

New Accounting Standards, Interpretations, and IFRIC Agenda Decisions – 31 December 2021

Introduction

This document summarises the changes in Accounting Standards, Interpretations, and IFRIC Agenda Decisions issued as at 15 November 2021 applicable for entities with a **31 December 2021 financial year end**. The document contains 3 parts:

Part A - This table lists all the new and amended Accounting Standards and Interpretations that are applicable for the first time.

AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* describes the disclosures required to be made in the financial statements when the initial application of a Standard has an effect on the current period or any prior period.

Part B - This table lists the IFRS Interpretations Committee (IFRIC) Agenda Decisions issued during the current reporting period that clarify the interpretation and application of applicable IFRS Standards.

IFRIC Agenda Decisions contain explanatory material that explains how the applicable principles and requirements in IFRS Standards apply to the transaction or fact pattern described in the agenda decision. Agenda Decisions derive their authority from the IFRS Standards themselves and, therefore, an entity is required to apply an IFRS Standard in a way that reflects the explanatory material in an Agenda Decision. An entity should alter its current accounting practice in accordance with AASB 108 where that practice is inconsistent with the conclusions on an identical fact pattern in an Agenda Decision.

Part C - This table lists all the new and amended Accounting Standards and Interpretations that have been issued but are not yet mandatorily effective.

Entities that claim compliance with IFRS must also consider new or amended standards that have been issued by the IASB but for which an Australian equivalent has not yet been issued by the AASB. Such Standards are separately identified in Part C of this document.

Entities may elect to early adopt all Standards (except where indicated). AASB 108 requires an entity to disclose the possible impact of new and amended Accounting Standards that have been issued but are not yet effective. Entities should disclose the full list of Standards and Interpretations issued but not yet effective and their impacts **unless that particular Standard or Interpretation is clearly not relevant for that type of entity**. For example, a for-profit private sector entity need not disclose those Standards relating to not-for-profit or public sector entities.

This document does not list all the amendments that have been made to AASB 1053 *Application of Tiers of Australian Accounting Standards* (i.e., Tier 2 Reduced Disclosure Regime).

PART A – Current period changes to Accounting Standards

The following Standards and Interpretations will be applied for the first time by entities with financial years ending on or after **31 December 2021** (unless early adopted):

Reference	Summary of Change	Application date of the standard ¹	Applies to financial year ended
<u>AASB 2020-4</u>	<p><u>Amendment to AASB 16 Leases - COVID-19 rent concessions</u></p> <p>The amendment provides lessees with an optional exemption from assessing whether a COVID-19-related rent concession is a lease modification and requires lessees that apply the exemption to account for COVID-19-related rent concessions as if such concessions were not lease modifications. Early application is permitted.</p>	1 June 2020	31 December 2021
<u>AASB 2020-8</u>	<p><u>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 Requires that for-profit private sector entities</u></p> <p>This Standard amends the Standards listed to help entities to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities' financial statements.</p> <p>As a result of these amendments, an entity:</p> <ol style="list-style-type: none"> will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates. 	1 January 2021	31 December 2021

Reference	Summary of Change	Application date of the standard ¹	Applies to financial year ended
<u>AASB 2021-3</u>	<p><u>Amendment to AASB 16 Leases - COVID-19 rent concessions</u></p> <p>Extends the practical expedient contained in AASB 2020-4 and permits lessees not to assess whether rent concessions as a direct consequence of the COVID-19 pandemic that reduce lease payments originally due on or before 30 June 2022 are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Early application is permitted.</p> <p><i>* The standard applies to annual periods beginning on or after 1 April 2021. However, we expect affected entities will elect to early adopt this Standard for the financial year ended 31 December 2021.</i></p>	1 April 2021	31 December 2021*
<u>AASB 2021-4</u>	<p><u>Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concession Grantors</u></p> <p>This Standard makes amendments to AASB 1059 <i>Service Concession Arrangements: Grantors</i> through changes to 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.</p>	FY ending on or after 30 June 2021	31 December 2021

PART B – IFRIC Agenda Decisions

The following Agenda Decisions, in which IFRIC formed a conclusion on the fact pattern presented, have been issued during the current financial year and are applicable for the first time for the 31 December 2021 financial year.

Relevant Standard	Agenda Decision	Issue Date
IAS 38 Intangible Assets	<u>Configuration or Customisation Costs in a Cloud Computing Arrangement</u> How a customer accounts for costs of configuring or customising a supplier's application software in a Software as a Service (SaaS) arrangement.	27 April 2021
IFRS 9 Financial Instruments	<u>Hedging Variability in Cash Flows due to Real Interest Rates</u> Whether the real interest rate risk component in a proposed cash flow hedging relationship meets the requirements in IFRS 9 to be designated as an eligible hedged item.	24 May 2021
IAS 19 Employee Benefits	<u>Attributing Benefit to Periods of Service</u> Determining the period of service for a defined benefit plan where employees are entitled to a lump sum benefit payment when they reach a specified retirement age provided they are employed by the entity when they reach that retirement age; and the amount of the retirement benefit to which an employee is entitled depends on the length of employee service with the entity before the retirement age and is capped at a specified number of consecutive years of service.	24 May 2021
IAS 10 Events after the Reporting Period	<u>Preparation of Financial Statements when an Entity is No Longer a Going Concern</u> Whether an entity that is no longer a going concern: <ul style="list-style-type: none"> a. can prepare financial statements for prior periods on a going concern basis if it was a going concern in those periods and has not previously prepared financial statements for those periods; and b. restates comparative information to reflect the basis of accounting used in preparing the current period's financial statements if it had previously issued financial statements for the comparative period on a going concern basis. 	25 June 2021

Relevant Standard	Agenda Decision	Issue Date
IAS 2 Inventories	<p><u>Costs Necessary to Sell Inventories</u></p> <p>In determining the net realisable value of inventories, whether the 'estimated costs necessary to make the sale' includes all costs necessary to make the sale or only those that are incremental to the sale.</p>	25 June 2021

PART C – Accounting Standards issued but not yet effective

The following Standards and Interpretations have been issued by the AASB but are not yet effective for the financial year ending 31 December 2021 (unless early adopted):

Reference	Summary of Change	Application date of the standard ¹	Applies to financial year ended
<u>AASB 1060</u>	<p><u>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</u></p> <p>AASB 1060 replaces the current Reduced Disclosures Requirements framework (RDR). The Standard can be early adopted. Transitional relief from restating comparative information is available only if an entity chooses to apply the Standard before its mandatory application date.</p>	1 July 2021	31 December 2022
<u>AASB 2020-2</u>	<p><u>Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities</u></p> <p>Requires that for-profit private sector entities:</p> <ul style="list-style-type: none"> a) preparing financial statements under Part 2M.3 of the <i>Corporations Act 2001</i>; b) required by legislation to prepare financial statements that comply with either Australian Accounting Standards (AAS) or accounting standards; or c) where a constituting document or another document was created or amended in any way on or after 1 July 2021 requires the preparation of financial statements that comply with AAS, <p>will no longer be able to prepare Special Purpose Financial Statements (SPFS).</p>	1 July 2021	31 December 2022
<u>AASB 2021-1</u>	<p><u>Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities</u></p> <p>The Standard amends AASB 1060 to provide not-for-profit entities with optional relief from presenting comparative information in the notes to the financial statements where the entity did not disclose the comparable information in its most recent previous general purpose financial statements. This relief is available for not-for-profit entities transitioning from either Tier 1 or Tier 2 Reduced Disclosure Requirements to Tier 2: Australian Accounting Standards – Simplified Disclosures for a reporting period prior to the entity's</p>	1 July 2021	31 December 2022

Reference	Summary of Change	Application date of the standard ¹	Applies to financial year ended
	mandatory application of AASB 1060. It does not extend the relief available in Appendix E of AASB 1060 to NFP entities.		
<u>AASB 2014-10</u>	<p><i><u>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)</u></i></p> <p>Amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2022 by <u>AASB 2017-5</u>.</p>	1 January 2022	31 December 2022
<u>AASB 2020-3</u>	<p><i><u>Annual Improvements to IFRS Standards 2018–2020 and Other Amendments</u></i></p> <p>This Standard amends:</p> <ul style="list-style-type: none"> a) the application of AASB 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences; b) AASB 3 to update references to the Conceptual Framework for Financial Reporting; c) AASB 9 to clarify when the terms of a new or modified financial liability are substantially different from the terms of the original financial liability; d) AASB 116 to require an entity to recognise the sales proceeds from selling items produced while preparing property, plant and equipment for its intended use and the related cost in profit or loss, instead of deducting the amounts received from the cost of the asset; e) AASB 137 to specify the costs that an entity includes when assessing whether a contract will be loss-making; and f) AASB 141 to align the fair value measurement requirements in AASB 141 with those in other Australian Accounting Standards. 	1 January 2022	31 December 2022

Reference	Summary of Change	Application date of the standard ¹	Applies to financial year ended
<u>AASB 2020-1</u>	<p><u>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current</u></p> <p>Amends AASB 101 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver, a breach of covenant, or settlement of the liability). The mandatory application date of the amendment has been deferred by 12 months to 1 January 2023 by AASB 2020-6.</p>	1 January 2023	31 December 2023
<u>AASB 17</u>	<p><u>Insurance Contracts</u></p> <p>AASB 17 <i>Insurance Contracts</i> establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. AASB 17 replaces AASB 4, AASB 1023 and AASB 1038 for for-profit entities. NFP public sector entities are excluded from the scope of AASB 17 and continue to apply AASB 4, AASB 1023 and AASB 1038. <u>AASB 2020-5</u> deferred the application date of AASB 17 to annual periods beginning on or after 1 January 2023 and made other amendments to AASB 17.</p>	1 January 2023	31 December 2023
<u>AASB 2021-2</u>	<p><u>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</u></p> <p>This Standard amends:</p> <ul style="list-style-type: none"> a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements; b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies; c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates; d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures. 	1 January 2023	31 December 2023

Reference	Summary of Change	Application date of the standard ¹	Applies to financial year ended
<u>AASB 2021-5</u>	<p><u>Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</u></p> <p>The amendment narrowed the scope of the recognition exemption in paragraphs 15 and 24 of AASB 112 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendment applies to transactions that occur on or after the beginning of the earliest comparative period presented.</p>	1 January 2023	31 December 2023

New or amended Standards issued by the International Accounting Standards Board (IASB) but for which an Australian equivalent standard has not yet been issued by the AASB.

From 1 January 2020 AASB 1054 requires that in order to claim compliance with IFRS under AASB 101.16 (for Tier 1 GPFR), an entity should identify and disclose the impacts of those new International Financial Reporting Standards that have been issued but are not yet effective for which there is not yet an Australian equivalent.

The following is a list of such pronouncements:

Key:

¹ Designates the beginning of the applicable annual reporting period unless otherwise stated.

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