

AFSL financial reporting reminder – GPFS

Reporting update
27 July 2023, 23RU-11



How AFS licensees apply the Australian financial reporting framework

What changes from 2022?

ASIC Form 70

Highlights

- Key features
- Changes from 2022 financial year
- Appendices

Key features

In 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 announcement required **all** AFS licensees to complete a form of general purpose financial statements (GPFS), that is they can no longer prepare of special purpose financial statements (SPFS). There was limited transition relief for financial years **commencing** before 24 June 2022, for example years ended 30 June 2022.

In respect of 30 June 2023 financial years all AFS licensees must now prepare GPFS. The transitional relief may impact the disclosures made in the 2022 comparative information disclosed in the 2023 financial statements – see table below.

Type of AFS licensee	Type of financial statements		
	30 June 2022	30 June 2023	Change
Publicly accountable	GPFS-Tier 1	GPFS-Tier 1	-
Large or sophisticated	GPFS-Choice ¹	GPFS-Tier 1	Yes ⁴
Other – Report under Ch 2M	GPFS-Choice ²	GPFS-Choice ²	-
Other – Not report under Ch 2M	SPFS-Choice ³	GPFS-Choice ²	Yes ⁴

(refer to Appendix 1 for discussion of types)

1 If meet ASIC conditions licensee had a transitional relief choice between GPFS-Tier 1 or GPFS-Tier 2 (2022 financial year only)

2 Licensee can elect to prepare either GPFS-Tier 1 or GPFS-Tier 2

3 If meet ASIC conditions licensee had a transitional relief choice between SPFS or GPFS (2022 financial year only)

4 ASIC transitional relief – refer to discussion on next page

[ASIC Form FS 70](#) (FS 70) is the instrument which gives legal effect of the changes announced by ASIC. In addition, ASIC has issued some [frequently asked questions](#) which support FS 70. **At the date of publishing this Reporting Update FS 70 has not been updated since September 2022.**

Changes from 2022 financial year

Large or sophisticated

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 (see [Appendix 1](#))

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

The AFS licensee must however prepare GPFS-Tier 1 for the 2023 financial year (for example, 30 June 2023).

Where 2022 financial year appropriately applied the relief an issue to consider for the 2023 financial year financial statements is the impact of the disclosure of comparatives. Does the AFS licensee update all comparatives to be consistent with the current year (GPFS-Tier 1)?

Comparatives consideration

The 2023 financial statements will need to be GPFS-Tier 1. In accordance with AASB 101 *Presentation of Financial Statements* paragraph 38 requires an entity to present comparative information in respect of the preceding period for all amounts reported in the current period – except when permitted by Australian Accounting Standards (AAS).

The ASIC relief noted above is considered to be part of the *Corporations Act 2001* by virtue of it being included in FS 70. **However it does not form part of AAS.**

As such, a technical issue exists as to whether the 2023 financial statements can be labelled GPFS – as they have not ‘technically’ complied with the requirements of AAS (specifically AASB 101.38).

FS 70 does not comment on the above issue. However, if including only some comparative information results in the financial statements no longer being ‘general purpose’ then how can an AFS licensee comply with the legal requirement to prepare GPFS?

We understand that ASIC may issue some further guidance on this issue.

AFS licensees therefore have the following choice:

- disclose comparative information for all amounts reported in the current period, **OR**
- disclose comparative information only for those amounts which were reported in the 2022 financial statements (i.e., as indicated in FS 70).

***“We would recommend the AFS licensees disclose comparative information for all amounts reported in the current period. Given the 2022 financial statements prepared were most likely GPFS-Tier 2 the additional effort should be minimal.*”**

In addition, ASIC has yet to publish a ‘no action position’.”

Michael Voogt
Director

2022 transition relief

Impact on 2023

Issue

Comparative choice

Basis of preparation

If an AFS licensee takes advantage of the limited comparative relief discussed above – this fact will need to be reflected in the basis of preparation note. Refer to [Appendix 2](#) for some suggested example wording.

2022 transition relief

Other – Not report under Chapter 2M

Where an entity does **not** report under Chapter 2M of the *Corporations Act 2001* (for example, a unit trust or small proprietary company) **AND**:

- appropriately assessed itself as a non-reporting entity at its 2021 reporting date (for example, 30 June 2021) and elected to prepare SPFS, **AND**
- it is still considered a non-reporting entity at its 2022 reporting date (for example, 30 June 2022)

it could **elect** to prepare SPFS for its current reporting date (for example, [30 June 2022](#)).

The AFS licensee must however prepare GPFS for the 2023 financial year (for example, 30 June 2023).

Impact on 2023

Where 2022 financial year appropriately applied the relief an issue to consider for the 2023 financial year financial statements is the impact of the disclosure of comparatives. Does the AFS licensee update all comparatives to be consistent with the current year (GPFS-Tier 1 or GPFS-Tier 2)?

Comparatives consideration

The same issue as discussed above (page 2) applies to AFS licensees transitioning from SPFS to GPFS for the 2023 financial year.

AFS licensees therefore have the following choice:

Comparative choice

- disclose comparative information for all amounts reported in the current period, **OR**
- disclose comparative information only for those amounts which were reported in the 2022 financial statements (i.e., as indicated in FS 70).

“We would recommend the AFS licensees disclose comparative information for all amounts reported in the current period. We believe that this should require minimal additional effort given the nature of most AFS licensee operations that fit into this category.”

Michael Voogt
Director

Basis of preparation

If an AFS licensee takes advantage of the limited comparative relief discussed above – this fact will need to be reflected in the basis of preparation note. Refer to [Appendix 2](#) for some suggested example wording.

23RU-11 AFSL financial reporting reminder - GPFS

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

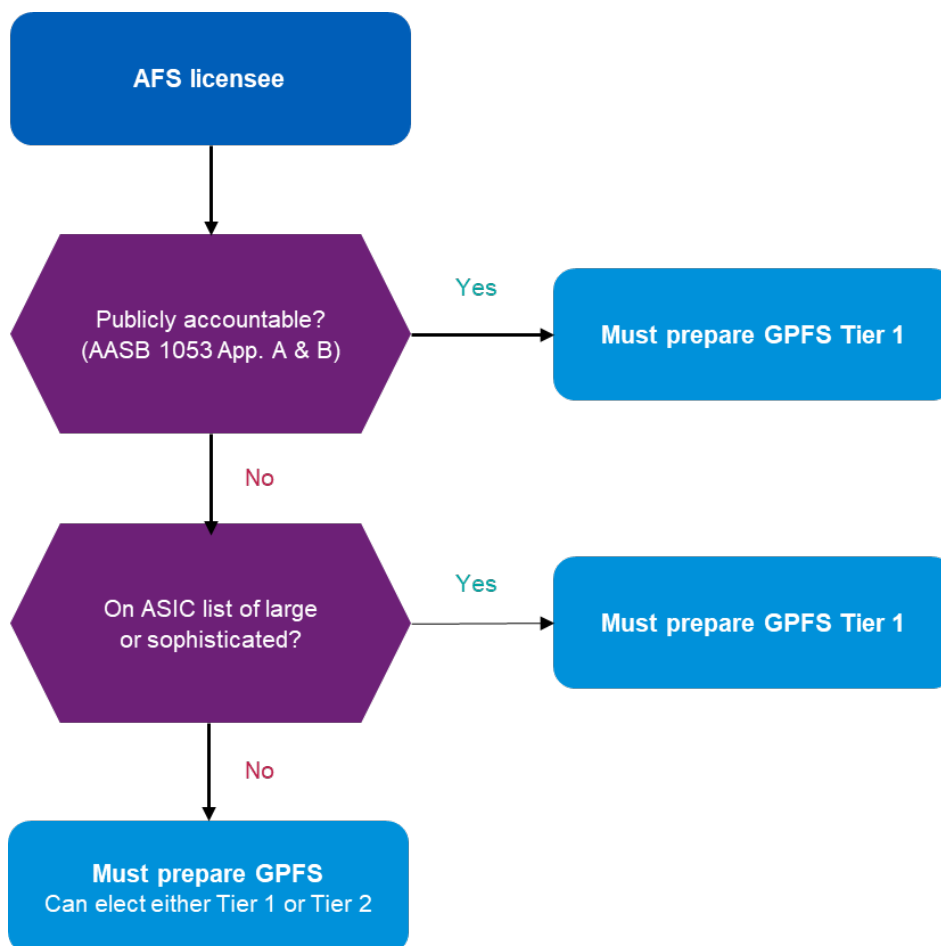
To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

Appendix 1 – Reporting by AFS licensees

Guidance contained in ASIC FS 70

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.



Publicly accountable

Those AFS licensees which have public accountability are required to prepare GPSF-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.

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.

23RU-11 AFSL financial reporting reminder - GPFS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

Large or sophisticated

ASIC has introduced a requirement, for those licensees that have a greater market impact ('large or sophisticated'), to prepare GPFS-Tier 1. 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 cannot prepare SPFS. This requirement applies for financial years beginning on or after 1 July 2021 – subject to the transition relief discussed below.

The above applies irrespective of whether the AFS licensee reports under Chapter 2M of the *Corporations Act 2001* or not. Typically a public company or large proprietary company will report under Chapter 2M. While generally a unit trust (not a managed investment scheme) or small proprietary company does **not** report under Chapter 2M.

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.

Transition relief

For 2022 financial years ASIC provided some relief – detailed below. The relief is provided as part of FS 70. **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 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

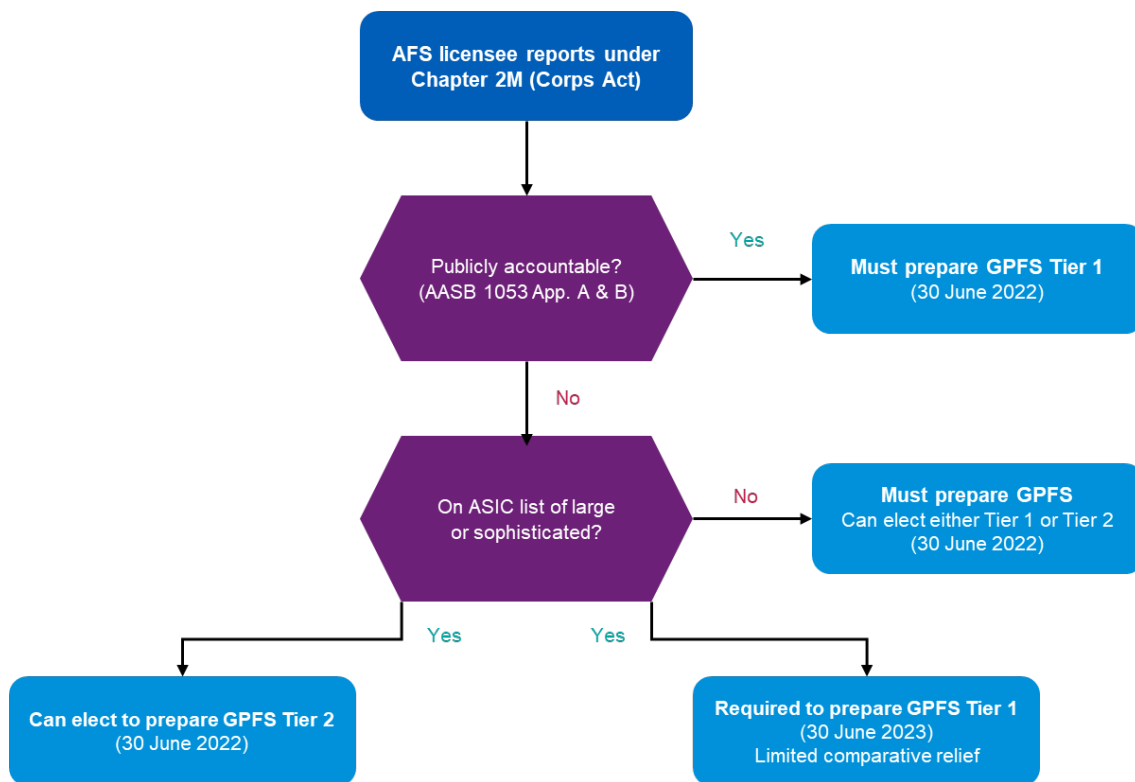
then for financial years **commencing** on or after 1 July 2021 but up to 23 June 2022 it could **elect** to prepare GPFS-Tier 2 for its current reporting date (for example, 30 June 2022). It must prepare GPFS-Tier 1 for the following financial year (for example, 30 June 2023).

For the 2023 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 in the 2022 financial statements. Where the relief is utilised for the 2023 financial year this will need to be reflected in the basis of preparation note.

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

23RU-11 AFSL financial reporting reminder - GPFS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



AFS licensees not required to report under Chapter 2M

Where an entity does **not** report under Chapter 2M of the *Corporations Act 2001* (for example, a unit trust or small proprietary company) **AND**:

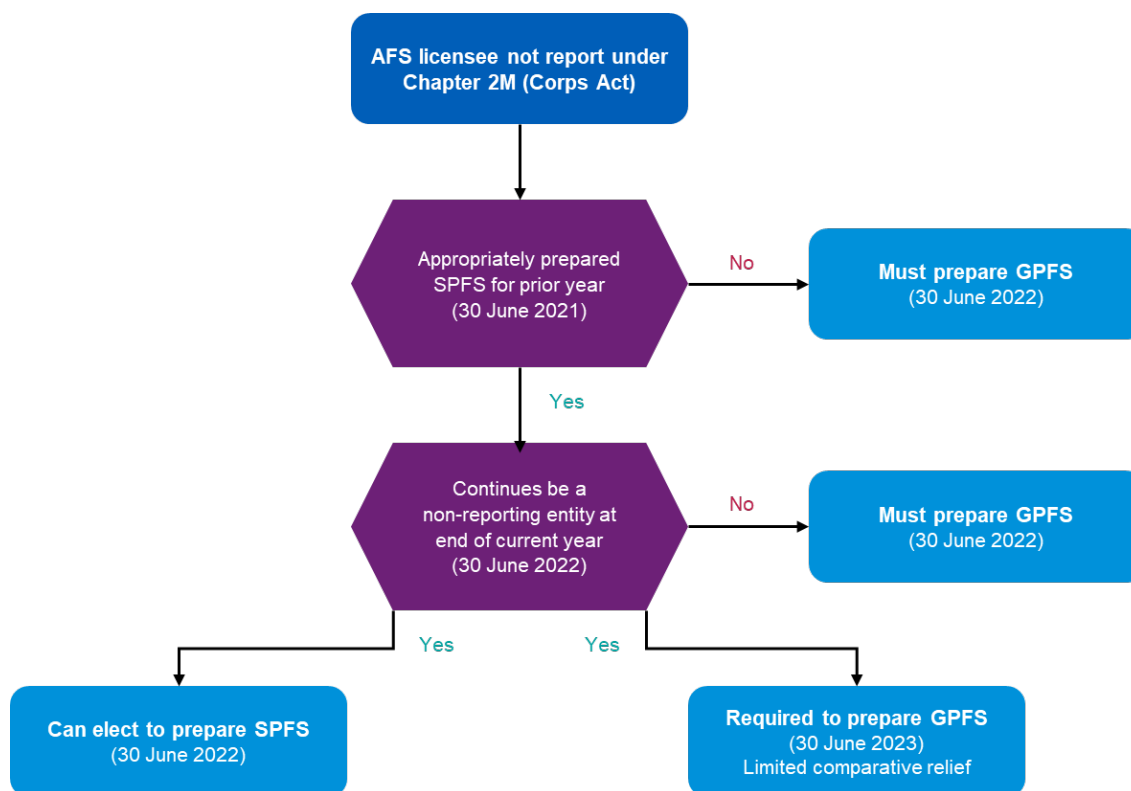
- appropriately assessed itself as a non-reporting entity at its 2021 reporting date (for example, 30 June 2021) and elected to prepare SPFS, **AND**
- it is still considered a non-reporting entity at its 2022 reporting date (for example, 30 June 2022)

it could **elect** to prepare SPFS for its current reporting date (for example, 30 June 2022). It must prepare GPFS for the following financial year (for example, 30 June 2023).

For the 2023 financial statements there is an **option** for limited relief for the presentation of comparative information. Comparative information need not contain the new disclosures in the first GPFS prepared under the new requirements. Where the relief is utilised for the 2023 financial year this will need to be reflected in the basis of preparation note.

23RU-11 AFSL financial reporting reminder - GPFS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



Consolidated and separate financial statements

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

Prior to the updated 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).

The updated FS 70 (19 September 2022) now 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 **except** that an intermediate parent entity need not present consolidated financial statements where an exemption in AAS applies.*

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,

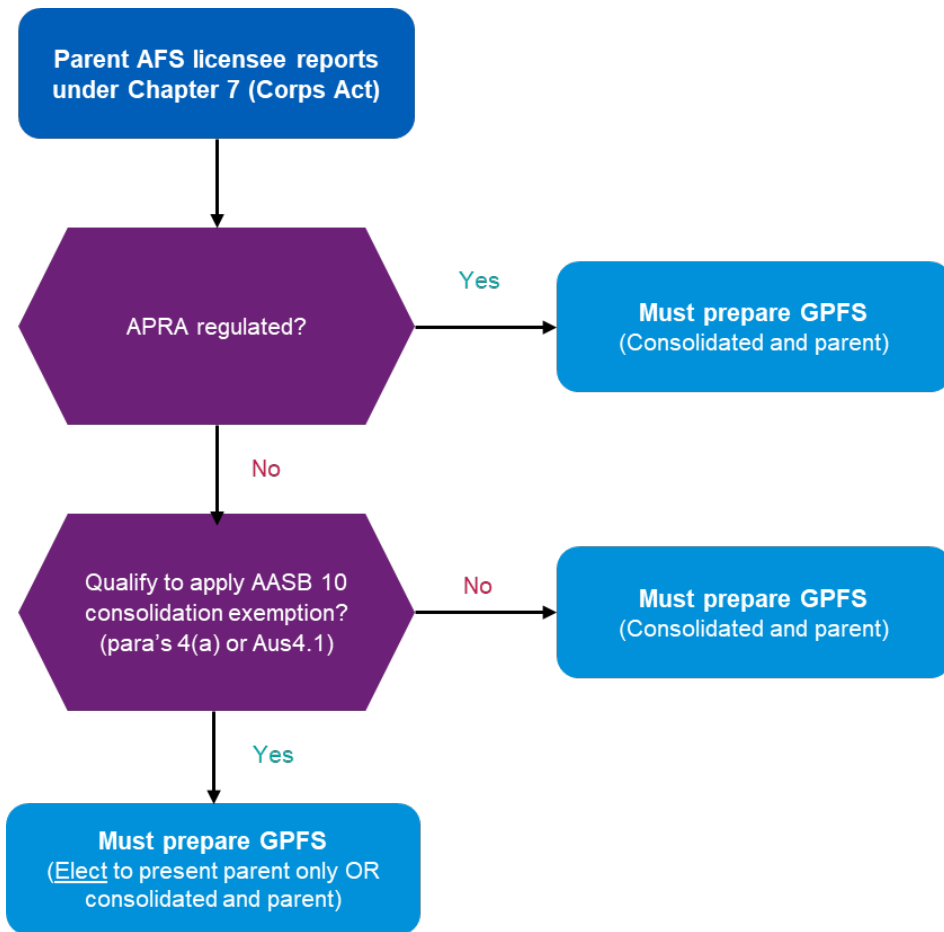
can (continue) to prepare parent entity (separate) financial statements.

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.

23RU-11 AFSL financial reporting reminder - GPFS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

The following summarises the requirements in the updated FS 70:



23RU-11 AFSL financial reporting reminder - GPFS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

Appendix 2 - Example basis of preparation notes

The following is suggested example wording for a basis of preparation note where an AFS licensee takes advantage of the limited comparative relief provided in ASIC FS 70 when preparing their 2023 GPFS.

Large or sophisticated

Large or sophisticated AFS licensees are required to prepare **GPFS-Tier 1** for the **2023** financial year.

An AFS licensee (large or sophisticated) **may** have taken advantage in preparing the financial statements for the **2022** financial year and elected to prepare **GPFS-Tier 2** – refer to discussion in '[Changes from 2022 financial year](#)' section above.

This election will have an impact on the 2023 GPFS comparatives. If an AFS licensee takes advantage of the limited comparative relief this fact will need to be reflected in the basis of preparation note.

The following is **example wording** that may be used when preparing the **basis of preparation note** to the 2023 GPFS-Tier 1. The example wording is for a fact pattern where the AFS licensee:

- is a large proprietary company, AND
- is either a single entity (i.e., it has no subsidiaries) or a parent, AND
- appropriately prepared GPFS-Tier 2 for the 2022 financial year, AND
- prepares GPFS-Tier 1 for the 2023 financial year, AND
- elects for the 2023 financial year not to disclose comparative information for the new disclosures in the first GPFS-Tier 1 prepared under the new requirements.

Should your fact pattern be different from the above the basis of preparation wording will need to be amended.

Basis of preparation

The [consolidated] financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards. In the prior year the financial statements were general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures.

The change has:

- no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cash flows of the [Group/Company]
- resulted in an [increase/change] in the level of disclosures in the annual financial report.

The [Group/Company] has elected not to include certain comparative information as permitted by ASIC Form FS 70 (paragraph 11B). The comparative information not disclosed is identified in notes [#] to [#]*.

These [consolidated] financial statements were authorised for issue by the Company's Board of Directors on [date].

Details of the [Group's/Company's] accounting policies are included in Note X. [Changes to significant accounting policies are described in Note Y.]

* - AFS licensees will need to include a notation in each respective note.

23RU-11 AFSL financial reporting reminder - GPFS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

IFRS compliance

In accordance with AASB 101 paragraph 16 the AFS licensee will **not** be able to state that the 2023 financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board. This results from the fact the not all comparative information has been disclosed (as discussed above). Disclosure of comparative information in respect of the preceding period for all amounts reported in the current period's (2023) financial statements is a requirement of AASB 101 paragraph 38.

Other AFS licensees not required to report under Chapter 2M

AFS licensees not required to report under Chapter 2M are required to prepare either **GPFS-Tier 1 or GPFS-Tier 2 for the 2023** financial year.

An AFS licensee (not required to report under Chapter 2M) **may** have taken advantage in preparing the financial statements for the **2022** financial year and elected to prepare **SPFS** – refer to discussion in [‘Changes from 2022 financial year’](#) section above.

This election will have an impact on the 2023 GPFS – 2022 comparative information. If an AFS licensee takes advantage of the limited comparative relief this fact will need to be reflected in the basis of preparation note.

The following is **example wording** that may be used when prepare the **basis of preparation note** to the 2023 financial statements. The example wording is for a fact pattern where the AFS licensee (not required to report under Chapter 2M):

- is a small proprietary company, AND
- is a single entity (i.e., it has no subsidiaries), AND
- appropriately prepared SPFS for the 2022 financial year, AND
- the 2022 SPFS complied with all the recognition and measurement requirements in AAS, AND
- elects to prepare GPFS-Tier 2 for the 2023 financial year, AND
- elects for the 2023 financial year not to disclose comparative information for the new disclosures in the first GPFS prepared under the new requirements.

Should your fact pattern be different from the above the basis of preparation wording will need to be amended.

Basis of preparation

In the opinion of the directors, the Company is not publicly accountable. These financial statements are general purpose financial statements for distribution to the members. They have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures made by the Australian Accounting Standards Board.

These financial statements are the first general purpose financial statements prepared in accordance with Australian Accounting Standards – Simplified Disclosures. In the prior year the financial statements were special purpose financial statements as the Company assessed itself as a non-reporting entity.

The Company has adopted AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* on [1 July 2022] which resulted in an [increase/change] in the level of disclosures. The change has no impact on the recognition and measurement of amounts recognised in the statements of financial position, profit and loss and other comprehensive income and cash flows of the Company.

23RU-11 AFSL financial reporting reminder - GPFS

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

The Company has elected not to include certain comparative information as permitted by ASIC Form FS 70 (paragraph 11B). The comparative information not disclosed is identified in notes [#] to [#]^.

These financial statements were authorised for issue by the Company's Board of Directors on [date].

Details of the Company's accounting policies are included in Note X. [Changes to significant accounting policies are described in Note Y.]

^ - AFS licensees will need to include a notation in each respective note.