



Are you ready for 30 June 2022 reporting?

Part 1

10 May 2022



Your facilitators are...



Kim Heng

Partner



Joe Wheeler

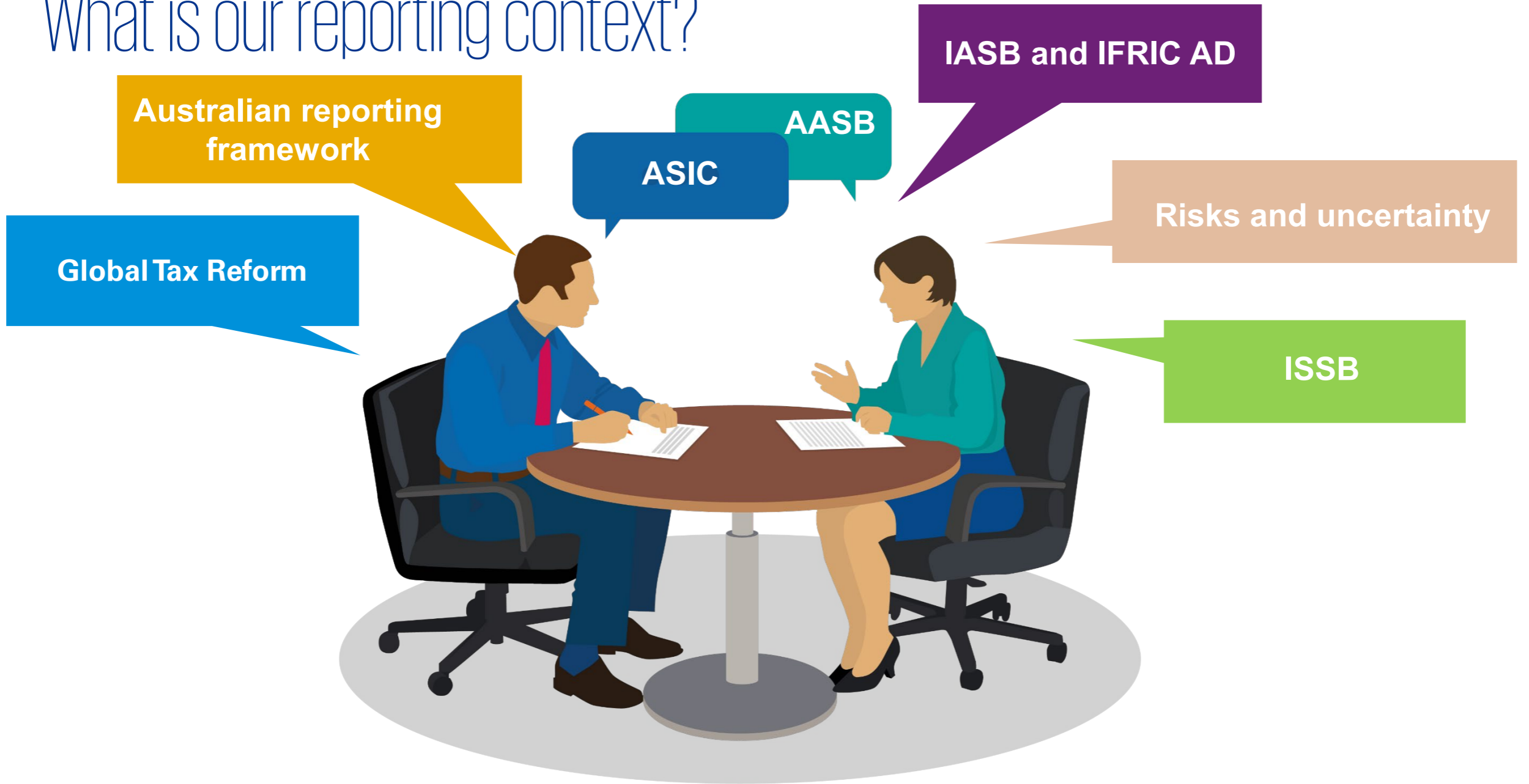
Director



Oksana Gladchenko

Senior Manager

What is our reporting context?



Agenda

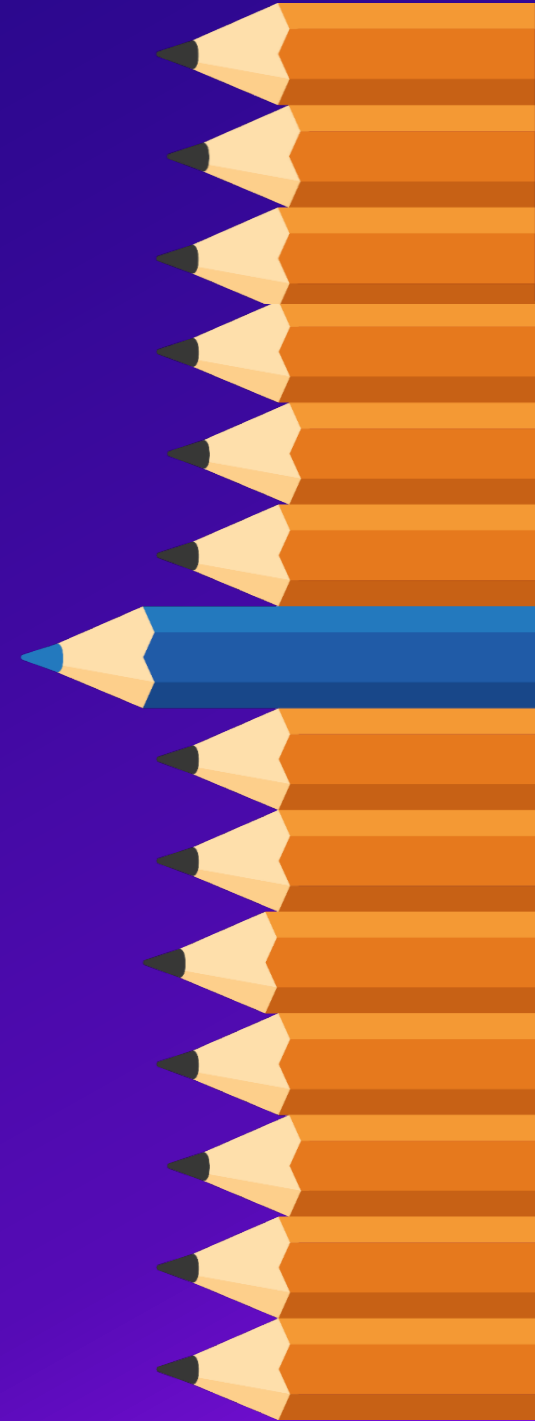
Regulatory update

Australian issues

Hot topics

- **BEPs 2.0**
 - **Impact of uncertainty on financial reports**
-

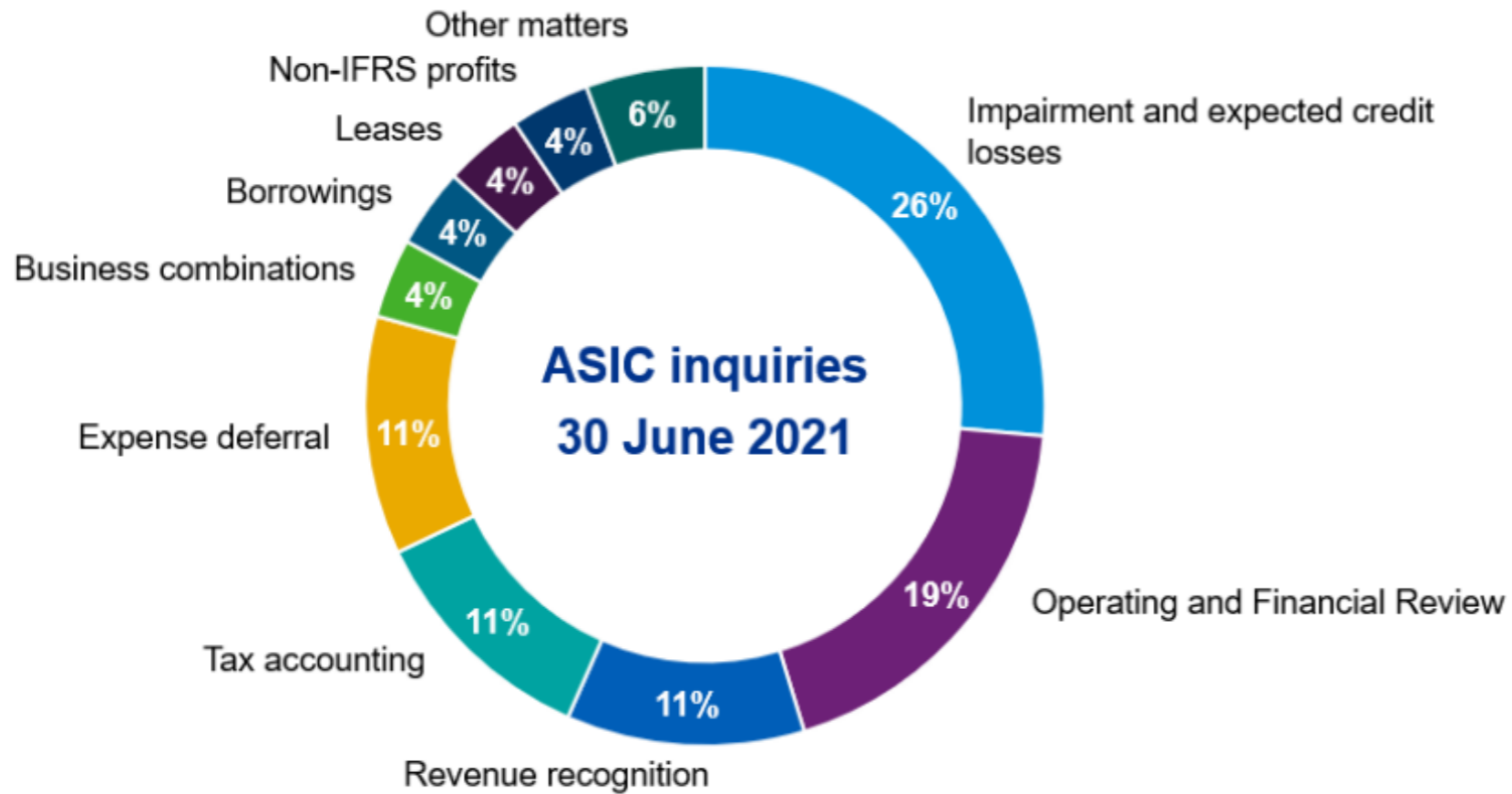
Wrap up



Regulatory update



ASIC financial statement surveillance



By the numbers:

- 150 listed entities reviewed by ASIC
- 53 total inquiries to 29 different companies

What to consider for Impairment and expected credit losses

Impairment of non-financial assets

- Reasonableness of key assumptions supporting the recoverable amount
- Discount rates
- New or continuing indicators of impairment must be considered

Expected credit losses

- Timeliness and reasonableness of key assumptions utilised
- Consideration of liquidity issues and financial condition of debtors
- Historical accuracy

Impairment of other assets

- Key assumptions in commercial and residential property values
- Treatment of rent concessions and any impairment of lessee's right of use assets
- Net realisable value of inventory
- Recoverability of deferred tax assets
- Value of investments in unlisted entities



Disclosure is key!

Disclosure in the Operating and Financial Review

- Tell your story – OFR should complement the financial report
- Explain the underlying drivers of the results and financial position – avoid generic explanations
- Don't limit discussion to the COVID-19 Pandemic
- Climate-related financial disclosures
- Finding a balance of too much disclosure versus too little
- Articulate the uncertainties



ASIC focus area

Revenue recognition



- Wide variety of inquiries
- Nature and recognition of fees and services for financing arrangements
- Timing and recognition for online sale of goods

Tax accounting



- Deferred tax asset recoverability
- Reasonableness of future taxable income to recover tax losses



Expense deferral

- Disclosure

Other matters



- Off-balance sheet exposures
- Bed licenses for aged care providers

Leases



- Rent concessions
- Impairment of right of use assets

Business combinations



- Treatment of related services



Non-IFRS matters

- Potentially misleading
- Reconciliation to IFRS
- Consistency of adjustments
- Inclusion in the financial statements

Bed licenses

Improving Choice in Residential Aged Care – ACAR Discontinuation released September 2021

Aged Care Places (commonly known as 'Bed Licenses') will be discontinued from 1 July 2024

What is the impact on bed licences this 30 June 2022?



- Useful lives should be reassessed from indefinite to finite-lived intangible assets
- Amortise on straight line basis from 1 October 2021 to 30 June 2024



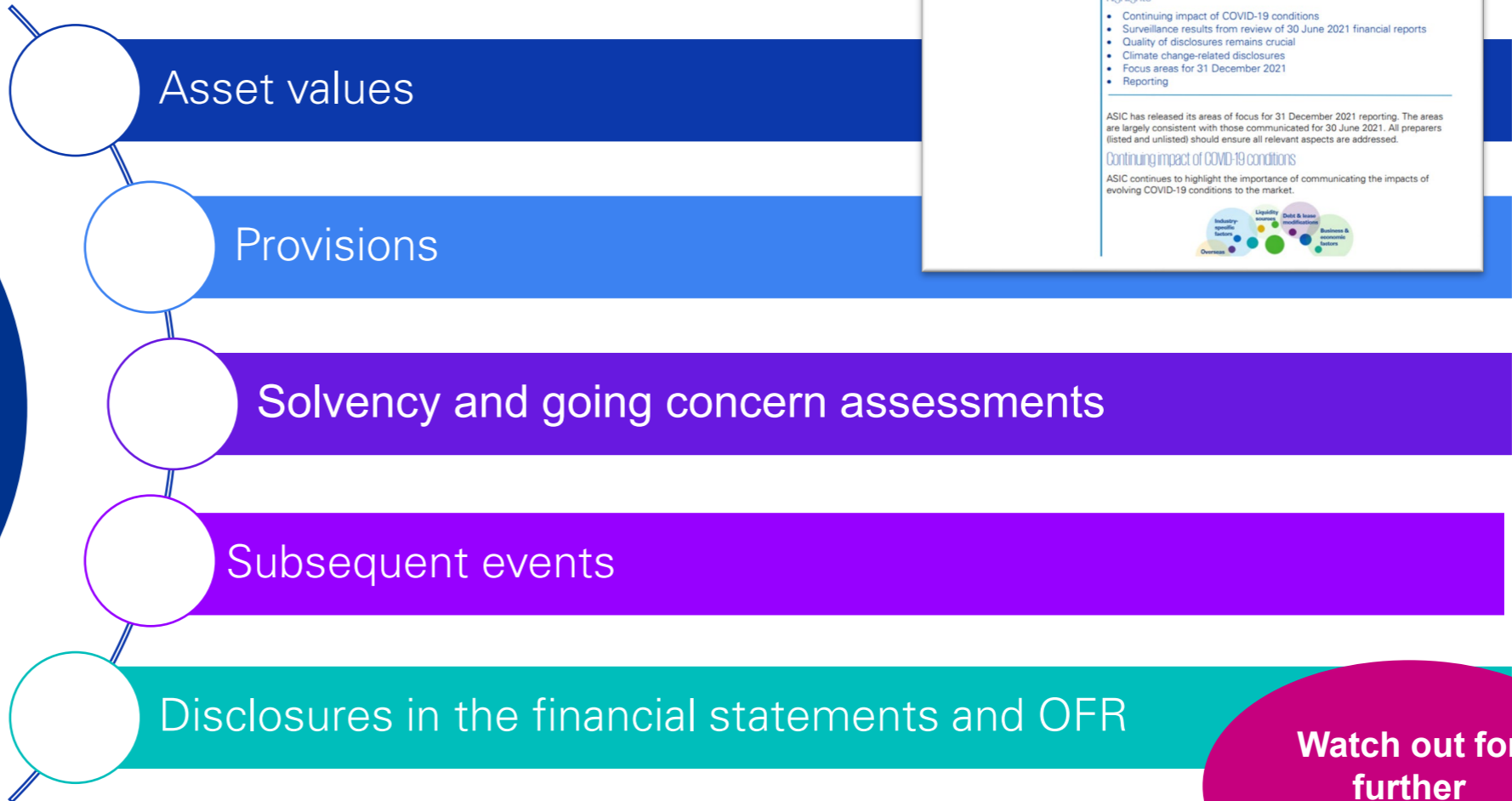
- Carrying value should be tested for impairment
- Would continue to form part of CGU assessment, unless held for sale, in which case impairment assessment at asset level



- The change in useful life treated as change in estimate and applied prospectively

The above is consistent with ASIC FAQ released on 29 September 2021

What to watch for at 30 June 2022?



Watch out for further developments

Australian issues



"New" Australian Private Sector Financial Reporting Framework is here!



Special purpose financial statements gone for certain for-profit entities for **30 June 2022 YE**

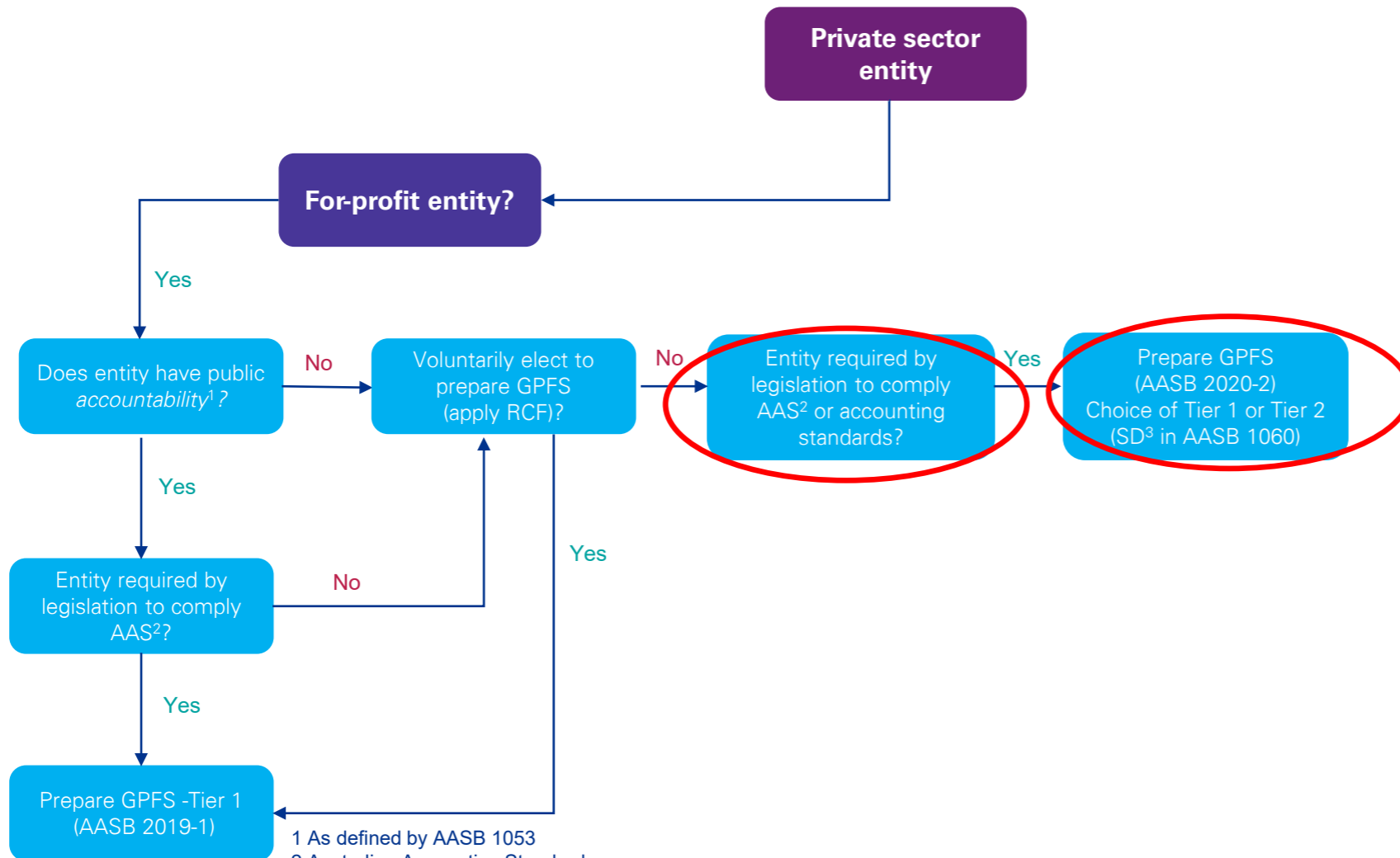


GPFS-Tier 2 Simplified Disclosure standard to be applied



NFPs will continue to follow 'old' framework until a project is finalized by AASB

"New" Australian Private Sector Financial Reporting Framework is here!



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

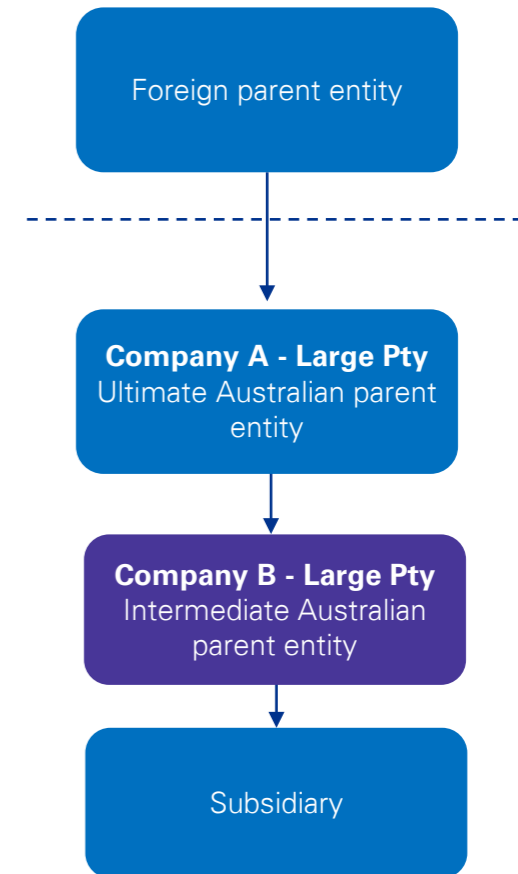


Example - Large Proprietary Company

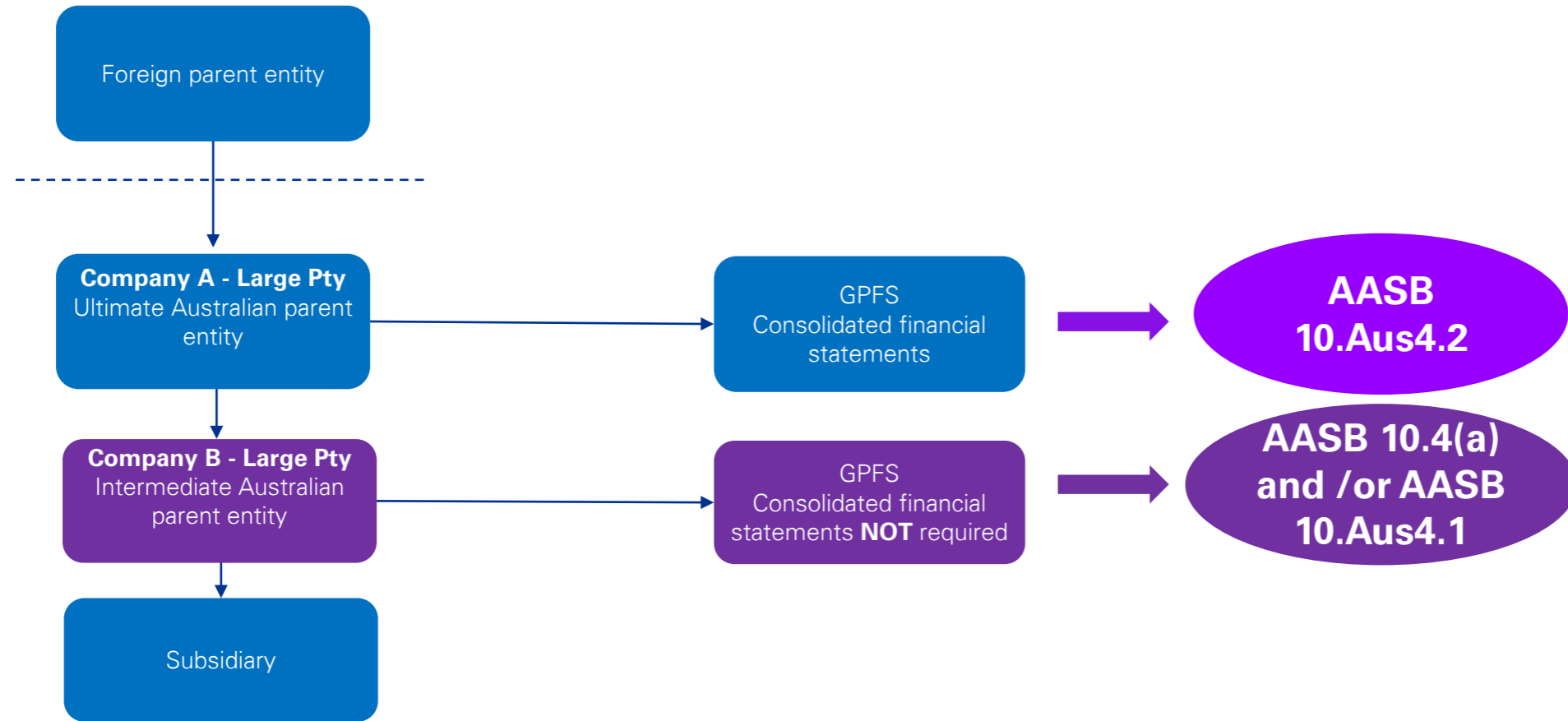
Both Company A and Company B are for-profit large proprietary companies without public accountability. There is no deed of cross guarantee in place and both companies do not have relief from preparing financial statements.

What type of financial statements are required to be prepared by Company A and Company B for the 30 June 2022 YE?

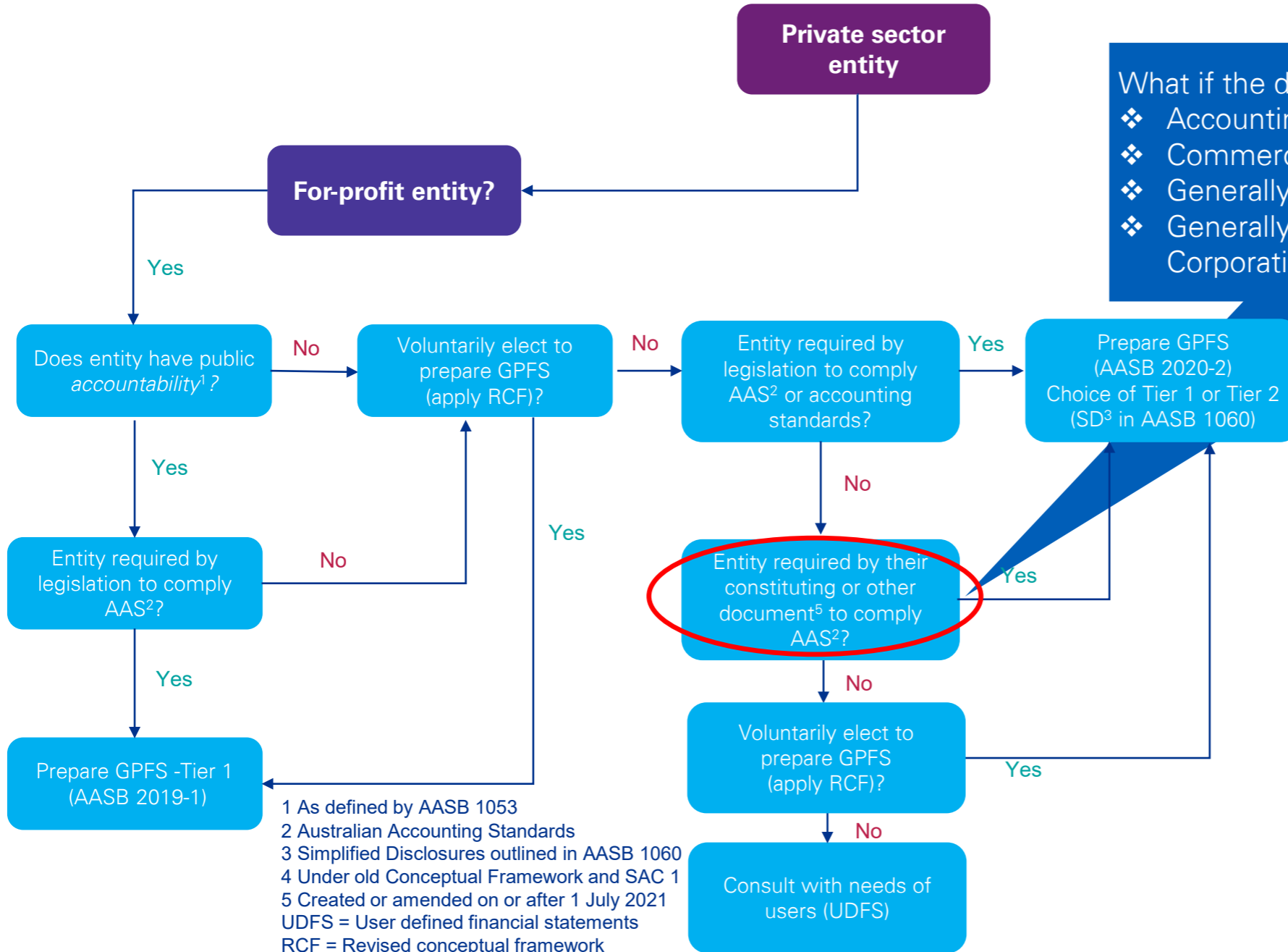
**Form of GPFS is required for both Company A and Company B
Consolidated or not?**



Example - Large Proprietary Company



"New" Australian Private Sector Financial Reporting Framework



What if the document says

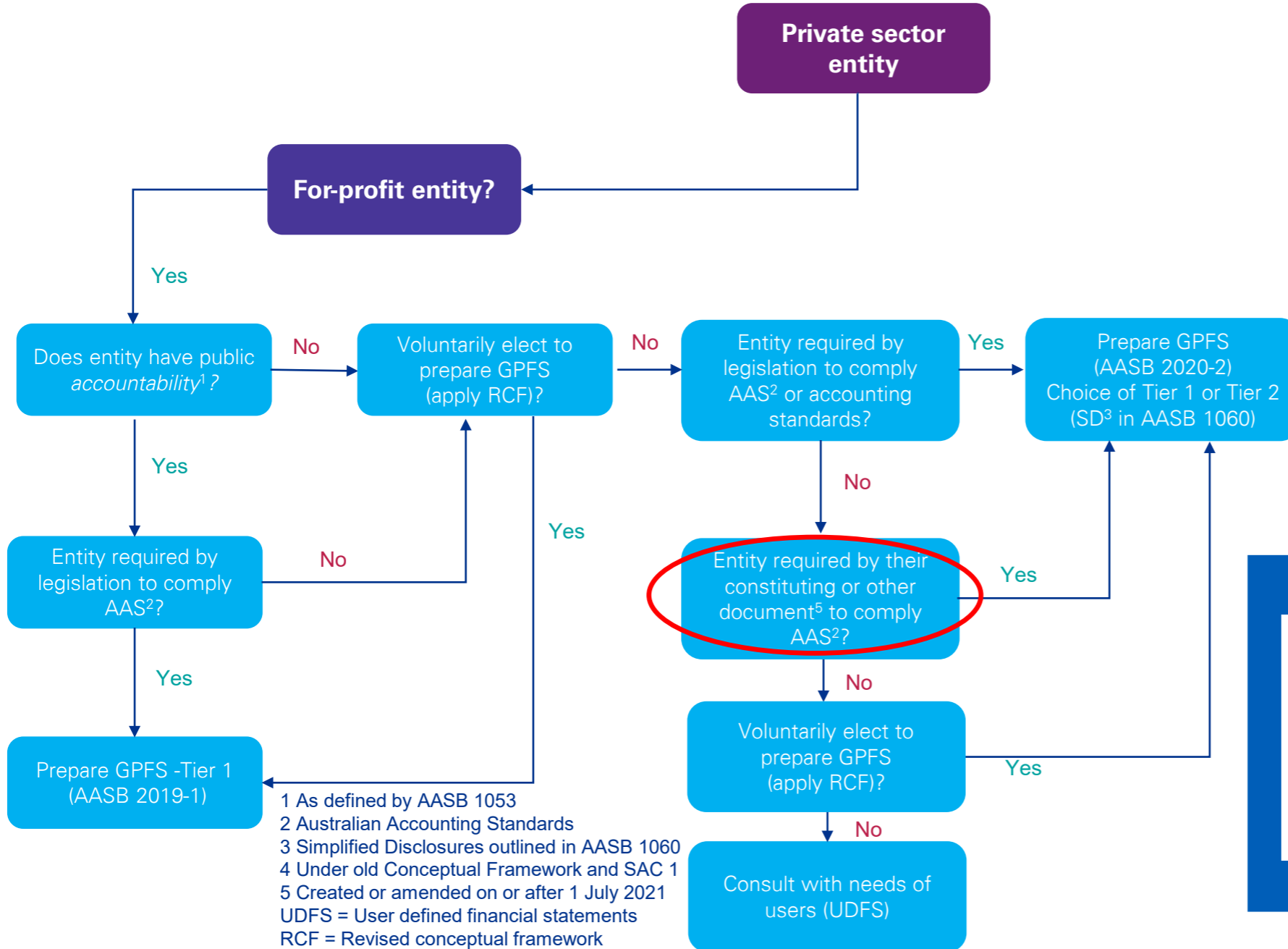
- ❖ Accounting standards OR
- ❖ Commercially accepted accounting principles OR
- ❖ Generally accepted accounting principles OR
- ❖ Generally accepted accounting principles and the Corporations Act

Consider seeking legal advice if meaning is uncertain

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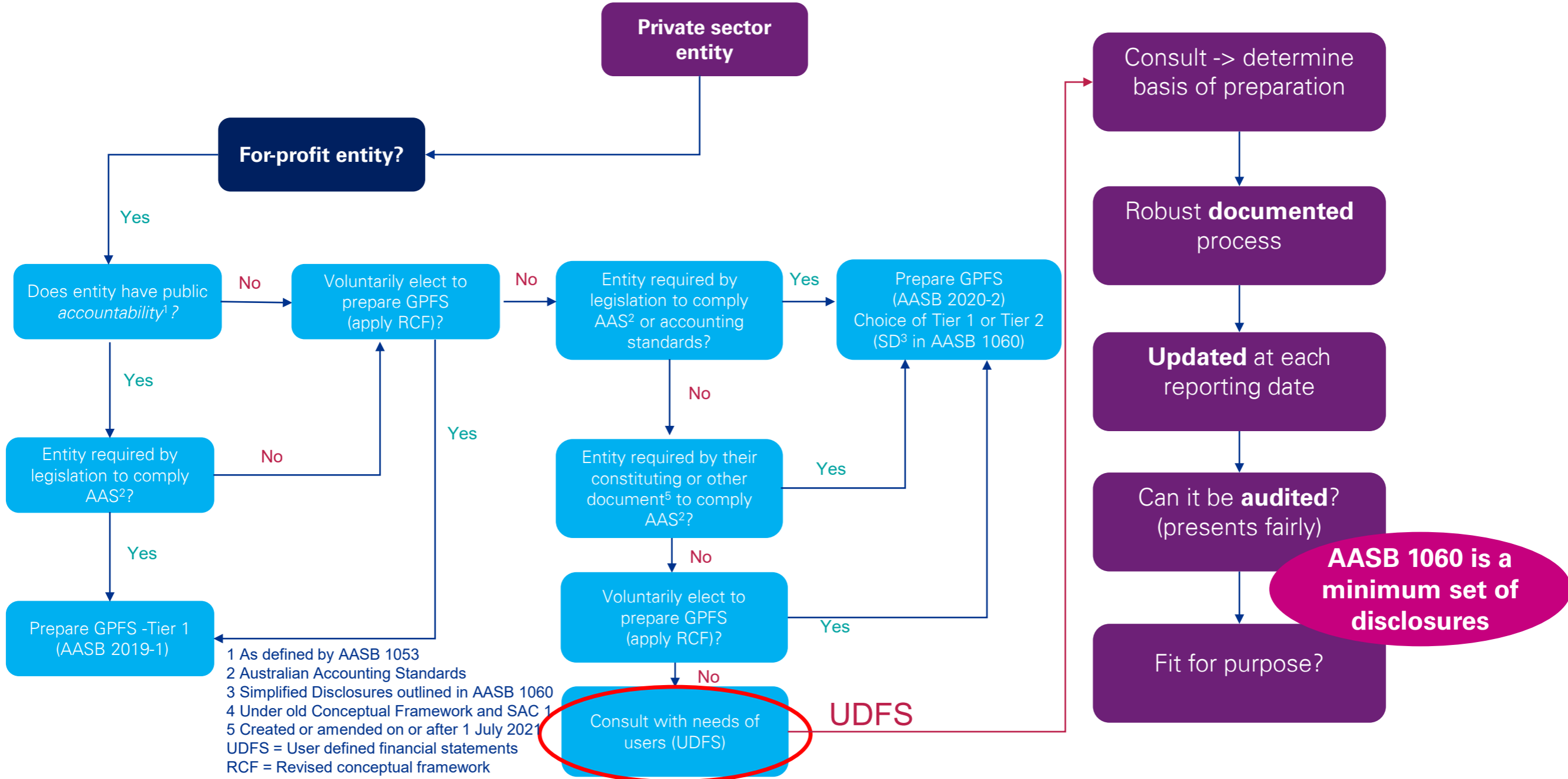
"New" Australian Private Sector Financial Reporting Framework



Significance of constituting document at 1 July 2021

Constituting/other document	Examples					
	1	2	3	4	5	6
Requires compliance with AAS	Yes	Yes	Yes	Yes	Yes	Yes
Creation date	<1/7/21	<1/7/21	<1/7/21	>1/7/21	>1/7/21	>1/7/21
Amendment after 1/7/21	No	Yes	Yes	No	Yes	Yes
Amendment removed AAS requirement	N/A	Yes	No	N/A	Yes	No
Type of financial statements	Choice^	Choice^	GPFS	GPFS	Choice^	GPFS

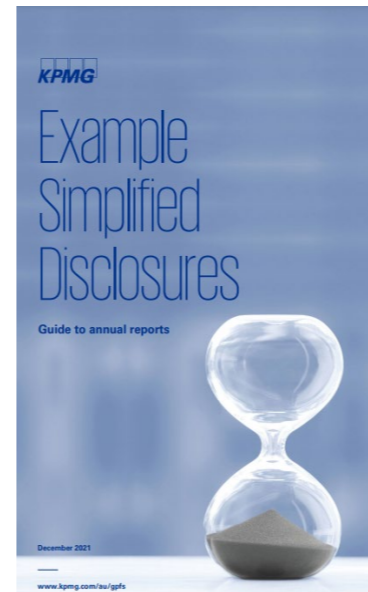
"New" Australian Private Sector Financial Reporting Framework



Transition from SPFS to GPFS

Applying AASB 1060 for the first time

- AASB 1060 – “One-stop-shop” disclosure standard
- Replaces “disclosure only” standards (e.g. AASB 101, AASB 124)
- Full comparatives are required if adopted for 30 June 2022 YE for the first time
- Transition elections in AASB 1 **are available**
- Recognition and measurement (full IFRS)



[kpmg.com/au/gpfs](https://www.kpmg.com/au/gpfs)

	Conceptual framework Issued and applies from 1 January 2020 (periods beginning)	∨
	For-profit Phase 1 implemented, Phase 2 expected Q1 2020	∨
	GPFS – Tier 1 Issued and applies from 1 January 2020 (periods beginning)	∨
	Public accountability AASB project in 2020	∨
	GPFS – Tier 2 Disclosures Expected to apply from 1 July 2020 (periods beginning)	∨
	GPFS – Tier 2 Transition relief Expected to apply from 1 July 2020 (periods beginning)	∨
	Special purpose financial statements Change expected to apply from 1 July 2020 (periods beginning)	∨
	Proprietary company thresholds Issued and applies from 1 July 2019 (periods beginning)	∨
	Not-for-profit AASB project in 2020	∨

Hot topics



BEPS 2.0

The case for global tax reform

EU Commission to appeal Apple ruling in Ireland over \$14.9 billion tax case

The EU says Ireland gave Apple a deal to pay less taxes, but a court annulled the judgment in July

By [Kim Lyons](#) | [@SocialKimLy](#) | Sep 25, 2020, 4:23pm EDT

Google Australia pays more tax, but still makes billions on local sales counted in Singapore

By business reporter [Nassim Khadem](#)

Posted Mon 18 May 2020 at 5:25am, updated Mon 18 May 2020 at 2:33pm

Amazon had sales income of €44bn in Europe in 2020 but paid no corporation tax

Rupert Neate *Wealth correspondent*

[@RupertNeate](#)

Tue 4 May 2021 15:00 AEST



What is BEPS 2.0?

Base Erosion and Profit Shifting (BEPS) – responding to digitisation of global economies and competition



An international agreement on a two-pillar approach to tax reform



Introduces new rules on allocation of MNE profits and aims to set a global taxation floor.



Each Pillar contains a set of rules that targets multi-national organisations of different sizes.

Together, the two pillars reflect one of the most significant reforms to the international tax system in over 100 years

Pillar 1

Pillar One seeks to reallocate taxing rights to the jurisdiction in which the end user is located.



Not expected to impact many Australian groups

Pillar 2

Pillar Two seeks to establish a global minimum tax rate in the jurisdictions in which a company operates.



Who

Thousands of multinational groups with revenues **above EUR 750 million.**

How much

Amount required to achieve 15% effective tax rate in each jurisdiction.

Where

In each operating jurisdiction.

Generally paid by ultimate parent of the group.

Exclusions

Government, non-profits, pension and investment funds.

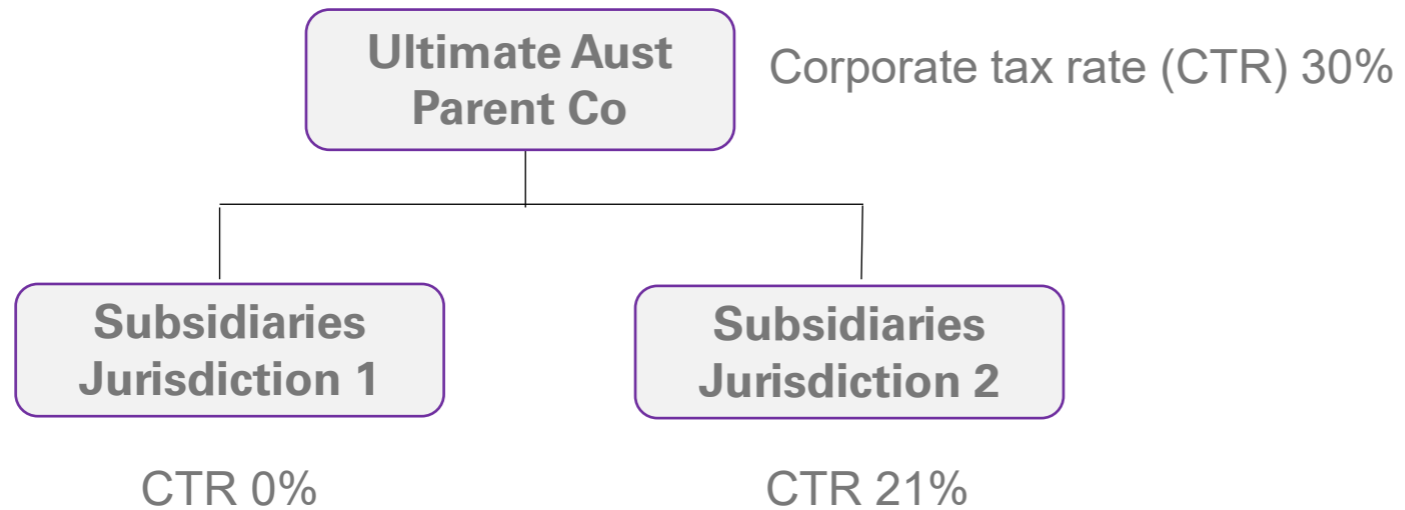
Implementation

Currently 2023 but could be deferred to 2024

Will impact many Australian groups

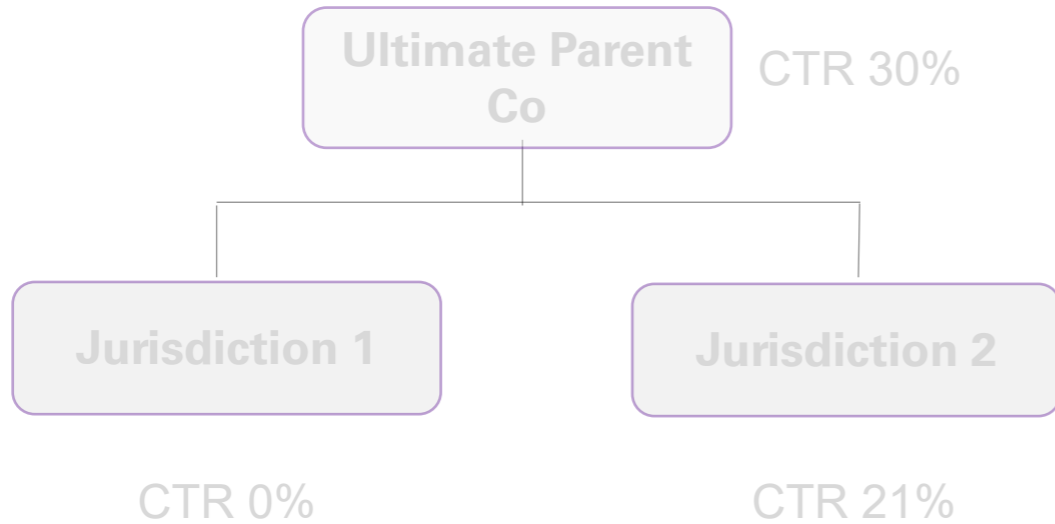
Impact of Pillar 2

Manufacturer (current)

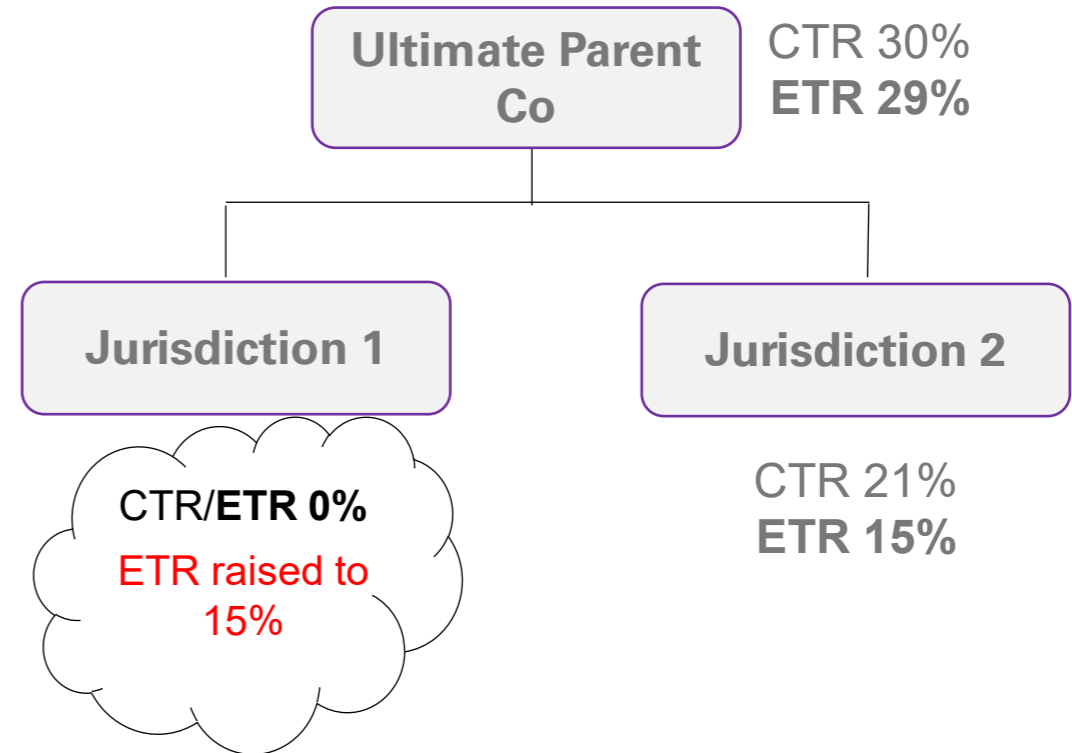


Impact of Pillar 2

Manufacturer (current)



Manufacturer (under Pillar 2)



Issues to resolve before implementation of Pillar 2

Moving target

- P2 legislation needs to be enacted by each jurisdiction
- Start date could be as early as 2023 in some jurisdictions but may be deferred by others
- Individual jurisdictional local tax law may change in response to P2

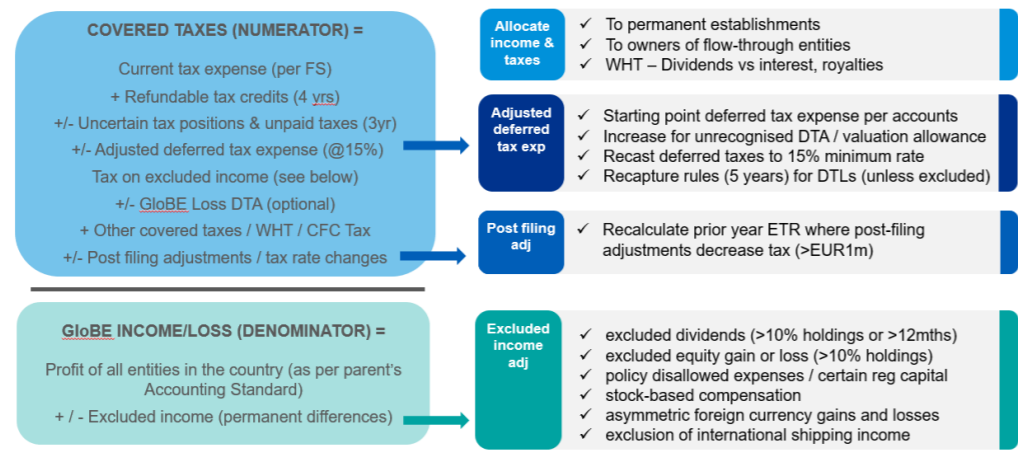
Complexity

- Is an addition to existing taxes
- New processes required to gather significant amounts of data
- Calculation has many components (P2 formula below)

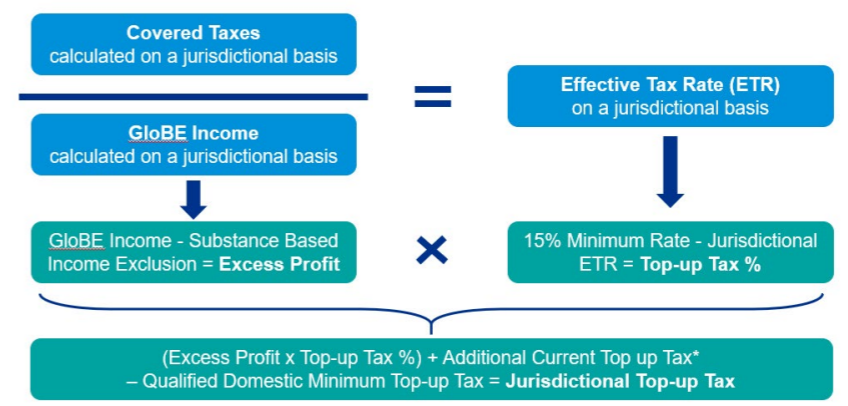
Accounting impact

- Is it an income tax in scope of AASB 112?
- Applies when substantively enacted
- Is there both a current and deferred tax impact?
- In which entities is the tax recognised?
- What disclosures are required

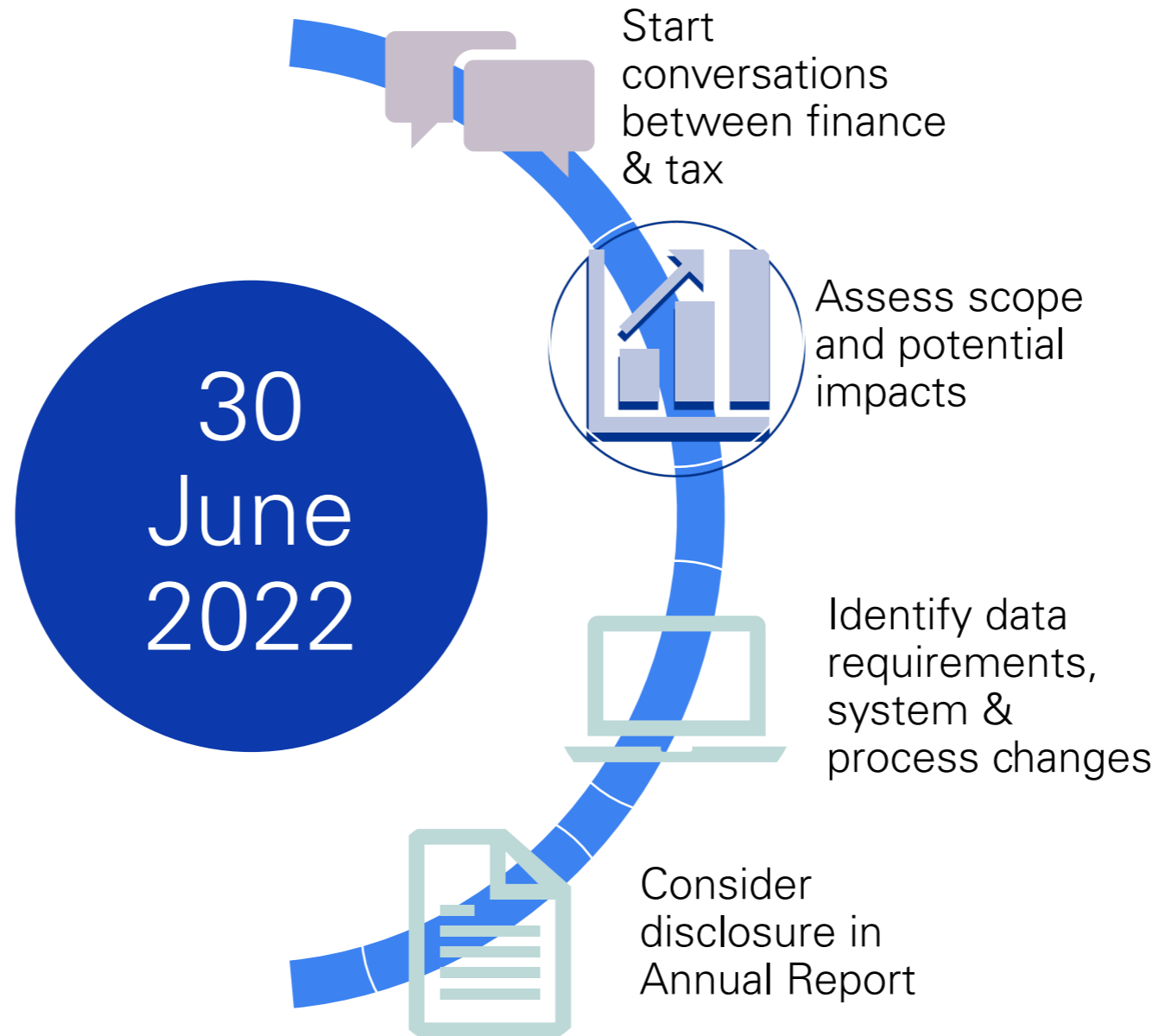
Effective Tax Rate



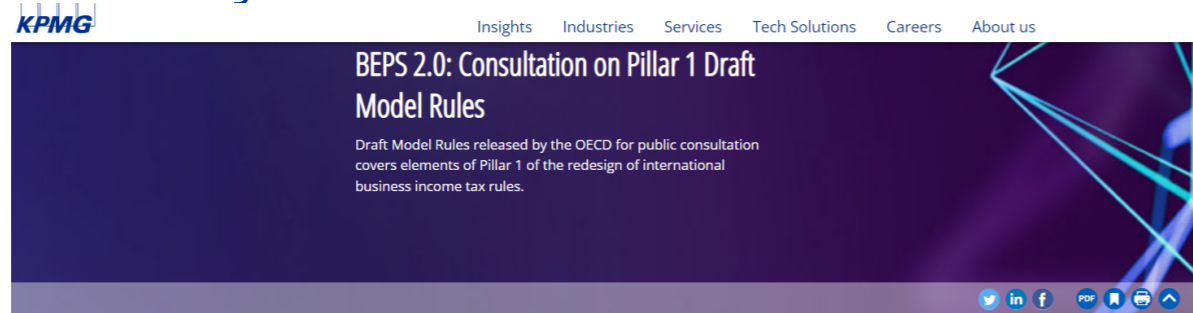
Top Up Tax calculation



What should you do now?



Where can you find out more?



Home > Insights > BEPS 2.0: Consultation on Pillar 1 Draft Model Rules

What is the OECD's BEPS 2.0 initiative?

137 out of 141 member jurisdictions of the OECD/G20 Inclusive Framework (IF) on base erosion and profit shifting (BEPS) – representing more than 90 percent of global GDP – have now signed up to the BEPS 2.0 initiative.

On 8 October 2021, the IF approved an eight-page statement finalising key aspects of a framework for reforming the international tax system. Australia was a signatory to the measures.

Pillar 1

Reallocation of taxing rights to market jurisdictions

Pillar One seeks to reallocate taxing rights for 25 percent of residual profits to market/end-user jurisdictions, for over 100 multinational groups globally (global revenue of EUR 20 billion or more is required, so limited Australian groups in scope).

Pillar 2

Global minimum tax

Pillar Two rules subject thousands of multinational groups around the world to a global minimum tax of 15 percent (groups with global revenue of EUR 750 million or more are in scope).

kpmg.com.au – search “BEPS 2.0”

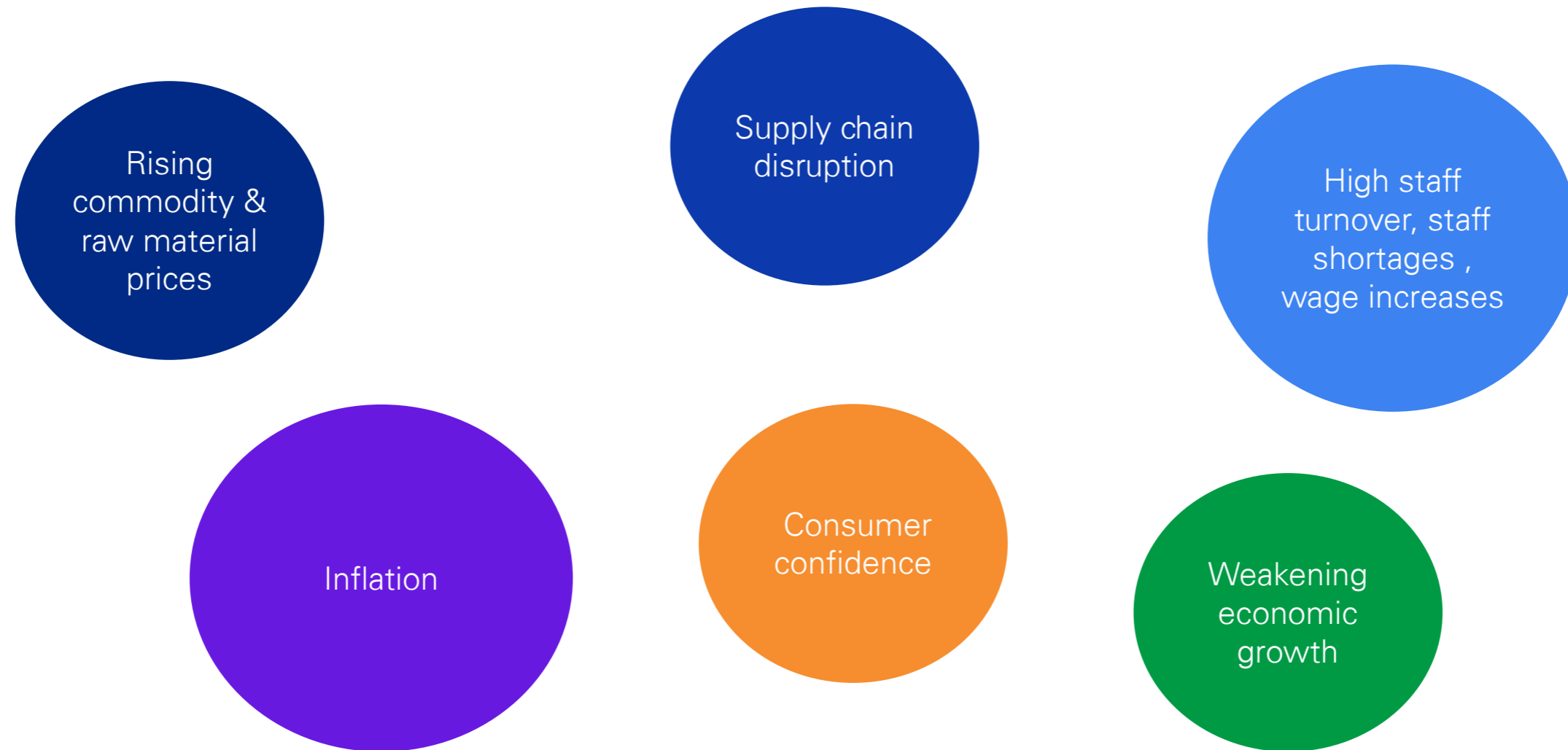


BEPS 2.0 – Key considerations for CFOs

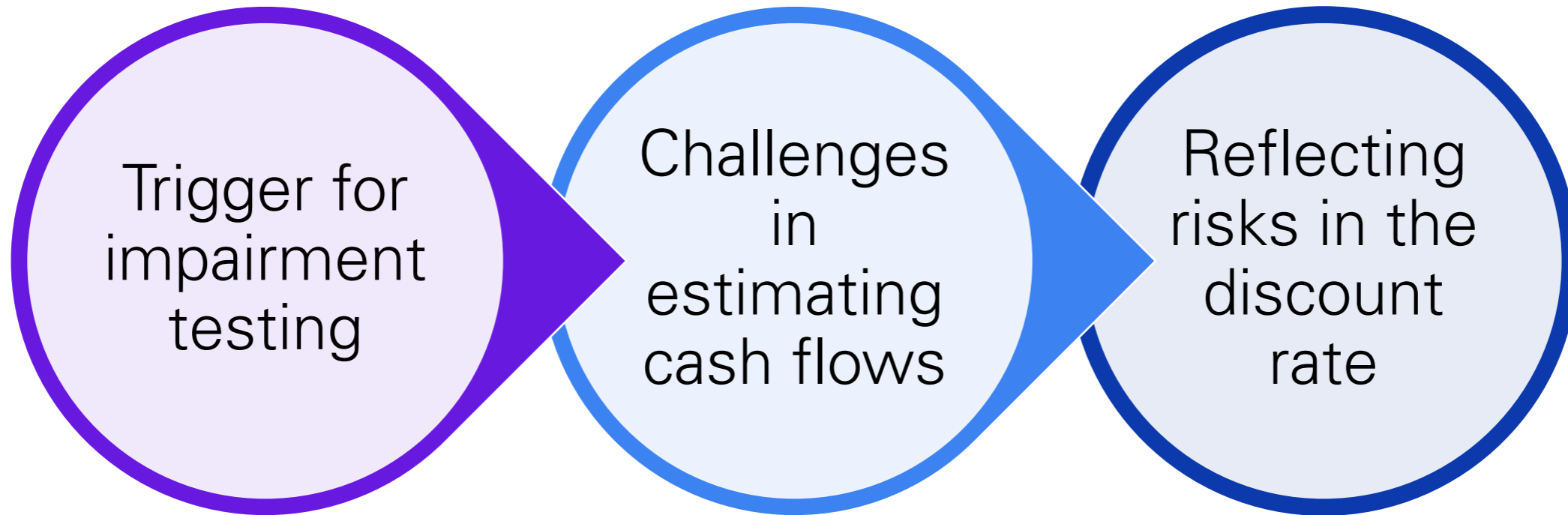
Download the briefing document for further information

Impact of uncertainty on financial reports

COVID, Natural disasters, Russia-Ukraine conflict.....uncertain times



Uncertain times - impairment



Even companies that do not operate in Russia or Ukraine may need to test non-current assets for impairment if they are significantly impacted by the sanctions, rising commodity prices or supply-chain disruption.

Uncertain times – Going concern and other liabilities

Going Concern

- Update forecasts and sensitivities
- Take risk factors into account
- Consider different possible events – including downside scenarios
- Consider projected compliance with covenants in different scenarios
- Assess mitigating events
- Disclose

Recognition of liabilities

- Onerous contracts
- Penalties
- Future operating losses
- Restructuring events
- Classification of debt

Uncertain times - other considerations

Financial instrument impacts



Revenue-cycle accounting



Interim reporting considerations



Income statement presentation



Employee benefits



Impact on insurers



Changes to lease contracts



Government assistance



Other financial statement areas

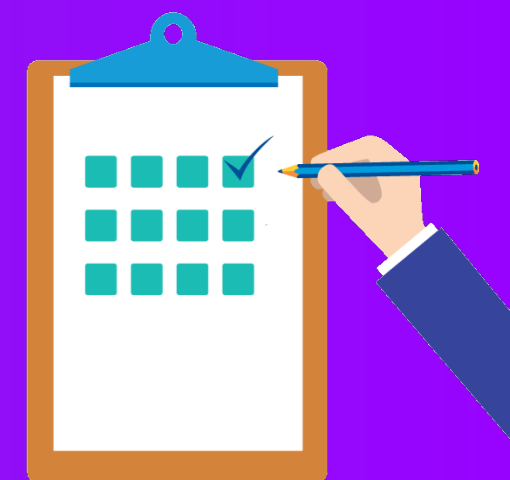


Uncertain times – where to find help?

The screenshot shows the KPMG website's 'Uncertain times' page. The navigation bar includes 'Insights', 'Industries', 'Services', 'Client Stories', 'Careers', and 'About us'. The page title is 'Uncertain times'. Below the title are four key questions, each with a list of implications:

- What are the relevant going concern considerations?**
 - Impact of external events on the going concern assessment and disclosures
- Are subsequent events adjusting or non-adjusting?**
 - How should companies assess external events after the reporting date?
- Are assets being carried at appropriate amounts?**
 - Ukraine-Russia conflict – What are the implications for fair value measurement?
- What are the key financial instruments impacts?**
 - Does measurement of expected credit losses appropriately reflect the impact of increased economic uncertainty?

Wrap up



Take-aways

- 1 Be aware of ASIC's focus areas and consider whether they impact the preparation of financial statements**

- 2 Are you ready to adopt the new Australian reporting framework this 30 June?**

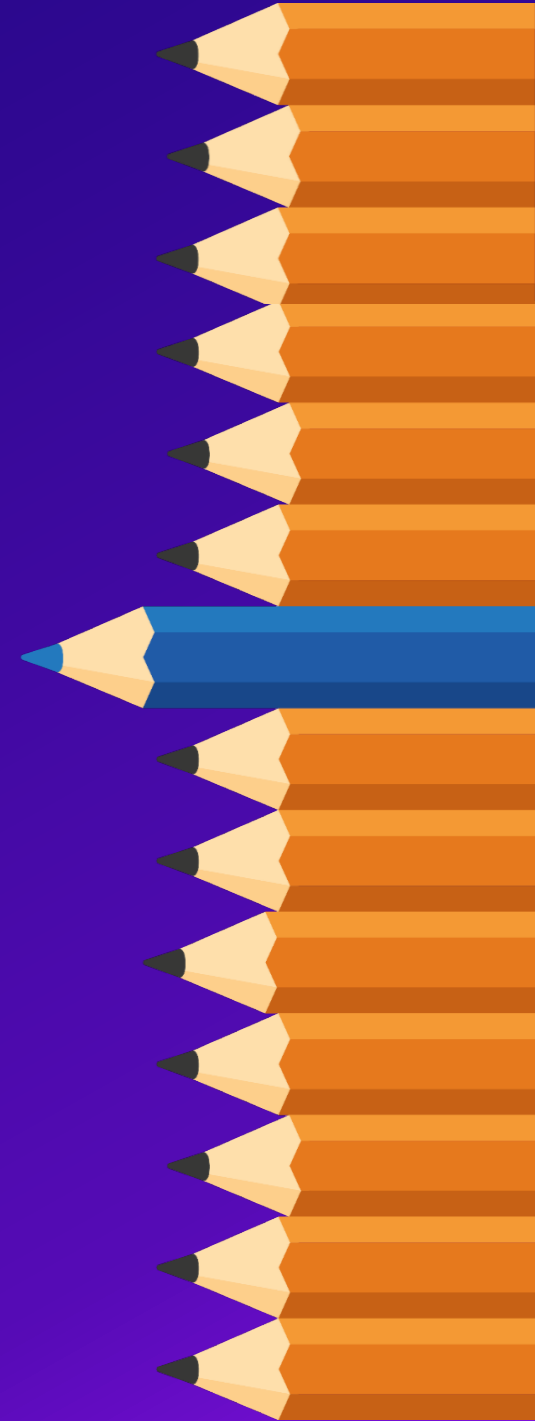
- 3 Consider how BEPs Pillar 2 might impact your organisation and the need for disclosures in Annual Reports**

- 4 Reflect the impacts of these uncertain times in your financial reports, including consideration of impacts on impairment testing**

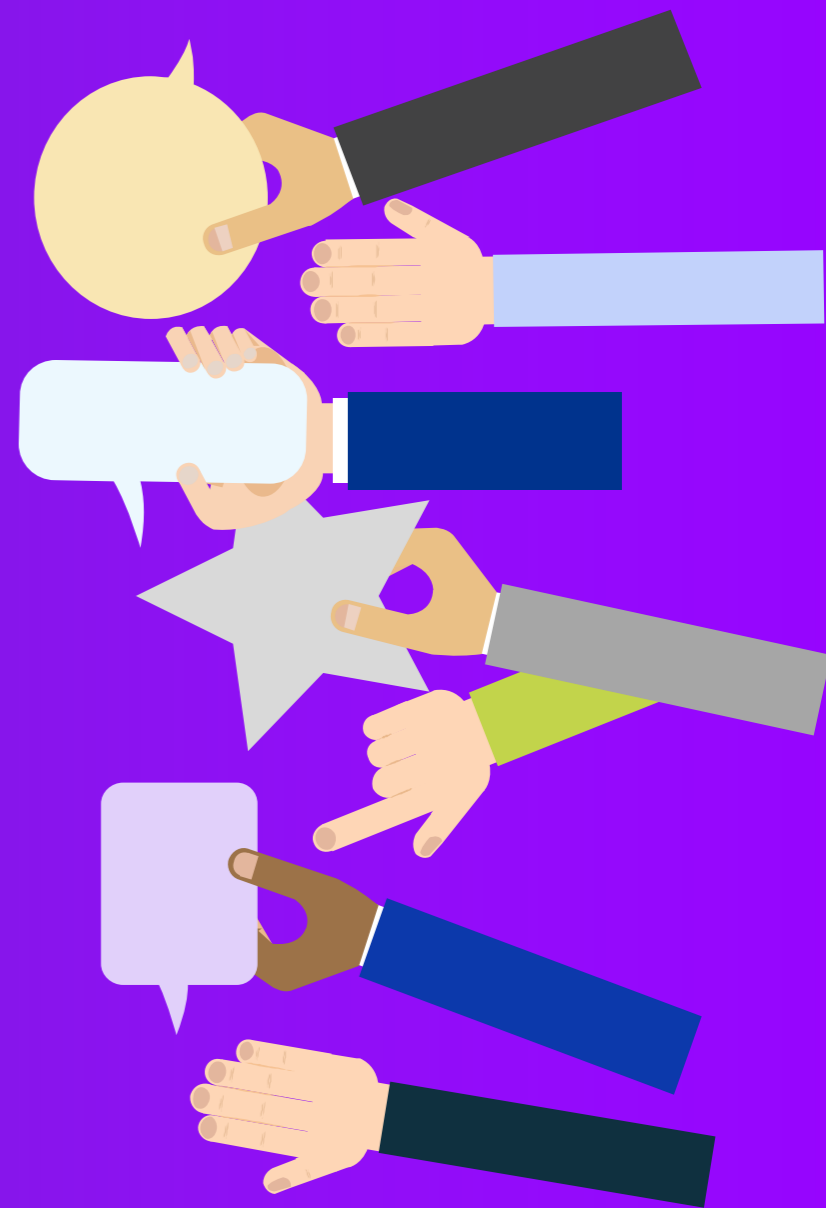
Webinar Part 2

Tuesday 17 May 2022, 12 – 1pm AEDT

- New accounting standards
- IFRIC agenda decisions
- Hot topic
 - Climate-related risk disclosure
- Wrap up



Questions



Thank you





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