

# GPFS (Tier 2) Reporting

## Current considerations

December 2021



## Financial reports for annual periods ending before 30 June 2022

Australia has a two-tier reporting system for entities preparing general purpose financial statements (GPFS). This two-tier regime allows certain entities (Tier 2) to reduce the costs of financial reporting by simplifying the disclosures. For annual periods beginning from 1 July 2021, those applying the reduced disclosure requirements (RDR) will need to adopt the new simplified disclosure standard (SDS). Until then, management may continue to apply RDR, or early adopt SDS.

This publication highlights the accounting considerations for those preparing GPFS (Tier 2), whether RDR or SDS, and provides some recommendations to those considering the adoption of SDS for the first time.

### Australian RDR/SDS illustrative annual financial statements

For the second year now, there have been no major accounting standards that have become effective. As a result, we do not intend to publish updated December 2021 editions of *Good Group (Australia RDR) Pty Ltd* or *Good Group (Australian SDS) Pty Ltd*.

For those preparing their last GPFS under RDR, this publication should be read in conjunction with our illustrative financial statements [Good Group \(Australia RDR\) Pty Ltd \(December 2019 edition\)](#), the limited update we provided in [Reduced Disclosure Requirements \(RDR\) - The last time for financial reports \(December 2020\)](#), and where a disclosure is of interest to management, *Good Group (Australia) Limited (December 2021 edition)*.

For those early adopting SDS (reporting before June 2022), this publication should be read in conjunction with our illustrative financial statements [Good Group \(Australian SDS\) Pty Ltd \(December 2020 edition\)](#). We intend to publish an updated June 2022 edition of our SDS illustrative financial statements.

### Considerations for periods ending before June 2022

The considerations for the upcoming reporting season will be impacted by whether an entity:

- ▶ Has already adopted SDS
- ▶ Is looking to early adopt SDS
- ▶ Is still applying RDR

### New accounting standards

The following new accounting standards may be relevant to preparers with annual periods:

- ▶ Beginning on or after 1 January 2021:
  - ▶ AASB 2020-8 *Amendments to AASs - Interest Rate Benchmark Reform - Phase 2*
  - ▶ AASB 2020-9 *Amendments to AASs - Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*

We recommend preparers refer to *Good Group (Australia) Limited (December 2021 edition)* and consider the impact these new standards may have on the entity. Also illustrated is the early adoption of AASB 2021-3 *Amendments to AASs - Covid-19 Related Rent Concessions beyond 30 June 2021*, which became effective for annual periods beginning on or after 1 April 2021.

- ▶ Ending on or after 30 June 2021 – AASB 2021-4 *Amendments to AASs - Modified Retrospective Transition Approach for Service Concession Grantors*
- ▶ Beginning on or after 1 July 2021 (relevant for those early adopting SDS) – AASB 2021-1 *Amendments to AASs - Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities*.

Our [new Australian accounting pronouncements publication](#) (December 2021) can help preparers evaluate the impact of these new standards on their financial reporting.

## Accounting impacts of COVID-19

COVID-19 continues to impact the world economy. The Australian Securities and Investments Commission (ASIC) has addressed some frequently asked questions<sup>1</sup> relating to COVID-19 implications for financial reporting and audit, and highlighted focus areas<sup>2</sup> for financial reports prepared under COVID-19 conditions.

Our *Good Group (Australia) Limited (December 2021 edition)* includes commentary on some areas impacted more significantly by the effects of the pandemic:

- ▶ Operational and financial review in the Directors' Report
- ▶ Basis of preparation – significant accounting policies
- ▶ Basis of preparation – going concern
- ▶ Basis of preparation – significant accounting judgements, estimates and assumptions
- ▶ Revenue recognition
- ▶ Income tax
- ▶ Property, plant and equipment
- ▶ Inventories
- ▶ Financial instruments
- ▶ Investment properties
- ▶ Rent concessions
- ▶ Pensions and other post-employment benefit plans
- ▶ Events after the reporting period

We recommend preparers consider the commentary around the above areas, including in the Directors' Report, and consider if any other areas are impacted by COVID-19.

Further guidance for accounting implications of COVID-19 can be found in these EY publications: [IFRS accounting considerations of the coronavirus pandemic \(updated April 2021\)](#) and [Accounting for COVID-19 related rent concessions \(updated April 2021\)](#).

## Transition to SDS

Management may be considering the early adoption of SDS, or planning for its adoption next year. Irrespective of timing of adoption, we recommend early consideration of the impact of transition to SDS:

- ▶ Is this just a disclosure exercise, or will recognition and measurement change as well?
- ▶ If AASB 1 *First-time Adoption of Australian Accounting Standards* is applicable, what optional exemptions will be applied? (Refer [For-profit entities moving from SPFS to GPFS \(April 2021\)](#).)
- ▶ Are there benefits of early adoption – transition relief for comparatives, or for those transitioning from SPFS, the avoidance of transition to RDR before SDS?

We also see transition as an opportunity to streamline financial statement disclosures. Our publication [Effective Financial Reporting \(March 2021\) provides insights and practical examples for management to consider](#).

<sup>1</sup> The frequently asked questions can be accessed via the ASIC website through this link: <https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/covid-19-implications-for-financial-reporting-and-audit-frequently-asked-questions-faqs/>

To discuss further, please contact your EY advisor.

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<sup>2</sup> The focus areas can be accessed via the ASIC website through this link: <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2021-releases/21-342mr-asic-highlights-focus-areas-for-31-december-2021-financial-reports-under-covid-19-conditions/>