

AASB 2020-2

**The end of SPFR and what
you need to do about it**

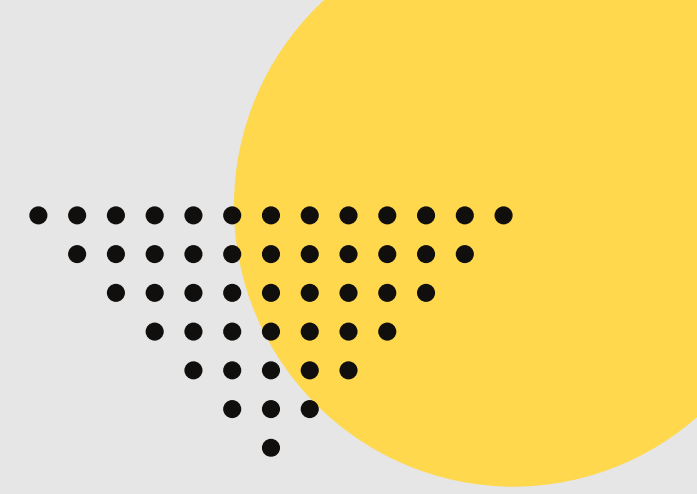
21 September 2022

Alastair Abbott

Director, Australian Audit



Housekeeping



This is an interactive workshop!

01

Ask questions via Q&A

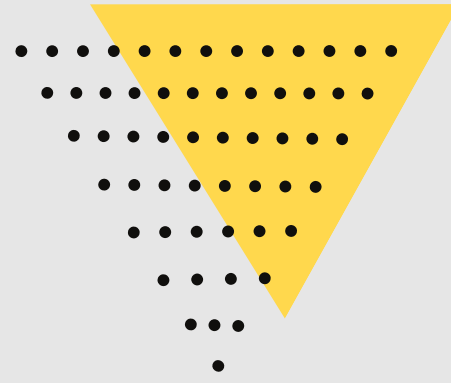
02

There'll be lots of quizzes and polls etc

03

Participate!

This session is being recorded. Replays will be emailed to registrants



WELCOME

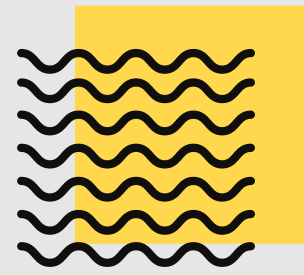


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Agenda



Overview of AASB 2020-2

15 min

**Steps to bring accounts from
SPFR to GPFR standard**

20 min

How to prepare GPFR

15 min

Tools, templates, and software

Questions & Answers

will be taken throughout the session!



Terminology

Types of Financial Reporting:

- Super Special purpose
- Compliant Special Purpose
- Simplified Disclosure General Purpose
- Full General Purpose



Other:

- Financial Report vs Financial Statement
- Recognition and Measurement Principles
- Reporting entity
- Compilation vs Review vs Audit



AASB 2020-2

Removal of Special
Purpose Financial
Statements
for Certain For-Profit
Private Sector Entities





This hasn't been a quick process!

Timeline

- May 2007 - ITC12 - Differential reporting
- Feb 2010 - CP & ED192 - Differential reporting
- June 2014 - RR1 - Reporting Entity Concept and SPFS
- May 2018 - ITC39 - Solving reporting entity & SPFS problems
- May 2018 - RR7 - ASIC financial reporting international comparison
- Sep 2018 - AASB Roundtables & Questionnaires
- Dec 2018 - AASB Staff paper - replacing SPFS
- Aug 2019 - RR12 - ASIC current financial reporting practices
- Aug 2019 - ED297 - Removal of SPFS
- Sep 2019 - RR10 - Current Australian financial reporting requirements
- Oct 2019 - AASB Roundtables
- Mar 2020 - AASB2020-2 - Removal of SPFS
- Apr 2021 - RR16 - Financial reporting by small entities



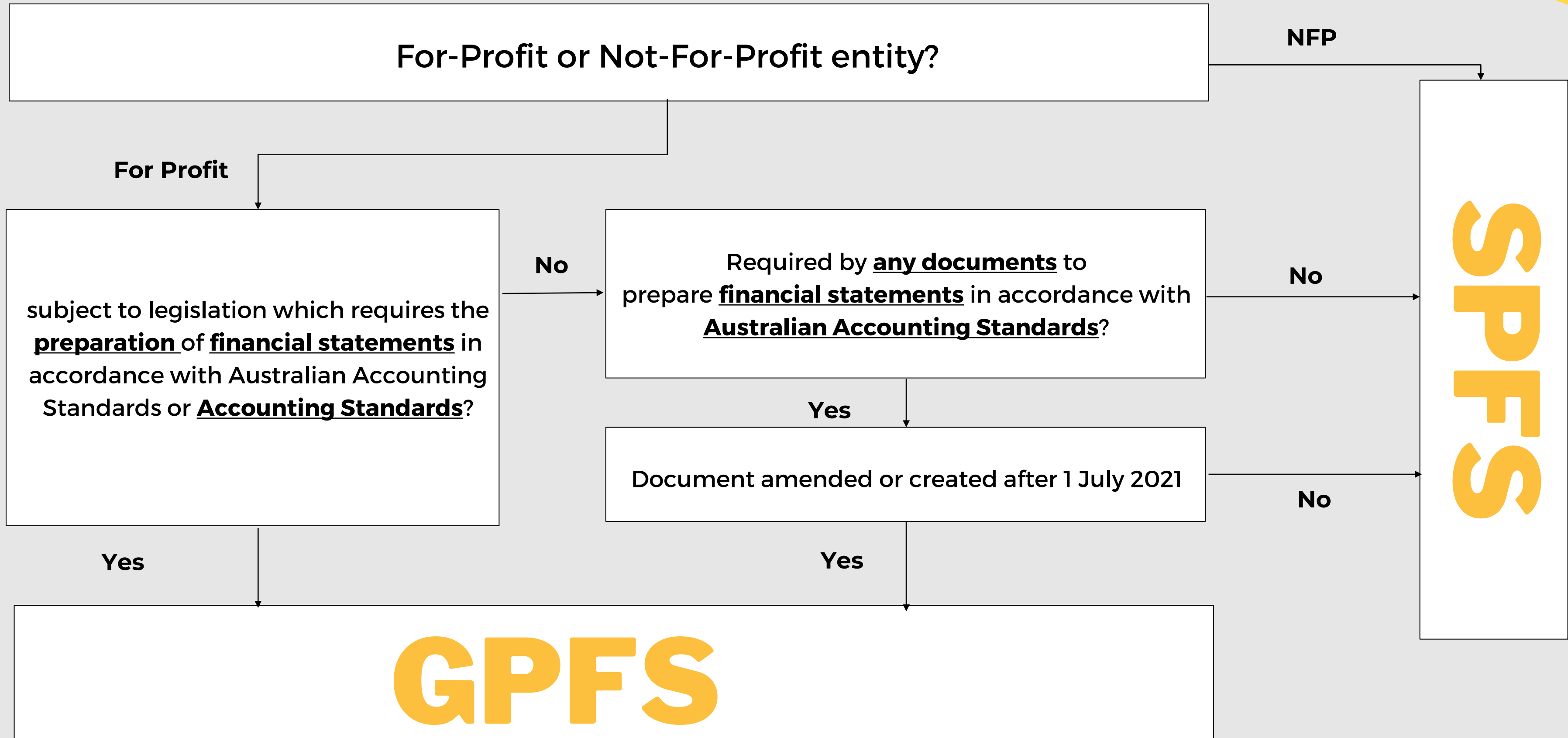


What is AASB 2020-2?

Removes the ability for some for-profit entities to self assess financial reporting requirements

Those entities then must prepare a form of General Purpose Financial Statements

Who has to prepare GPFS?



When does AASB 2020-2 Apply?



Early adoption (Year Ending)

Adoption on mandatory date (Year Ending)

30 June 2021

30 June 2022

31 December 2021

31 December 2022

31 March 2022

31 March 2023

Question - SPFS or GPFS?

Item	Advantage Finance Pty Ltd	Bella's Bistro Pty Ltd	Consolidator Holdings Pty Ltd	Dreamy Self Managed Superannuation Fund
Revenue	\$300k	\$65m	\$0	\$100k
Total Assets	\$50k	\$10m	\$10 (\$2 paid up capital) (\$2 shares at cost in each of 4 subsidiaries)	\$900k
Employees	0	70	0	0
Constitution / Trust Deed	-	-	prepare SPFS, NOT required to apply Accounting Standards	prepare financial statements applying Australian Accounting Standards
Other Info	AFSL Holder	Bella is sole shareholder and sole director	Has never prepared consolidated financial statements. Each subsidiary has (\$15m revenue, \$10m assets, 10 employees)	Fund created 1 January 2021

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GPFS

GPFS

Consider ...



Large Pty Ltd	Franchisor
Grandfathered Large Pty Ltd	NSW Funeral Funds
Australian Financial Service Licensees	Building licensees (Category 4,5,6,7 & MFR)
Small Foreign Controlled Pty Ltd	Trustee Companies
Co-operatives	Self Managed Superannuation Fund



A hand holds a glowing lightbulb under a desk lamp. The lamp is black with a large, white, dome-shaped shade. The lightbulb is illuminated, casting a warm glow. The background is a textured, light-colored wall. In the top left corner, there is a grid of small yellow dots. In the bottom right corner, there is a large yellow circle with a pattern of black dots. In the bottom center, there is a small blue triangle pointing downwards.

How to Apply Recognition & Measurement

1) Revenue (AASB 15)

AASB 15: Contracts with Customers

Five step process

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as the performance



2) Leases (AASB 16)



- Financing leases
- Operating leases
- Rent expense



- Right of use Assets
- Lease Liabilities
- Depreciation
- Interest expense



- Short term leases
- Low value leases



Question:

Which arrangements are a lease under AASB 16?

A. Get Rich Financial Planners operate from a serviced office. Their rental contract states they will have use of a 20sqm lockable office, plus access to various meeting rooms, high speed internet and reception facilities. They have a 1 year contract with 3 one year options.

B. Bob's Building Company lease a highly specialised piece of equipment that has been customised to their specifications. The lease contract is for 11 months with no option to renew for a further period. There is an option to purchase the equipment from the lessor at the end of the contract.



3) Employee Benefits



- Annual leave (including on costs)
- Personal leave (is it a liability?)
- Long service leave (NPV)
- Current / Non-current
- Short term / long term

4) Property, Plant & Equipment



- Accounting depreciation vs tax depreciation
- Valuation
- At cost vs at fair value
- Straight line or diminishing value
- Consistency
- Existence
- Reconciliation of asset register to balance sheet

5) Tax effect accounting (AASB 112)

- Deferred Tax Assets
- Deferred Tax Liabilities
- Interim financial statements
- Reconciliation to ATO balances





6) Consolidation (AASB 10, 11, 12, 128)

Must consolidate (line by line) if ALL three tests are met:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement
- The ability to use its power over to affect the amount of the returns

Equity accounting for significant influence (~ >20%)

Question:

Get Smart College is a private for-profit education provider, and elects to prepare SDS GPFS.

Get Smart College is the sole shareholder of GSC Pty Ltd, which is the trustee of a trust; 'The GSC Foundation'.

GSC Foundation is a PBI registered with the ACNC and has objects to provide scholarships for disadvantaged students to attend Get Smart College.

Should the GSC Foundation be consolidated into the accounts of Get Smart College?



7) Accrual Adjustments

- Accrued expenses (wages, utilities, rent expense, accounting & auditing fees)
- Prepayments (Insurance, travel, software)
- Fair Value
- Provisions



8) Reserves

- Nothing direct to equity (in most cases)
- Movements on statement of changes in equity
- Asset revaluation reserve
- Other comprehensive income transactions



9) Current / Non-Current

- Bank loans / overdraft
- Investments
- Aged care / retirement villages
 - Refundable Accommodation Deposits and Bonds
 - Resident contribution for lifetime lease



10) Materiality



IMPORTANT ?

A hand with red nail polish and a silver ring holds a dark grey folder. The folder has the text 'How to Compile GPFS' printed on it in white. The background is a dark grey wall with decorative elements: a grid of yellow dots in the top left, a yellow circle with a black dot pattern on the right, and a yellow circle and a blue triangle at the bottom.

How to Compile GPFS



Content of a Financial Report

- Directors' Declaration
- Directors' Report
- Statement of profit or loss and other comprehensive income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements
- Compilation / Review / Audit Report
- Auditor's independence declaration (where applicable)

Common errors

- Incorrect reports included / excluded
- Inappropriate grouping
- Tax expense coded to equity instead of P&L
- Dividends paid as an expense
- Statement of Changes in Equity - incorrect format
- Boilerplate disclosures



Question:

When an accounting standard black letter paragraph states you 'shall' or you 'must' disclose XYZ, and XYZ is immaterial to the entity:

- a) XYZ must be disclosed
- b) XYZ can be omitted
- c) XYZ must be omitted





Cash Flow Statement

- Needs sufficient thought applied
- Unlikely software can get it right without manual adjustments
- Mandatory for GPFS & compliant SPFS
- Reconciliation of operating cash flows to net profit not required for SDS
(but is required for compliant SPFS)



Software / Tools / Templates



Software:

- **Accurri** - <https://accurri.com/en-au/>
- **CaseWare** - <https://www.caseware.com.au/product/financial-reporting/>
- **XYZ Model Financial Accounts Generator PLUS** (Thomson Reuters)

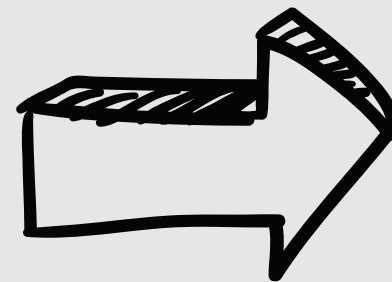
Other software:

- Xero / MYOB / HandiSoft / etc - with significant in-house customisation

Templates:

- Template financial statements - manually customise in Word
 - e.g. <https://accurri.com/en-au/examples> (or many others)

Or use external compilation providers?

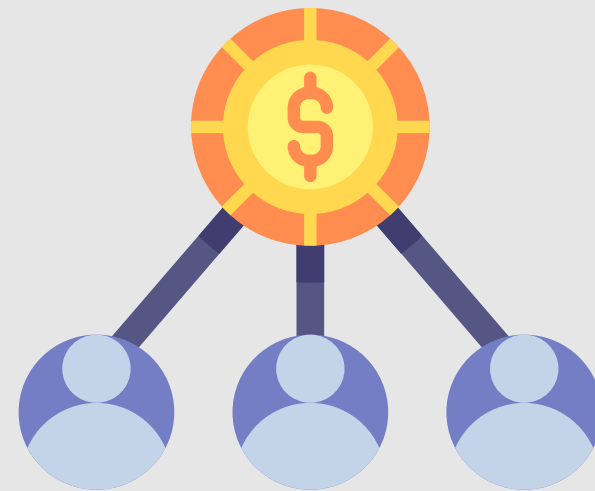


www.ausaudit.au/compilation

Interim Financial Statements



QBCC MFR



ASIC Disclosing
Entities



ASX Listed



Q & A



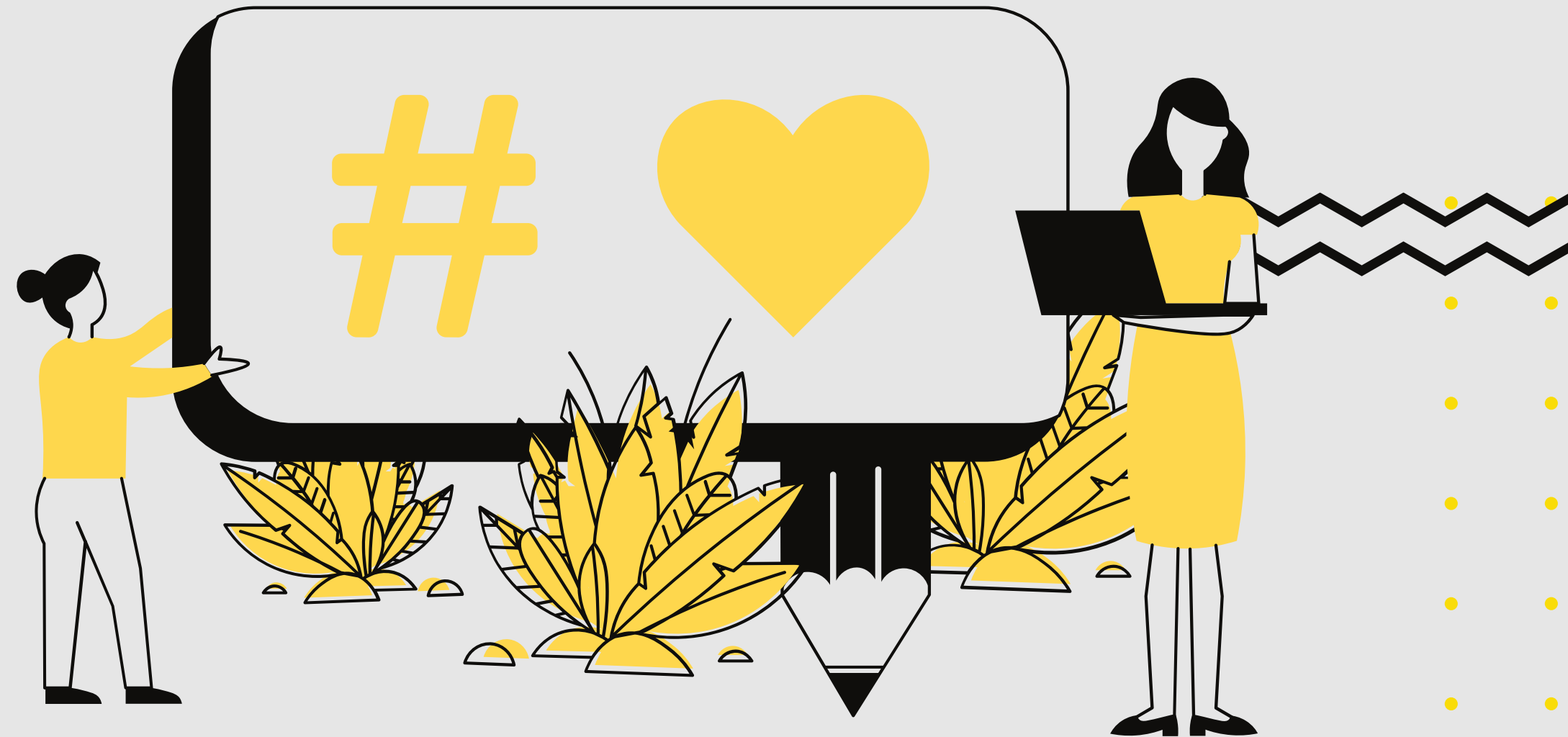
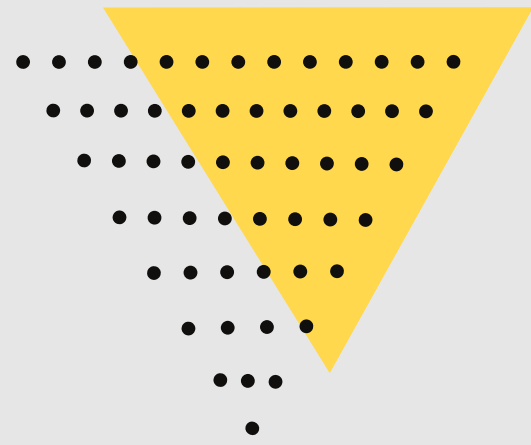
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**What was
your key
takeaway?**



**How would you rate today's session?
Any feedback?**





THANKS!

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