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TECHNICAL UPDATE

A SUMMARY OF CHANGES TO FINANCIAL REPORTING REQUIREMENTS APPLICABLE FOR YEARS ENDING 30 JUNE 2024

June 2024

This Technical Update provides you with an overview of Australian Accounting Standards, Interpretations and IFRIC Agenda decisions issued up to 20 May 2024. It outlines:

- Australian Accounting Standards mandatorily applicable for the first time for years ended 30 June 2024;
- Australian Accounting Standards available for early adoption for years ended 30 June 2024; and
- IFRIC Agenda decisions made during the year.

In addition to ensuring that your Organisation has appropriately applied all the new relevant standards in their financial report, this publication can help you to meet your disclosure obligations under AASB 108 *Accounting Policies, Change in Accounting Estimates and Errors.* Organisations are required to disclose the:

- impact of the initial application of new accounting standards
- potential impact of standards issued but not yet effective

Organisations preparing Tier 2 Simplified Disclosure financial statement do not have to disclose the potential impact of standards issued but not yet effective.

Those new standards and amendments that are shaded, represent those new standards and amendments that have been issued since 1 June 2023.

STANDARDS APPLICABLE FOR THE FIRST TIME FOR 30 JUNE 2024 YEAR ENDS

The following Australian Accounting Standards and amendments are mandatorily applicable for the first time for 30 June 2023 year-ends:

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 17	**Insurance Contracts** AASB 17 *Insurance Contracts* supersedes AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* and establishes a comprehensive model for accounting for all types of insurance contracts. The scope of AASB 17 includes some contracts that appear to provide fixed fee services. However, organisations may be able to elect to apply AASB 15 *Revenue from Contracts with Customers* to these contracts if specific requirements are met. AASB 17 contains the principles for the recognition, measurement, presentation, and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the financial position, and performance of the organisation. In addition to the full measurement model, the standard also contains a simplified approach for insurance contracts that are shorter than 12 months from date of issuance. Early adoption is permitted if AASB 9 and AASB 15 have been adopted on or before the initial date of application for AASB 17. AASB 17 contains detailed transition guidance.	**1 January 2023**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2022-1	**Amendments to Australian Accounting Standards - Initial Application of AASB 17 and AASB 9 – Comparative Information** This amendment updates AASB 17 and is relevant when an organisation adopts AASB 17 and AASB 9 for the first time on the same date. It adds a transition option referred to as 'a classification overlay' relating to comparative information about financial assets. This is relevant where an organisation has elected not to restate comparative information for AASB 9 transition. Applying this transition option permits organisations to present comparative information about such financial assets as if the classification and measurement requirements of AASB 9 had been applied. This enables insurers to reduce potentially significant accounting mismatches between financial assets and insurance contract liabilities in the comparative period.	**1 January 2023**
AASB 2022-8	**Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments** This amends the application requirements of AASB 17 to defer the mandatory application date for public sector entities until 1 July 2026 and permit the public sector entities to continue to apply AASB 4 and AASB 1023 until that time. This standard also repeals AASB 1038, which will no longer be applicable after the adoption of AASB 17 and is not relevant for public sector entities. (See discussion on AASB 2022-9 below).	**1 January 2023**
AASB 2021-2	**Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates** This amendment makes minor changes to the references to accounting policies, such that disclosures should be of material accounting policies rather than significant accounting policies and further clarifies what an accounting estimate is. Specifically, it amends:	**1 January 2023**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
	a) AASB7, 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 that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty and also clarifies 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 rather than significant accounting policies; and e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures. This amendment is to be applied prospectively.	
AASB 2021-5	**Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction** This amendment updates AASB 112 *Income Taxes* 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. The amendments clarify that where organisations recognise both an asset and a liability and that gives rise to equal taxable and deductible temporary differences the related deferred tax assets and deferred tax liabilities must both be recognised. This may arise with transactions such as leases and decommissioning, restoration, and similar obligations. These amendments are to be applied retrospectively to leases and decommissioning liabilities, and prospectively for all other transactions.	**1 January 2023**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2021-6	**Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards** AASB 2021-6 makes changes in the references from significant accounting policies to material accounting policies in AASB 1049 *Whole of Government and General Government Sector Financial Reporting,* AASB 1054 *Australian Additional Disclosures* and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 entities* consistent with AASB 2021-2. This standard is to be applied prospectively.	**1 January 2023**
AASB 2022-7	**Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards** This standard makes minor editorial amendments to a range of standards. These editorial amendments are not expected to have an impact on the application of these standards. As Accounting standards and the amendments, are legislative instruments, the repeal of superseded and redundant standards, is a mechanism to simplify what is on the list of in-force legislative instruments on the Federal Register of legislation. It does not impact the application of the requirements.	**1 January 2023**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2023-2	**Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules** This amendment updates AASB 112 *Income Taxes* in response to the impacts of OECD Pillar Two tax reforms. The amendments provide a temporary exemption from the requirements to recognise deferred tax assets and liabilities that arise from Pillar Two income taxes, and instead require targeted disclosures for impacted entities.	**1 January 2023**[1]
AASB 2023-4	**Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules: Tier 2 disclosures** This amendments updates AASB 1060 in line with the amendment to AASB 112 as a result of AASB 2023-2. It requires Tier 2 entities to disclose if they have applied the recognition exemption in AASB 112 relating to Pillar Two income taxes and disclose information regarding the deferred and current taxes relating to Pillar 2.	**1 January 2023**[2]

[1] This is applicable to years beginning on or after 1 January 2023 that also end on or after 30 June 2023.

[2] This is applicable for years beginning on or after 1 January 2023 that end on or after 30 September 2023.

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STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The following standards have been issued by the AASB but are not yet mandatory. They are available for early adoption.

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2020-1	**Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current** This amendment changes AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that if a liability is subject to covenants, the organisation may only classify a liability as non-current if it meets the covenant tests as at the reporting date, even if the lender does not test compliance until a later date. The meaning of settlement of a liability is also clarified. This amendment has been further amended by AASB 2022-6 *Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants* and should be considered together. The mandatory application date of this amendment has been deferred to 1 January 2024. If an entity early adopts this amendment after October 2022, it must also early AASB 2022-6 at the same time.	**1 January 2024**
AASB 2022-6	**Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants** This amendment changes AASB 101 to clarify the presentation of liabilities in the statement of financial position as current or non-current. It further amends AAS 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current* amendments as discussed above. Under these amendments, covenants that are to be complied with after the reporting date do not affect the classification of the debt as current or non-current. Instead, the amendments require the organisation to disclose information about these covenants in the notes. This amendment can be early adopted and if early adopted AASB 2020-1 must be early adopted on or before this amendment.	**1 January 2024**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2023-3	**Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2** This amendment changes AASB 1060 consistently with the changes made to Tier 1 reporting by AASB 2020-1 and AASB 2022-6 regarding the classification of liabilities that are deferrable more than 12 months after the reporting period and is subject to the entity complying with specific conditions (covenants). This amendment is applied retrospectively.	**1 January 2024**
AASB 2022-5	**Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback** This amendment updates AASB 16 to clarify that the requirements for Right of Use assets and lease liabilities in AASB16 apply to a sale-and-lease back after initial recognition. It also clarifies that the 'lease payments' shall be determined in such a way that the seller-lessee would not recognise any gain or loss that relates to the Right-of-Use asset retained by the seller-lessee. This amendment is applied retrospectively.	**1 January 2024**
AASB 2022-10	**Amendments to Australian Accounting Standards – Fair Value Measurement of – Non-financial Assets of Not-for-Profit Public Sector Entities** This Standard amends AASB 13 *Fair Value Measurement*, including adding implementation guidance illustrative examples, for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.	**1 January 2024**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2023-1	**Amendments to Australian Accounting Standards – Supplier Finance Arrangements** These amendments to AASB 107 and AASB 7 require entities to provide additional disclosures about their use of supplier financing arrangements and ensure that users have the information to enable them to assess: a) how the supplier financing arrangement affects the entity's cash flows and liabilities b) the effect the supplier financing arrangements have on liquidity risk. The AASB 107 disclosures are not required to be provided for the comparative period in the year of adoption.	**1 January 2024**
AASB 2024-1	**Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures** This amendment updates AASB 1060 consistently with the amendments made to AASB 107 and AASB 7 per AASB 2023-1 (See above) to require tier 2 entities to provide information regarding their use of supplier finance arrangements.	**1 January 2024[3]**

[3] This amendment is applicable for years beginning on or after 1 January 2024 that end on or after 30 June 2024.

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2021-7	**Amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* - Sale or contribution of assets between an investor and its associates or joint venture** These amendments update AASB 10 and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require: a) a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and b) a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. This Standard also makes editorial corrections to AASB 10. The IASB have deferred this amendment indefinitely, and therefore the AASB will continue to push out the mandatory application date.	**1 January 2025**
AASB 2023-5	**Amendments to Australian Accounting Standards – Lack of Exchangeability** This amendment updates AASB 121 *The Effects of Changes in Foreign Exchange Rates* to require entities to apply a consistent approach in assessing whether a currency is exchangeable and how to estimate the exchange rate if it is not. Additional disclosures are also required around how you estimate the exchange rate. There are also consequential amendments to AASB 1. The standard is applied prospectively.	**1 January 2025**

REFERENCE	TITLE	APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER
AASB 2022-9	**Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector** This standard makes amendments to AASB 17 *Insurance Contracts* to include modifications for public sector entities to make it more functional in a public sector context. The standard also amends AASB 1050 *Administered Items* to provide an accounting policy choice for government departments to apply either AASB 17 or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to determine what information to disclose about administered captive insurer activities. This standard also repeals AASB 4 and AASB 1023 and reverses the temporary amendments made to AASB 17 by AASB 2022-8 which provided deferred application of AASB 17 for public sector entities.	**1 July 2026**

The following standards have been issued by the IASB but have not yet been approved by the AASB. These amendments cannot be formally early adopted by Australian companies until issued by the AASB but should be considered in the disclosures of standards issued but not yet adopted if relevant to comply with the requirements of IFRS.

<table>
<tr><th>TITLE</th><th>APPLICABLE FOR REPORTING PERIODS BEGINNING ON OR AFTER</th></tr>
<tr><td> IFRS 18 Presentation and Disclosures of Financial Statements
This standard will replace IAS 1 (AASB 101) Presentation of Financial Statements. Whilst many of the requirements have been bought across without amendment. IFRS 18 introduces three key changes.

The statement of profit of loss will be required to be broken down into three subsections, operating, investing and financing, similar to the layout of the cash flow statement.
Management performance measures, that are used by an entity in other communications, must now be included in a note to the financial statements including a reconciliation to the nearest IFRS equivalent measure.
Additional guidance is provided on how to aggregate and disaggregate information on the face of financial statements and the notes in order to provide more detailed and useful information to users.
</td><td>1 January 2027</td></tr>
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IFRIC PROUNOUNCEMENTS

The IFRS Interpretations Committee (IFRIC) is the interpretive body of the IASB Board that assists with supporting the consistent application of the IFRS Accounting Standards. IFRIC did not release any Interpretations this year but did release a number of IFRIC Agenda Decisions.

The IASB has stated that organisations that are required to comply with the requirements of IFRS should also apply with the requirements of IFRIC Agenda Decisions. Whilst these Agenda Decisions do not change the requirements of IFRSs they are supporting explanatory material that clarifies how the requirements of the IFRSs should be applied and are considered to have the same authority as the standards themselves.

IFRIC Agenda Decisions have no mandatory application date and are effective once confirmed by the IASB, however entities are allowed 'sufficient time' to consider and implement the Agenda Decisions. It is expected that this 'sufficient time' should be a matter of months and not years. If your organisation is not able to comply with the requirements of a relevant Agenda Decision issued during the year, you should discuss the implications with your Auditor.

All IFRIC Agenda Decisions should be applied retrospectively as a change in accounting policy in accordance with the requirements of AASB 108 *Accounting Policies, change in estimates and Errors.*

The following is a detailed summary of the IFRIC Agenda Decisions since 1 July 2023. For the full details, refer to the relevant IFRIC Update:

- **Premiums Receivable from an Intermediary (IFRS 17 *Insurance contracts* and IFRS 9 *Financial Instruments)***
  September 2023 IFRIC, confirmed by the IASB October 2023

  IFRIC received a request about how an insurer applies the requirements of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* to premiums receivable from an intermediary. Once the policyholder has paid the funds to the intermediary, the policyholder has discharged their responsibilities and the insurer is obliged to provide the insurance to the policyholder, even though they will not collect the premiums from the intermediary until a later date. If the intermediary fails to pay the premiums to the insurer, the insurer bears that loss and still has to fulfil the insurance contract with the policyholder. The question asked was whether the insurer should consider insurance premium receivable from the intermediary as future cash flows within the boundary of the insurance contract and included in their measurement under IFRS 17 or whether they were a separate financial asset (receivable) accounted for under IFRS 9.

  IFRIC concluded that IFRS 17 was silent on when future cashflows within a boundary of an insurance contract are removed from the measurement of the insurance contract, and in the fact, pattern provided the insurer could apply either IFRS 17 or IFRS 9. It was considered that no amendments were required to be made to the standards to further clarify this issue.

- **Homes and Home Loans Provided to Employees**
  September 2023 IFRIC, confirmed by the IASB October 2023

  IFRIC received a request regarding the treatment of two arrangements where the organisation facilitated the purchase of the house for an employee.

  In the first fact pattern the organisation constructed houses for their employees, and salary deductions were used to repay the price of the house. If the employee left within 5 years the salary deductions were repaid and the employee had no right to the house, but if the employee left after 5 years, they could elect to either pay the remaining balance and purchase the house from the organisation, or recover their salary deductions to date.

  The second fact pattern the organisation provided the employees with a loan to purchase a house at a low or no interest rate. The loan is repaid through salary deductions and if the employee leaves the loan becomes repayable immediately.

  IFRIC was asked how to account for these arrangements, in particular, the transfer of the house to the employee in fact pattern one and there the loan in fact pattern two was a prepaid employee benefit in scope of IAS 19 *Employee benefits* or a financial asset in the scope of IFRS 9 *Financial Instruments*.

  IFRIC concluded that the scenarios described were not widespread and that when they do arise are not material. Therefore, they concluded that no further work was required,

- **Guarantee over a Derivative Contract (IFRS 9 *Financial Instruments)***
  September 2023 IFRIC, confirmed by the IASB October 2023

  IFRIC was asked when an organisation provides a guarantee over a derivative between two third parties whether it accounts for that guarantee as a financial guarantee or as a derivative. IFRIC concluded that the scenario was not widespread and did not have a material impact on those affected, therefore it was not added to the IFRIC agenda.

- **Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27 *Separate Financial Statements)***
  November 2023 IFRIC, confirmed by the IASB January 2024.

  IFRIC was asked how a parent entity accounts for a merger with its own subsidiary in its separate financial statements. IFRIC found that there was little diversity in practice and parent entities generally did not apply the acquisition method of IFRS 3 *Business combinations* in accounting for such arrangements in their standalone financial statements. Accordingly, as it was not expected to have a widespread effect, it was not added to the IFRIC Agenda.

- **Payments Contingent on Continued Employment during Handover Periods (IFRS 3 *Business Combinations)***
  March 2024 IFRIC, confirmed by the IASB April 2024.

  IFRIC was asked about how an entity accounts for payments to sellers of a business if the payments are contingent on the sellers continued employment during a post-acquisition handover period. IFRIC found that there was little diversity in practice, and these were accounted for as compensation for post-acquisition service rather than as additional consideration for the acquisition, consistent with the agenda decision published in January 2013. As this did not have a widespread effect, it was not added to the IFRIC Agenda.

- **Climate-related Commitments (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets***
  March 2024 IFRIC, confirmed by the IASB April 2024.

  IFRIC was asked whether an entity's commitment to reduce greenhouse gas emissions in the future or to offset future emissions created a constructive obligation that requires recognition as a provision in accordance with IAS 37. Specifically in the fact pattern provided, an entity made public statements committing to:

  - Reduce carbon emissions by 60% by 2029
  - Offset remaining emissions after 2029

  IFRIC concluded that whether or not the public statements made a constructive obligation will depend on the facts and circumstances and whether the entity had made a valid expectation that it will fulfil that promise including by the public actions they had taken to support that statement.

  If there was a constructive obligation, it was then important to determine whether a provision should be recognised. In order to recognise a provision, the first requirement is that there is a past event. No present obligation will ever arise for the commitment to reduce carbon emissions by 60% because it is just operational costs in a future period. With regards to offsetting remaining emissions, an obligation only exists as a result of past events once the emissions the entity committed to offset have been generated (2029 onwards) and where the entity has not already purchased the offsets for those emissions.

  IFRIC also confirmed that when a provision for emissions is recognised there will be a corresponding expense recognised at the same time unless it forms part of the cost of another asset that meets the recognition requirements under IFRS. IFRIC concluded that the guidance in the standards was sufficient to account for these commitments and no standard setting project was required.

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CONTACT US

E ma@moore-australia.com.au

www.moore-australia.com.au