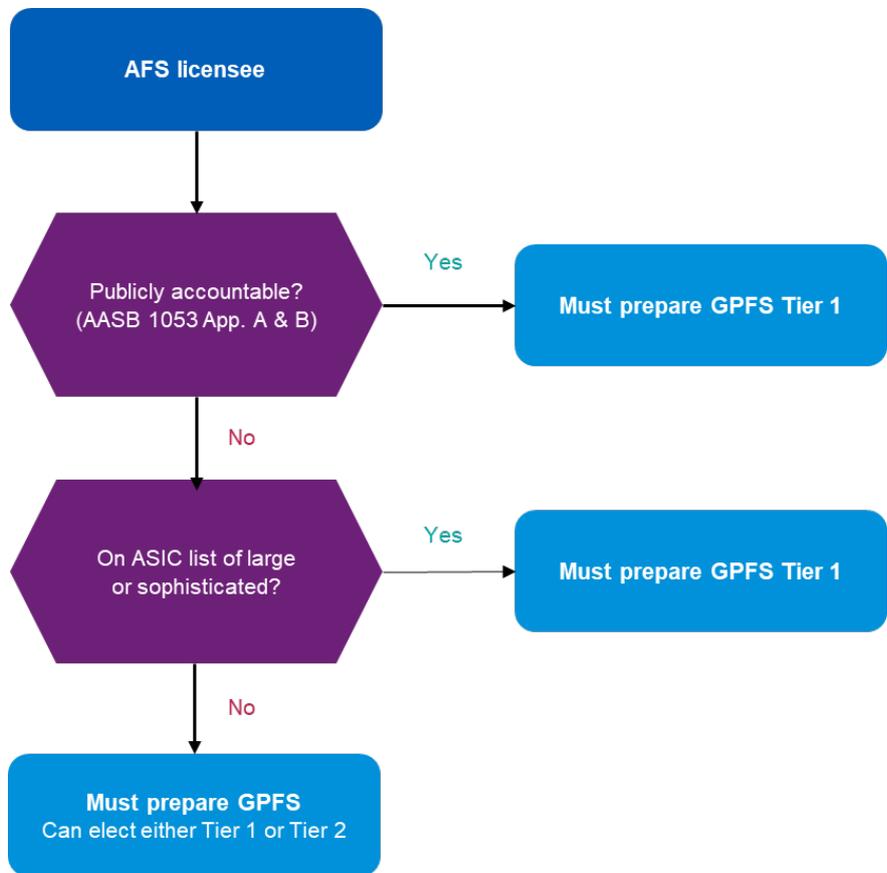
## Reporting by AFS licensees

The new framework will apply to AFS licensees which are required to apply Chapter 7 of the *Corporations Act 2001* for financial years beginning on or after 1 July 2021, for example years ended 30 June 2022.



Appendix 1

**GPFS-Tier 1 or  
GPFS-Tier 2**



### Publicly accountable

Those AFS licensees which have public accountability are required to prepare GPFS-Tier 1 (i.e., full recognition, measurement, classification and disclosure requirements of Australian Accounting Standards). This should be consistent with the financial reports prepared in previous financial years.

**Publicly accountable  
licensees – GPFS-Tier 1**

## Large or sophisticated licensees – GPFS-Tier 1

## Other licensees – GPFS – Choice between Tier 1 or Tier 2

AASB 1053 *Application of Tiers of Australian Accounting Standards* defines that an entity has public accountability if:

- its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or
- it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.

In its media release ASIC has confirmed its view that licensees that typically hold **client monies or assets** are deemed to be publicly accountable.

### Large or sophisticated

ASIC has introduced a requirement, for those licensees that have a greater market impact ('large or sophisticated'), to now prepare GPFS-Tier 1 – if they were not already doing so. This requirement applies for financial years beginning on or after 1 July 2021, for example years ended 30 June 2022 – subject to the transition relief discussed below.

ASIC has identified the following licensees as being large or sophisticated.

ASIC identified large or sophisticated licensees	
Regulated by APRA	Over-the-counter derivative issuers
Participants in a licensed market	Wholesale trustees
Participants in a clearing and settlement facility	Responsible entities of a registered scheme
Retail over-the-counter derivative issuers	Providers of a custodial or depository service
Wholesale electricity dealers	Operators of an invested directed portfolio service
Corporate advisors that deal in financial products	Corporate directors of a corporate collective investment vehicle

### Other AFS licensees

AFS licensees that do not have public accountability nor are 'large or sophisticated' will be required to prepare a form of GPFS – either Tier 1 or Tier 2. They can no longer prepare SPFS. This requirement applies for financial years beginning on or after 1 July 2021, for example years ended 30 June 2022 – subject to the transition relief discussed below.

ASIC has also reinforced that all licensees will be required to prepare a cash flow statement – which is a requirement for all forms of GPFS.

***“AFS licensees that hold client monies or assets will now need to ensure they prepare GPFS-Tier 1. As will those licensees classified as having a 'greater market impact' – that is, those on the large or sophisticated list.***

***Other licensees can no longer prepare SFPS. This is consistent with the requirements of the new Australian financial reporting framework.”***

**Michael Voogt**  
Director

## Consolidated and separate financial statements

The following comments apply where the AFS licensee is a **parent**.

### 'Old' requirements

Prior to the updated ASIC Form FS 70 (1 July 2022), AFS licensees reporting under Chapter 7 of the *Corporations Act 2001* were required to provide both consolidated and parent entity financial statements (4 columns) – as the 'exemption' to exclude the parent entity financial statements (s295(2)) is not replicated in Chapter 7 for AFS licensees.

However, intermediate parent AFS licensees, that were not APRA regulated, that qualified for a consolidation exemption in AASB 10 *Consolidated Financial Statements* (AASB 10) – either paragraph 4(a) or Aus4.1 could **elect** to provide parent entity (separate) financial statements (i.e., not present consolidated financial statements).

### Updated wording

The updated FS 70 includes the following requirement:

*11(a)(ii) – if the licensee had 'control of an investee' as defined in AASB 10 Consolidated Financial Statements at any time during the financial year, (it must) include both parent entity and consolidated financial statements.*

ASIC has recognised the impact of the above on those intermediate parent AFS licensees seeking to continue to appropriately apply the consolidation exemption relief in AASB 10. In August 2022, ASIC has released some [frequently asked questions](#) which states:

### ASIC FAQ

*Paragraph 11(a)(iii) of the certification in Form FS70 is not intended to override the exemption that applies, in certain circumstances, to an intermediate parent in a group from preparing consolidated financial statements under paragraph 4(a) of Accounting Standard AASB 10 Consolidated financial statements.*

The net impact of the above means that any **intermediate parent** AFS licensees preparing GPFS:

- that qualify under the consolidation exemption conditions in AASB 10 (either paragraph 4(a) or Aus4.1), AND
- elect to apply that exemption in their intermediate parent GPFS,

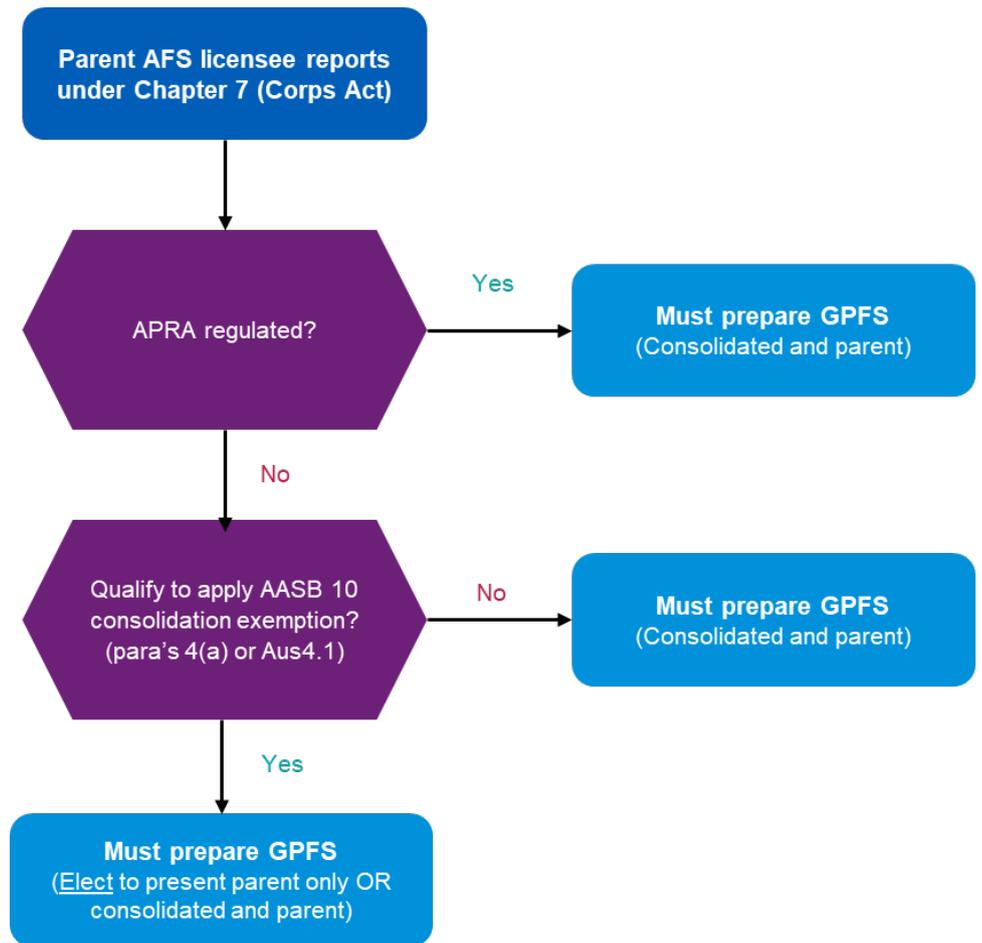
can (continue) to prepare parent entity (separate) financial statements.

### No exemption

Where an intermediate parent does not qualify for the AASB 10 consolidation exemption it will be required to prepare both parent entity and consolidated GPFS.

Those intermediate parent AFS licensees that had previously only presented parent entity (separate) **SPFS** will now be required to prepare GPFS and may have to present parent and consolidated financial statements if they do not qualify for the AASB 10 consolidation exemption.

The following summarises the requirements in the updated FS 70.



### Transition relief

Given the late timing of this ASIC announcement limited transition relief has been provided for financial years **commencing** on or after 1 July 2021 but up to 23 June 2022, for example years ended 30 June 2022. **This transitional relief does not apply for financial years beginning on or after 24 June 2022, for example years ended 30 June 2023).**

### AFS licensees not required to report under Chapter 2M

Where an entity:

- appropriately assessed itself as a non-reporting entity at its last reporting date (for example, 30 June 2021) and elected to prepare SPFS, **AND**
- it is still considered a non-reporting entity at its current reporting date (for example, 30 June 2022), **AND**
- is not required to prepare financial statements under Chapter 2M of the *Corporations Act 2001* (for example, a unit trust or small proprietary company)

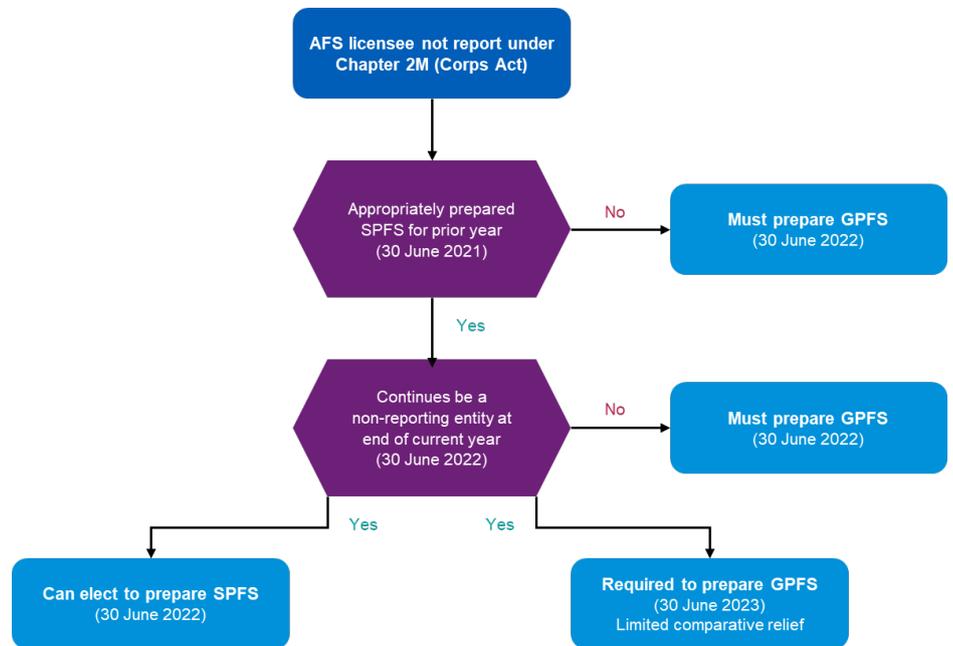
it can **elect** to prepare SPFS for its current reporting date (for example, 30 June 2022).

**SPFS still able to be prepared for 30 June 2022 under certain conditions**

It must prepare GPFS for the following financial year (for example, 30 June 2023). Further relief is also extended for this set of GPFS – where comparative information need not contain the new disclosures in the first GPFS prepared under the new requirements. Where the relief is utilised for the following financial year this will need to be reflected in the basis of preparation note.

The following summarises the above transition relief for AFS licensee reporting under Chapter 7 only.

### Summary of relief – Chapter 7 only



### Large or sophisticated may be able to prepare GPFS-Tier 2 for first year only

### AFS licensees that are large or sophisticated and report under Chapter 2M

Where an entity reports under Chapter 2M of the *Corporations Act 2001* (for example, a public company or large proprietary company) **AND**:

- does not have public accountability, **AND**
- is a type of entity now included on the ASIC list of large or sophisticated licensees

then for financial years **commencing** on or after 1 July 2021 but up to 23 June 2022 it can **elect** to prepare GPFS-Tier 2 for its current reporting date (for example, 30 June 2022).

It must prepare GPFS-Tier 1 for the following financial year (for example, 30 June 2023). For these financial statements there is an option for limited relief for the presentation of comparative information where the current year GPFS-Tier 1 comparative disclosures had not been previously made. Where the relief is utilised for the following financial year this will need to be reflected in the basis of preparation note.

## No relief for other licensees

Where an entity reports under Chapter 2M of the *Corporations Act 2001* (for example, a public company or large proprietary company) **AND**:

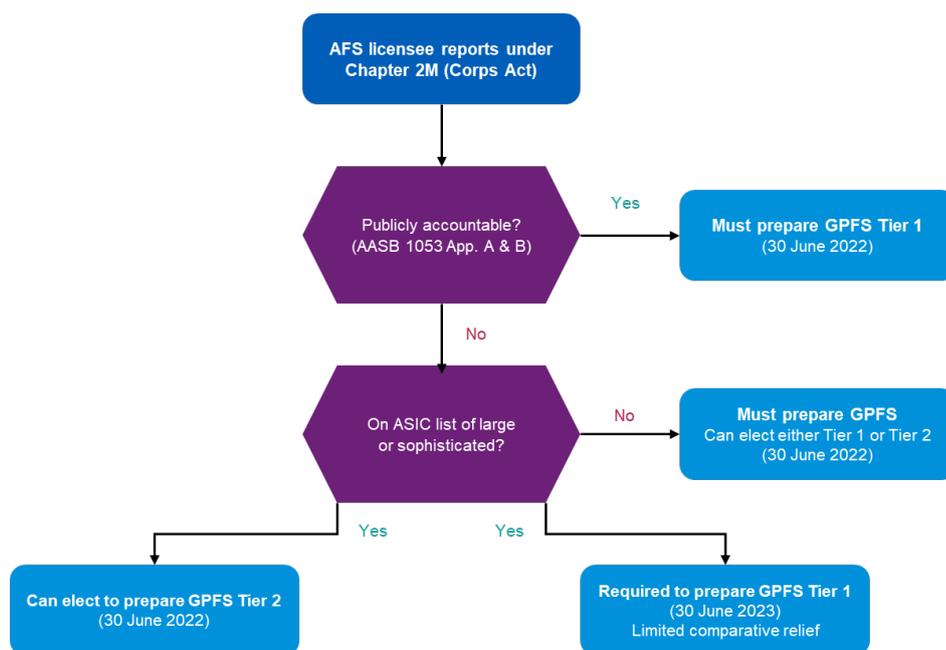
- does not have public accountability, **AND**
- is **not** a large or sophisticated licensee

then for financial years commencing before 24 June 2022, for example years ended 30 June 2022, it **must** prepare GPFS. The entity can elect to prepare either GPFS-Tier 1 or GPFS-Tier 2.

In all cases if an entity has public accountability it must prepare GPFS-Tier 1.

The following summarises the above transition relief for AFS licensee reporting under Chapter 2M (and Chapter 7).

## Summary of relief



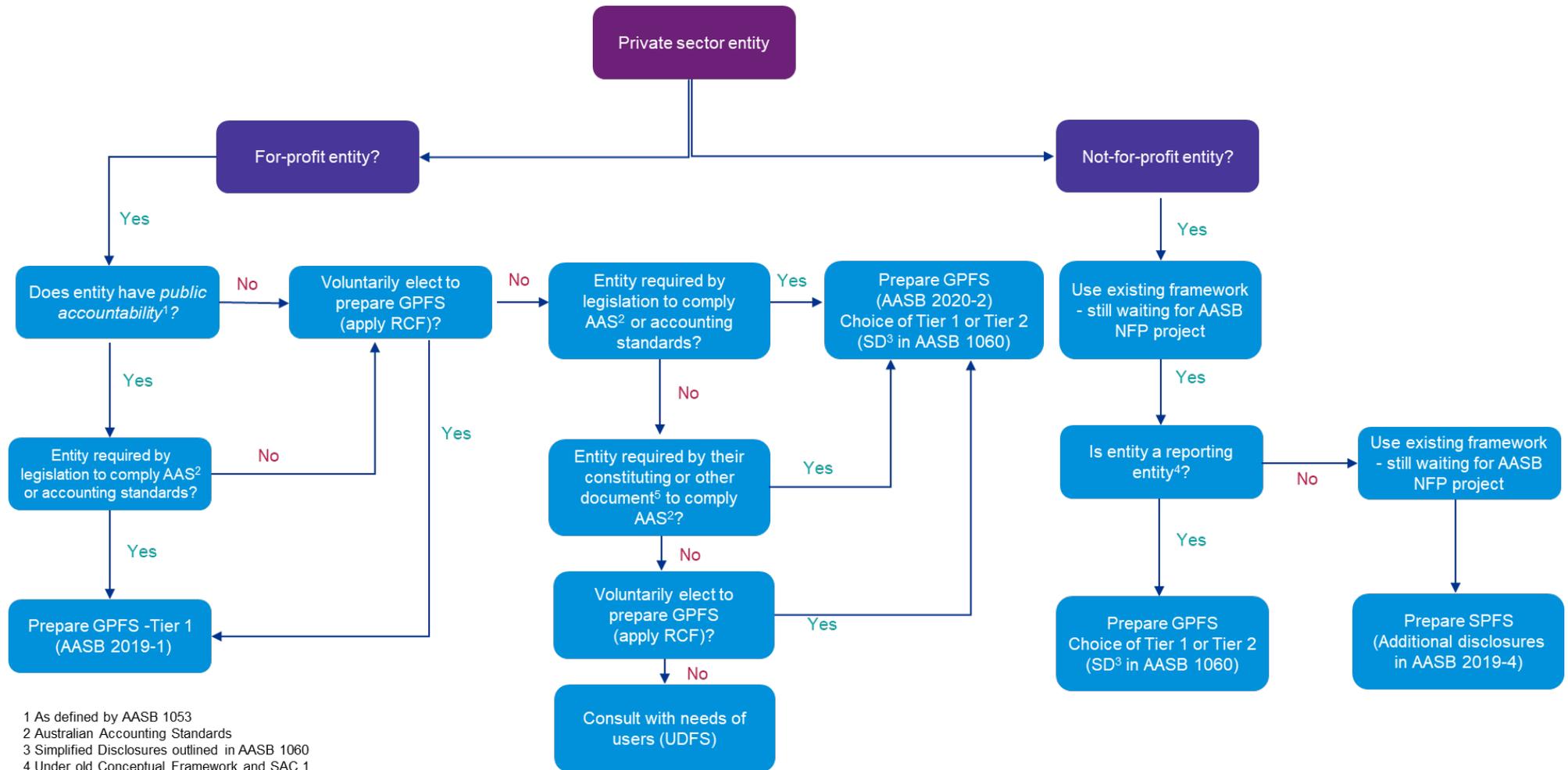
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# Appendix 1



1 As defined by AASB 1053  
 2 Australian Accounting Standards  
 3 Simplified Disclosures outlined in AASB 1060  
 4 Under old Conceptual Framework and SAC 1  
 5 Created or amended on or after 1 July 2021  
 UDFS = User defined financial statements  
 RCF = Revised conceptual framework

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