

KPMG guide – Transition to simplified disclosures

Reporting update
15 July 2022, 22RU-15



New private sector financial reporting framework

Two tiers

Tier 1 (full)

Tier 2 (SD)

30 June 2022

Transition steps

Highlights

- In summary
- KPMG guide released

In summary ...

The reporting entity concept, which is unique to Australia, is ending after a 30-year run. It will be replaced by a framework where there is no longer any subjectivity around which category of reporting an entity falls into.

The Australian Accounting Standards Board (AASB) introduced a new Australian private sector financial reporting framework. This new framework effectively brings an end to special purpose financial statements (SPFS) for a number of entities.

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 new framework for for-profit private sector financial reporting consists of two Tiers of financial reporting for preparing general purpose financial statements (GPFS):

- Tier 1: Australian Accounting Standards (in full)
- Tier 2: Australian Accounting Standards – Simplified Disclosures.

Tier 1 incorporates International Financial Reporting Standards (IFRS[®] Accounting Standards) issued by the International Accounting Standards Board and includes requirements that are specific to Australian entities.

Tier 2 comprises the recognition and measurement requirements of Tier 1 (including consolidation and the equity method of accounting, where applicable) but substantially reduced disclosure requirements. Tier 2 disclosure requirements are set out in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The new framework is effective for financial years beginning on or after 1 July 2021 – so financial years ending 30 June 2022 will be the first to implement.

To assist with the transition to the new framework the AASB amended AASB 1053 *Application of Tiers of Australian Accounting Standards*. AASB 1053 outlines the steps for an entity to transfer to Tier 2 financial statements.

KPMG guide released

KPMG guide

We have developed a practical guide ([Transition to Simplified Disclosures](#)) to assist entities preparing Tier 2 Simplified Disclosures (SD) financial statements for the first time as at 30 June 2022.

It provides guidance for the following:

Whether need to apply AASB 1

Impact of applying AASB 1

Disclosures - basis of preparation - other disclosures

- How to practically account for where an entity transitions from SPFS, GPFS-Tier 2 or GPFS-Tier 1, in the prior financial year, to GPFS-Tier 2 SD for the current year (30 June 2022). The guide includes approximately 40 examples.
- When a transitioning entity is required to apply AASB 1 First-time Adoption of Australian Accounting Standards. The guide includes a number of illustrative examples on potential adjustments that would be required if an entity is not already complying with all recognition and measurement requirements in Australian Accounting Standards.
- Example basis of preparation notes for the first year of adopting GPFS-Tier 2 SD.
- Example AASB 1 transition disclosures.

We hope that the guide will assist you in working through your transition to Tier 2 SD financial statements.

Not-for-profits

Not-for-profit, private sector entities will continue to follow the 'old' framework until the Australian Accounting Standards Board finalise a project which aims to adapt the new framework for not-for-profit entities. At present, we expect this in 2023. KPMG will issue an additional publication as this AASB project is finalised.

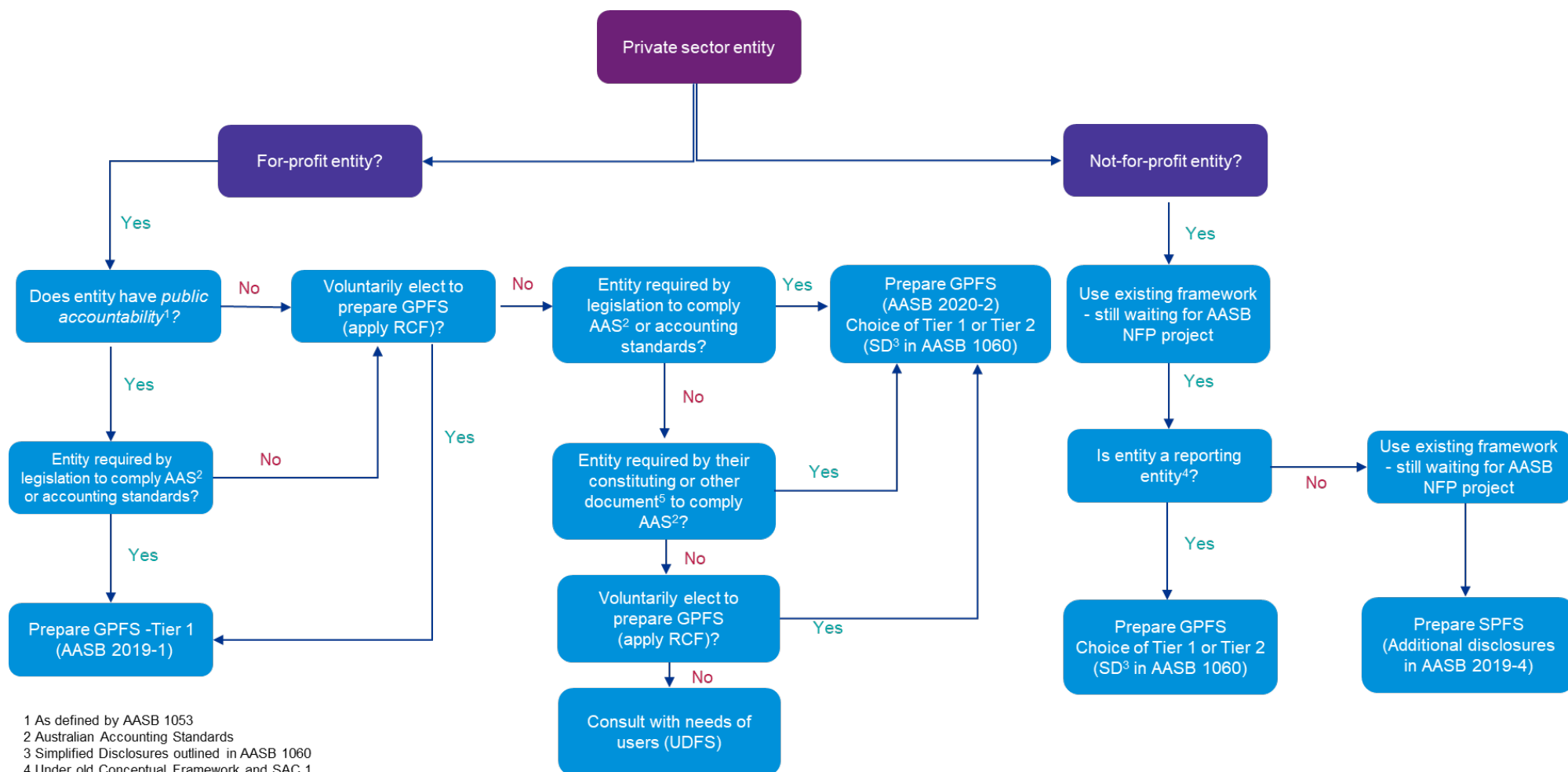
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Appendix 1



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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