Explanatory Statement

Accounting Standard AASB 2014-2
*Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*

**June 2014**


# EXPLANATORY STATEMENT

## Reasons for Issuing AASB 2014-2

AASB 2014-2 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements* makes amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards*, as summarised below.

## Main Features of AASB 2014-2

AASB 2014-2 amends AASB 1053 to:

1. clarify that AASB 1053 only applies to general purpose financial statements;
2. make AASB 1053 consistent with the availability of the option under AASB 1 *First-time Adoption of Australian Accounting Standards* to apply Australian Accounting Standards retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*;
3. clarify certain circumstances in which entities resuming Tier 2 reporting requirements can apply the AASB 108 option in AASB 1;
4. permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather than applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements;
5. require an entity that resumes the application of Tier 2 reporting requirements through AASB 1 (whether or not it uses the AASB 108 option in AASB 1) because it had not continued to apply all applicable recognition and measurement requirements (i.e. the circumstances addressed in paragraph 19B(d) of AASB 1053 – introduced by AASB 2014-2) to disclose, in accordance with the requirements of AASB 1 paragraphs 23A and 23B:
	1. the reason it stopped applying Tier 2 reporting requirements;
	2. the reason it is resuming the application of Tier 2 reporting requirements; and
	3. when the AASB 108 option in AASB 1 is used, the reasons for electing to resume the application of Tier 2 reporting requirements as if it had never stopped applying them; and
6. require an entity that resumes the application of Tier 2 reporting requirements without applying AASB 1 or the AASB 108 option in AASB 1 because it had continued to apply all applicable recognition and measurement requirements (i.e. the circumstances addressed in paragraph 19B(e) of AASB 1053 – introduced by AASB 2014-2) to disclose:
	1. the reason it stopped applying Tier 2 reporting requirements; and
	2. the reason it is resuming the application of Tier 2 reporting requirements.

## Application Date

AASB 2014-2 applies to annual reporting periods on or after . Earlier application is permitted for annual reporting periods on or after but before 1 July 2014.

##  Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 248 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements* in May 2014.

Three submissions were received by the AASB in respect of the proposals in ED 248. The AASB considered those submissions at its May 2014 meeting, and explains the reasons for its decisions in the Basis for Conclusions accompanying AASB 2014-2.

A Regulation Impact Statement (RIS) has not been prepared specifically in connection with the issuance of AASB 2014-2 as the amendments made do not have a more than minor regulatory impact on business, community organisations or individuals.

**Statement of Compatibility with Human Rights**

Prepared in accordance with Part 3 of the
*Human Rights (Parliamentary Scrutiny) Act 2011*

**Accounting Standard AASB 2014-2
*Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements***

**Overview of the Accounting Standard**

AASB 2014-2 *Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements* makes amendments to AASB 1053 *Application of Tiers of Australian Accounting Standards* to clarify that AASB 1053 relates only to general purpose financial statements, to make it consistent with the availability of an option in AASB 1 *First-time Adoption of Australian Accounting Standards* and to clarify certain circumstances in which an entity applying Tier 2 reporting requirements can avail itself of that option. AASB 2014-2 also amends AASB 1053 to:

1. permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (rather that applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and
2. specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.

**Human Rights Implications**

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

**Conclusion**

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.