

# Financial reporting issues and developments

NSW State sector agencies and universities

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## Financial reporting issues and developments

The table below details current issues and financial reporting developments that may impact your entity's financial statements. Management should review these issues and developments, determine those applicable to the entity and assess the impact on the financial statements and annual report. Where this relates to an accounting standard issued but not yet effective, management should disclose the anticipated impact of the standard on their financial statements. Management may consult with their audit team for further information and explanation on the issues and developments detailed below.

NSW state sector agencies should refer to Treasury's latest [circular](#) on mandates of accounting policy options and major policy decisions under Australian Accounting Standards when determining whether an accounting standard can be early adopted.

### Reporting developments

#### Issue 1: AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates'

Overview	Applies to
<p>This Standard amends:</p> <ul style="list-style-type: none"> <li>AASB 7 'Financial Instruments: Disclosures' to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements</li> <li>AASB 101 'Presentation of Financial Statements' to require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements</li> <li>AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates</li> <li>AASB 134 'Interim Financial Reporting' to identify material accounting policy information as a component of a complete set of financial statements</li> <li>AASB Practice Statement 2 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures.</li> </ul>	<p>All entities for annual reporting periods beginning on or after 1 January 2023</p>
<h4>Entities' responsibilities</h4>	
<p>To effectively implement the changes to AASB 101 entities will need to:</p> <ul style="list-style-type: none"> <li>have an understanding of the new requirements and the impact on their financial statements</li> <li>review their accounting policies to determine the accounting policies that are 'material' for disclosure</li> <li>discuss their assessment with the Audit and Risk Committee (ARC) and auditors</li> <li>disclose the impact of the standard in the current year's financial statements.</li> </ul>	
<h4>Responsibilities of ARCs and those charged with governance</h4>	
<p>ARCs and those charged with governance should:</p>	

Overview	Applies to
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- understand the requirements of the Standard
- ensure management reviews their accounting policies to determine the accounting policies that are 'material' for disclosure
- disclosing the impact in the current year's financial statements.

## Issue 2: AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities'

Overview	Applies to
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In March 2020, the AASB issued a new accounting standard AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities' which replaces the current Reduced Disclosure Requirements (RDR) framework.

AASB 1060 sets out a new, separate disclosure Standard to be applied by all entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 'Application of Tiers of Australian Accounting Standards'. This Standard has been developed based on a new methodology and principles to be used in determining the Tier 2 disclosures that are necessary for meeting user needs.

AASB 1060 reduces the reporting requirements of for-profit and not-for-profit entities using the current Tier 2 reporting requirements for preparing general purpose financial statements.

AASB 1060 does not change:

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

The disclosures that are relevant to Tier 2 entities are set out in this separate Standard. Disclosure requirements set out in the body or appendix of other Standards will no longer be shaded or unshaded in relation to Tier 2 requirements.

All entities that are reporting under Tier 2 of the Differential Reporting Framework in AASB 1053 for annual reporting periods beginning on or after 1 July 2021, with early adoption permitted.

### Entities' responsibilities<sup>1</sup>

To effectively implement AASB 1060 entities will need to:

- have an understanding of the new requirements and the impact on their financial statements
- discuss their assessment with the ARC and auditors
- prepare for the changed disclosures.

### Responsibilities of ARCs and those charged with governance

ARCs and those charged with governance should:

- understand the new standard
- review management's assessment on the impact of the new standard on the entity's financial statements.

<sup>1</sup> The following entities cannot adopt AASB 1060 as they are required to prepare Tier 1 General purpose financial statements

- Reporting GSF agencies subject to Treasury mandates
- Universities as the Financial Statement Guidelines prevent them from applying Tier 2 reporting

## Other new financial reporting pronouncements

The following pronouncements, which may affect entity financial statements and/or annual reports, were issued<sup>2</sup> between 1 January 2021 and 22 December 2021.

The table below does not include accounting standards issued during the period if an overview has already been provided in the table above.

### New Australian Accounting Standards

Reference/Title	Effective date	Standards amended/replaced
<b>AASB 2021-1 Amendments to Australian Accounting Standards - Transition to Tier 2 Simplified Disclosures for Not-for-Profit Entities</b>		
<p>The Standard amends:</p> <ul style="list-style-type: none"> <li>AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities' to provide limited optional comparative information relief for not-for-profit entities adopting AASB 1060 early by transitioning from either Tier 1 or Tier 2 – Reduced Disclosure Requirements to Tier 2 – Simplified Disclosures.</li> <li>AASB 1053 'Application of Tiers of Australian Accounting Standards' to highlight that the relief set out in Appendix E of AASB 1053 is available only to for-profit private sector entities.</li> </ul>	<p>Annual reporting period beginning on or after 1 July 2021, with earlier application permitted, provided that AASB 1060 is also applied to the same period.</p>	<p>AASB 1053, AASB 1060</p>
<b>AASB 2021-3 'Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021'</b>		
<p>This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4 'Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions'.</p> <p>The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.</p> <p>This Standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.</p>	<p>Annual reporting periods beginning on or after 1 April 2021 with early application permitted, including in financial statements not authorised for issue at the date this Standard was issued.</p>	<p>AASB 16</p>
<b>AASB 2021-4 'Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concession Grantors'</b>		
<p>This Standard amends AASB 1059 to change the modified retrospective method for measuring the Grant of a Right to the Operator (GORTO) liability set out in paragraph C4(c) of AASB 1059 so that the GORTO liability is initially measured based on the fair value (current replacement cost) of the service concession asset at the date of initial application, adjusted by:</p> <ul style="list-style-type: none"> <li>deducting the carrying amount of any consideration transferred by the grantor to the operator recognised as an asset</li> </ul>	<p>Annual reporting periods ending on or after 30 June 2021 with early application permitted.</p>	<p>AASB 1059</p>

<sup>2</sup> Note this table only includes new standards issued and does not include compiled standards issued.

Reference/Title	Effective date	Standards amended/replaced
<ul style="list-style-type: none"> <li>adjusting the resulting amount to reflect the remaining period of the service concession arrangement relative to the total period of the arrangement; and then</li> <li>deducting any outstanding related financial liabilities</li> </ul>		
<b>AASB 2021-5 'Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction'</b>		
<p>This Standard amends:</p> <ul style="list-style-type: none"> <li>AASB 112 to clarify the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions for which entities recognise both an asset and a liability and that give rise to equal taxable and deductible temporary differences. This may be the case for transactions such as leases and decommissioning, restoration and similar obligations. Entities are required to recognise deferred tax on such transactions.</li> <li>AASB 1 to require deferred tax related to leases and decommissioning, restoration and similar obligations to be recognised by first-time adopters at the date of transition to Australian Accounting Standards, despite the exemption set out in AASB 112.</li> </ul>	<p>Annual reporting periods beginning on or after 01 January 2023, with early application permitted.</p>	<p>AASB 1, AASB 112</p>
<b>AASB 2021-6 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards'</b>		
<p>The Standard amends:</p> <ul style="list-style-type: none"> <li>AASB 1049 'Whole of Government and General Government Sector Financial Reporting', to require entities to disclose their material accounting policy information rather than their significant accounting policies</li> <li>AASB 1054 'Australian Additional Disclosures', to reflect the updated accounting policy terminology used in AASB 101 'Presentation of Financial Statements'</li> <li>AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities', to require entities to disclose their material accounting policy information rather than their significant accounting policies and to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements.</li> </ul>	<p>Annual reporting periods beginning on or after 1 July 2023, with early application permitted</p>	<p>AASB 1049, AASB 1054, AASB 1060</p>
<b>AASB 2021-7 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections'</b>		
<p>The Standard:</p> <ul style="list-style-type: none"> <li>defers the mandatory effective date of amendments to AASB 10 'Consolidated Financial Statements and AASB 128 'Investments in Associates and Joint Ventures' that were originally made in AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' so that the amendments apply to annual reporting periods</li> </ul>	<p>Annual reporting periods beginning on or after 1 January 2022 and 1 January 2023 for some editorial corrections with</p>	<p>Various</p>

Reference/Title	Effective date	Standards amended/replaced
beginning on or after 1 January 2025 instead of 1 January 2022	early application permitted.	
<ul style="list-style-type: none"> <li>• makes editorial corrections to various Australian Accounting Standards, including Interpretations, and other pronouncements.</li> </ul>		

## New Treasury Publications<sup>3</sup>

### Treasury Directions – refer to [Treasury Website](#)

TD 19-02 'Mandatory early close as at 31 March each year'\*

TD 21-02 'Mandatory Annual Returns to Treasury'

TD 21-03 'Submission of Annual GSF Financial Statements to the Auditor-General'

TD 21-04 'Gifts of government property'\*\*

TD 21-05 'Valuation of Physical Non-Current Assets at Fair Value'

\* Treasurer's Direction TD 19-02 was updated in March 2021.

\*\* On 23 April 2021, TD 21-01 'Gifts of Government Property' was reissued as TD 21-04 'Gifts of government property'.

### Treasury Circulars – refer to [Treasury Website](#)

TC 16-12 'Related party disclosures'^

TC 18-05 'AASB 16 Leases Transitions Elections'^

TC 18-10 'Accounting for Superannuation'^

TC 19-07 'AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities Transition Elections'^

TC 20-02 'AASB 16 Leases Subsequent measurement of Right of Use Assets'^

TC 20-03 'Accounting Policy – Transition requirements for AASB 1059 Service Concession Arrangements: Grantors'^

TC 20-04 'Accounting Policy – Public sector Operators in a service concession arrangement – mandatory accounting policy and guidance'^

TC 20-08 'Mandates of Options and Major Policy Decisions' under Australian Accounting Standards'^

TC 21-01 'NSW Payments Digital Reform - Digital Payment Adoption'

TC 21-02 'Statutory Act of Grace Payments'

TC 21-03 'Accounting for Long Service Leave and Annual Leave'

TC 21-04 'Agency guidelines for the 2020–21 Mandatory Annual Returns to Treasury for NSW public sector agencies that are not included in TD21-02'

TC 21-05 'Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements'

^ The Circular was updated on 1 July 2021.

<sup>3</sup> Includes pronouncements which may affect entity financial statements and/or annual reports.

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### Treasury Policy Papers – refer to [Treasury Website](#)

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TPP 17-07 'NSW Public Private Partnerships Guidelines'\*

TPP 21-01 'Agency Direction for the 2020–21 Mandatory Early Close'

TPP 21-02 'Use and Management of NSW Government Purchasing Cards'

TPP 21-03 'Accounting Policy: Guidance on Administered Items'

TPP 21-04 'Agency Direction for the 2020–21 Mandatory Annual Returns to Treasury'

TPP 21-06 'Lessor classification of long-term land leases'

TPP 21-07 'Distinguishing For-profit from Not-for-profit Entities'

TPP 21-08 'Contributions by owners made to wholly-owned Public Sector Entities'

TPP 21-09 'Valuation of Physical Non-Current Assets at Fair Value'

TPG 21-10 'Capital Structure and Financial Distribution Policy for Government Businesses'

TPG 21-11 'Parameter and Technical Adjustments and New Policy Proposals (Measures)'

\* TPP 17-07 was updated on 23 June 2021.

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### Treasurer's Financial Arrangement approvals – refer to [Treasury Website](#)

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Financial arrangement approval for GSF agencies to enter into a financial arrangement (derivative) under the *Government Sector Finance Act 2018*

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### Treasury Guidance

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#### Frequently Asked Questions on AASB 1059 'Service Concession Arrangements: Grantors' – refer to [Treasury Website](#)

Service Concession assets and asset classes

How do you remeasure WIP assets to CRC using the interest accretion method under AASB 1059?

#### Other Guidance – refer to [Treasury Website](#)

Treasurer's Guidelines for the reduction in land value for certain build-to-rent properties, for land tax purposes

Guidance on disclosures for the repeal of TPP 06-8 in FY 20/21 Financial Statements

Guidance and example of a third statement of financial position on first time adoption of AASB 1059

Guidance on how to reflect the effects of climate-related matters in financial statements

Example – Statement by the Accountable Authority

FAQ Sheet – Financial Reporting under the *Government Sector Finance Act 2018*

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### Other new pronouncements by NSW public sector bodies<sup>4</sup>

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#### Department of Premier and Cabinet (DPC) Memoranda and Circulars – refer to [DPC Website](#)

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C2021-01 'Variation to the Crown Employees (Public Sector – Salaries 2019) Award'

C2021-03 'Meal, Travelling and Other Allowances for 2020–21'

C2021-04 'Crown Employees Wages Staff (Rates of Pay) Award 2020'

C2021-10 'Government Media Monitoring'

C2021-12 'Instrument of Authorisation and Delegation 2021'

C2021-13 'NSW Government Redress Scheme Sanction Policy'

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<sup>4</sup> Includes pronouncements which may affect entity financial statements and/or annual reports.

**Department of Premier and Cabinet (DPC) Memoranda and Circulars – refer to [DPC Website](#)**

C2021-15 'Crown Employees (Public Sector-Salaries 2021) Award'  
C2017-17 'Crown Employees Wages Staff (Rates of Pay) Award 2021'  
M2021-03 'Native Title and Indigenous Land Use'  
M2021-04 'Language Services Provision I Multicultural NSW'  
M2021-09 'NSW Public Sector Wages Policy'  
M2021-10 'Procurement for Large, Complex Infrastructure Projects'  
M2021-11 'Paid Leave in the Event of a Miscarriage of Pre-Term Birth'  
M2021-12 'Paid Parental Leave'  
M2021-13 'NSW Public Sector Wages Policy 2021'

**Public Service Commission Circulars and Guides – refer to [Public Service Commission Website](#)**

PSCC 2021-02 'Executive Remuneration – Determinations of the Statutory and Other Offices Remuneration Tribunal'

**NSW Procurement Board Directions – refer to [ProcurePoint Website](#)**

PBD 2021-02 'Mandated use of ICT Purchasing Framework'  
PBD 2021-03 'Engagement of professional services suppliers'  
PBD 2021-04 'Approved procurement arrangements'

## OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

## OUR PURPOSE

To help parliament hold government accountable for its use of public resources.