

A photograph of a modern, brightly lit interior space, likely a corporate lobby or atrium. The scene is dominated by a long, wide staircase with a wooden tread and metal handrails, leading upwards. The ceiling is curved and features recessed lighting and a series of teal-colored panels. The walls are white and curved, creating a sense of depth and architectural complexity. The overall atmosphere is clean, professional, and contemporary.

ACCOUNTING STANDARDS UPDATE - GETTING READY FOR 30 JUNE 2018

May 2018

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OUTLINE OF THIS WEBINAR

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- ▶ The Future of Special Purpose Financial Statements
- ▶ Significant Global Entities
- ▶ Tax Rate Changes
- ▶ New Australian Accounting Standards for 30 June 2018 Full Years
- ▶ New Australian Accounting Standards for 30 June 2018 Half Years
- ▶ ASIC Focus Areas & Enforcements
- ▶ Disclosure Initiative
- ▶ Are you ready for AASB 9, 15, 16 & 1058?
- ▶ BDO Lead - Our BDO Technology Solution re IFRS 16 & Lease Management



THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS



THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS

Current Use of Special Purpose Financial Statements

- ▶ Refer to the attached decision tree to determine the applicable Australian Accounting Standards

THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS

Why are things changing?

- ▶ On 29 March 2018, the IASB issued its revised Conceptual Framework (Framework) which applies to **annual periods beginning on or after 1 January 2020**
- ▶ This revised Framework will be adopted by the AASB in Australia and has a different concept of ‘reporting entity’ than SAC 1
- ▶ The revised Framework, in paragraph 3.10 defines a ‘reporting entity’ as an entity that is **required, or chooses, to prepare financial statements**. It provides guidance on determining the boundaries of a reporting entity

THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS

Why are things changing?

- ▶ In anticipation of the revised Framework, the AASB noted that in order to be compliant with international accounting standards, **the concept of ‘non-reporting entities’ in Australia would need to be removed** in order for entities preparing financial statements using Australian Accounting Standards to be **compliant with IFRS**

THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS

What is the expected change in Australia?

- ▶ SAC 1 will be withdrawn
- ▶ The application paragraphs of all Australian Accounting Standards will also need to be amended to remove references to a ‘reporting entity’
- ▶ It is envisaged that wherever financial statements are required to be prepared in accordance with Australian Accounting Standards (for example, for lodgement with a regulator), these will need to be general purpose. However, if there is no requirement to comply with ‘Australian Accounting Standards’ then there would be scope to prepare SPFS.

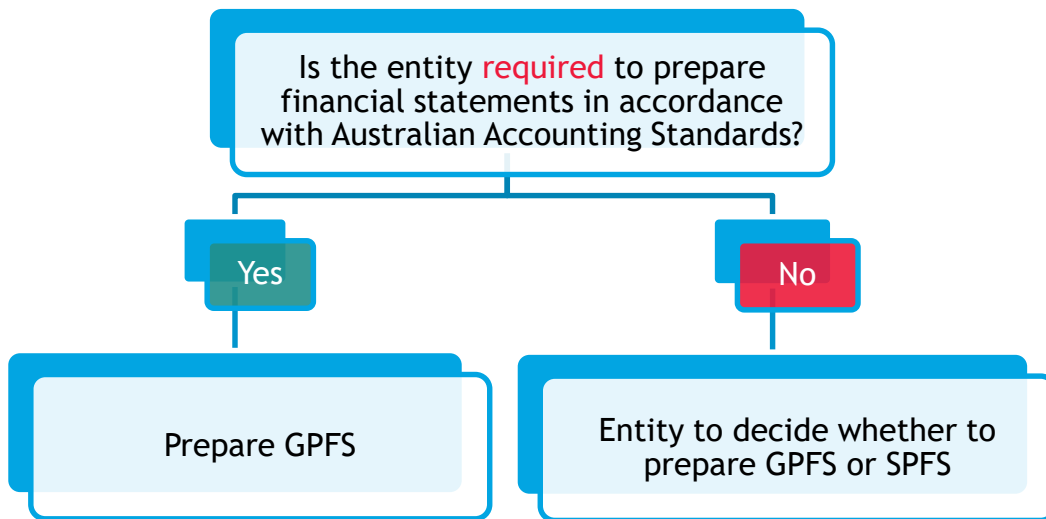
THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS

What does this mean?

- ▶ Wherever financial statements are required to be prepared in accordance with Australian Accounting Standards (for example, for lodgement with a regulator), these will need to be GPFs
- ▶ However, if there is no requirement to comply with Australian Accounting Standards then there would be scope to prepare SPFS

THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS

What does this mean?



THE FUTURE OF SPECIAL PURPOSE FINANCIAL STATEMENTS

Potential Practical Implications

- ▶ Are you currently lodging SPFS with ASIC or ACNC?
 - Are you complying with all the recognition and measurement requirements of all the Australian Accounting Standards?
 - Are you currently lodging parent entity SPFS with ASIC?

- ▶ Are you currently preparing SPFS?
 - What are the requirements of your trust deed, association, bank, etc?
 - Are they requiring compliance with Australian Accounting Standards?



SIGNIFICANT GLOBAL ENTITIES

TAX LAWS AMENDMENTS (COMBATING MULTINATIONAL TAX AVOIDANCE) BILL 2015

General Purpose Financial Statements for Multinationals

What is the bill and what is it for?

- Bill amended the Taxation Administration Act 1953 on 3 December 2015
- It requires 'significant global entities' to lodge GPFS with the Commissioner of Taxation if the Australian subsidiary does not lodge general purpose financial statements with ASIC
- Purpose of bill to find out if multinationals paying enough tax in Australia

What is a significant global entity?

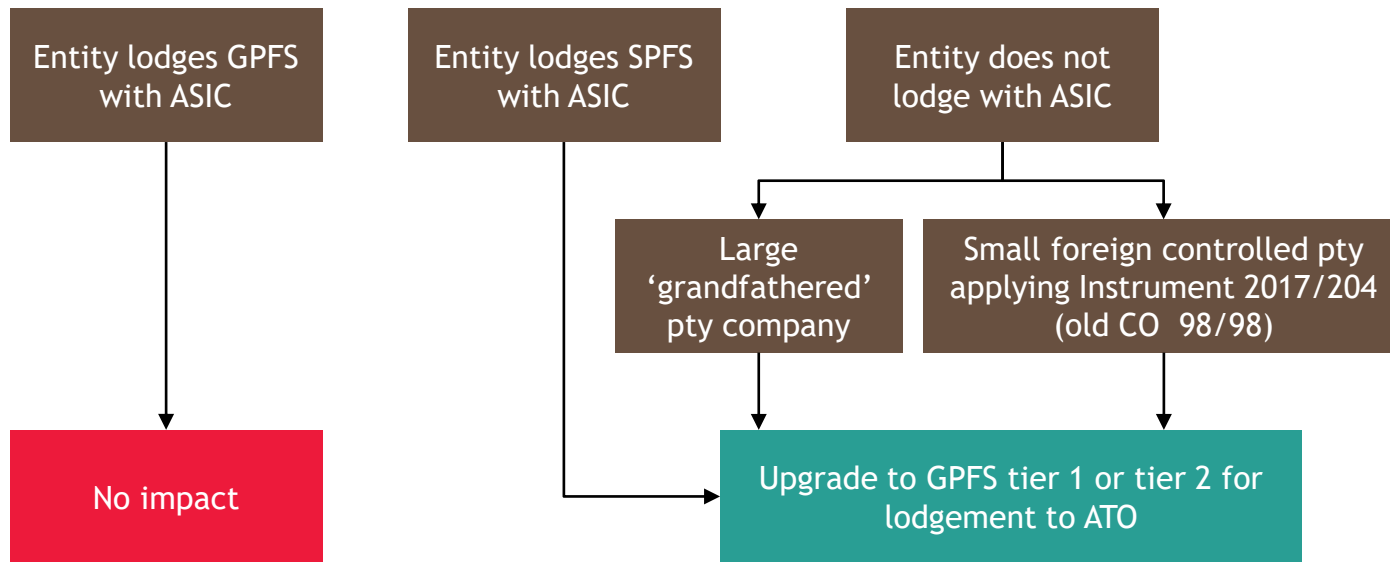
- A global parent entity with an annual global income of A\$1 billion or more, or
- A member of a group of entities consolidated for accounting purposes and one of the other group members is a global parent entity with an annual global income of A\$1 billion or more

When will these changes be effective?

- For income years commencing on or after 1 July 2016 (30 June 2017 year-ends)

TAX LAWS AMENDMENTS (COMBATING MULTINATIONAL TAX AVOIDANCE) BILL 2015

Which entities will be impacted?





TAX RATE CHANGES

CHANGES TO COMPANY TAX RATES

Tax cuts passed through Parliament (substantively enacted)

A corporate tax rate of 27.5% will apply for	
Companies carrying on a business with a turnover not exceeding	Income Tax Year ending 30 June
\$10 million	2017
\$25 million	2018
\$50 million	2019

CHANGES TO COMPANY TAX RATES

What changes will need to be made to financial statements?

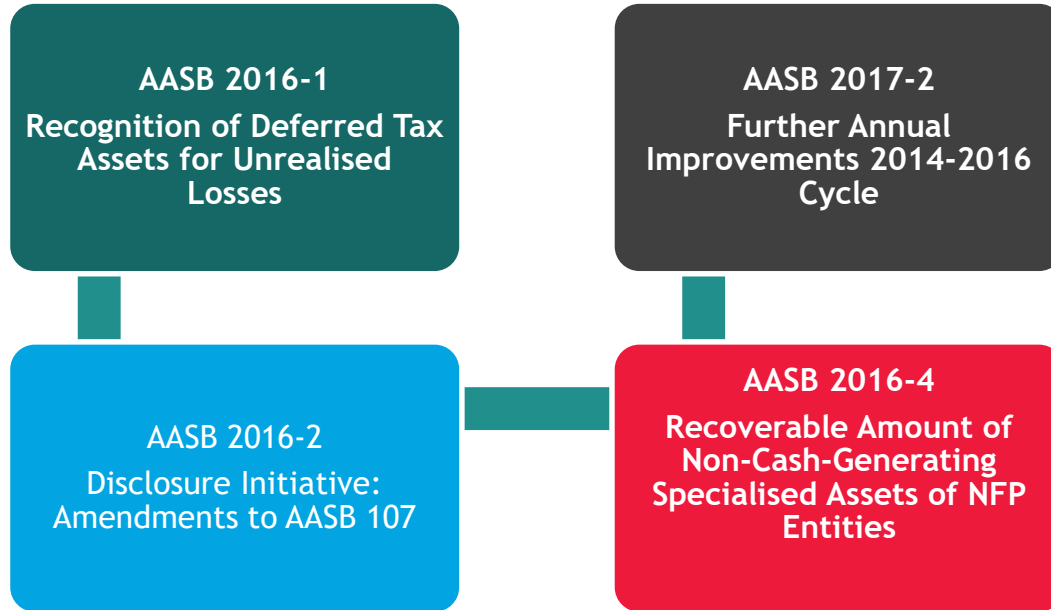
A reduction in corporate tax rates impacts the measurement of:

- Current tax
 - In year it becomes effective
- Deferred tax
 - Measurement based on rates expected to apply in period asset is realised or liability settled



NEW AUSTRALIAN ACCOUNTING STANDARDS FOR 30 JUNE 2018 FULL YEARS

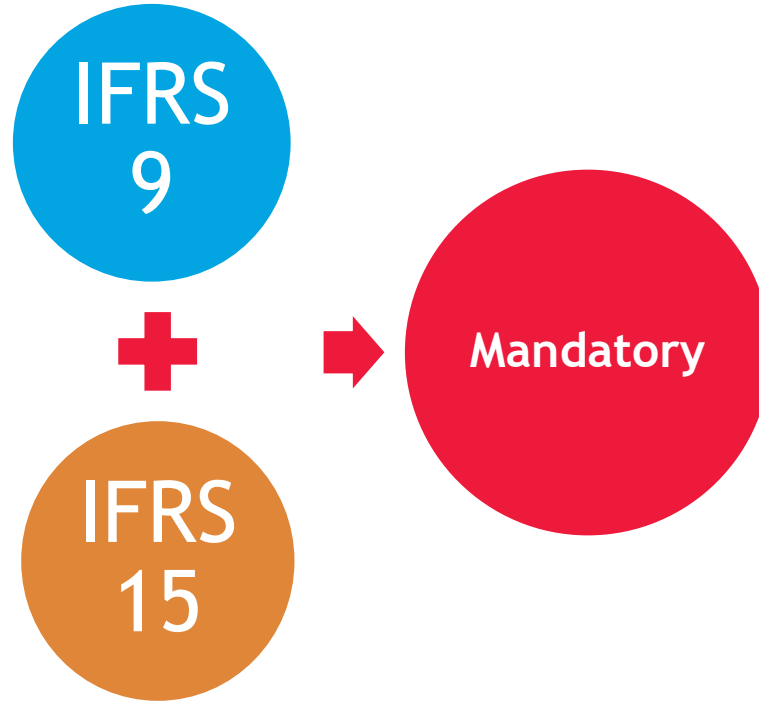
NEW AUSTRALIAN ACCOUNTING STANDARDS FOR 30 JUNE 2018 FULL YEARS





NEW AUSTRALIAN ACCOUNTING STANDARDS FOR 30 JUNE 2018 HALF YEARS

NEW AUSTRALIAN ACCOUNTING STANDARDS FOR 30 JUNE 2018 HALF YEARS

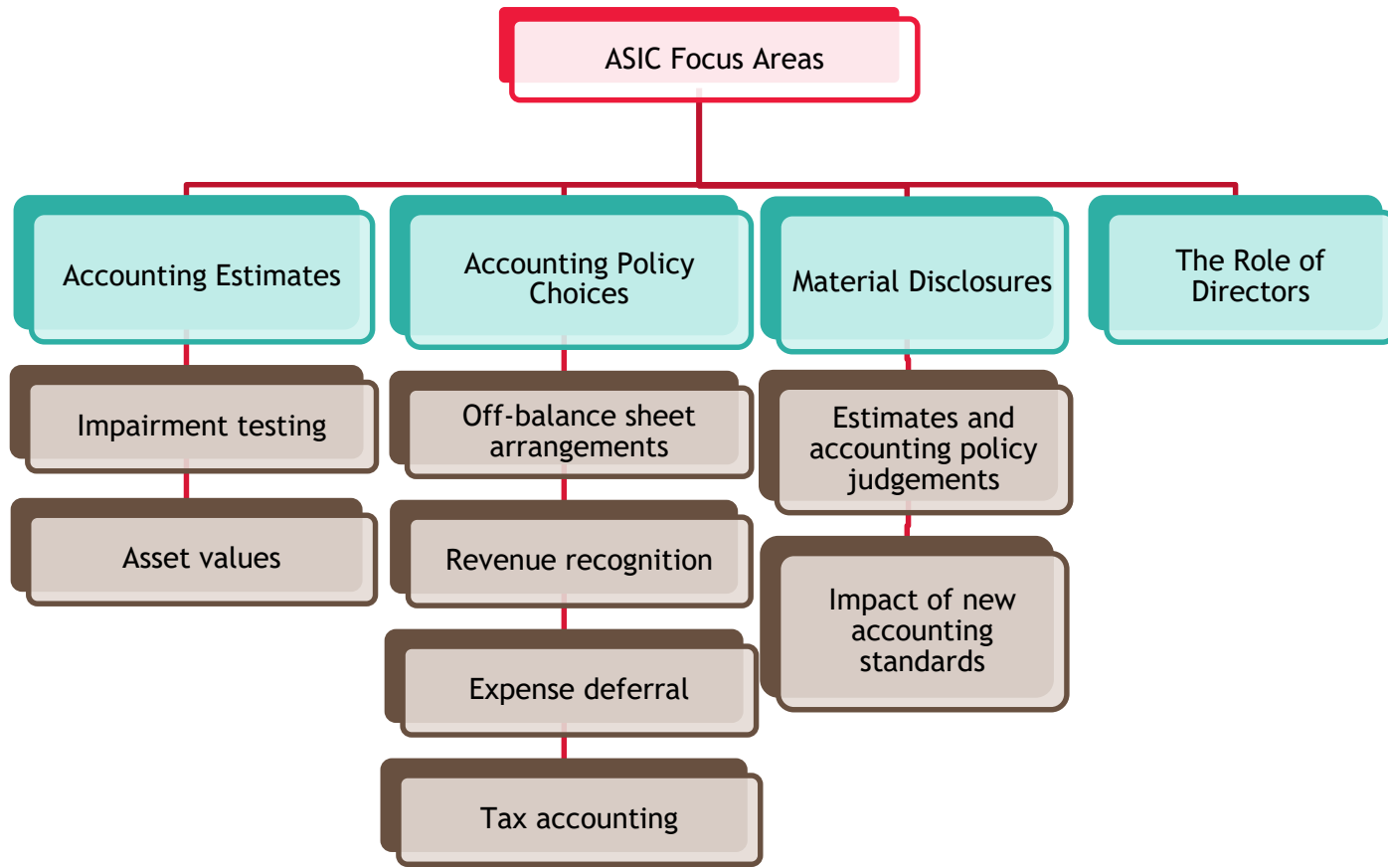


NEW AUSTRALIAN ACCOUNTING STANDARDS FOR 30 JUNE 2018 HALF YEARS

What are you going to disclose in your 30 June 2018 half-year accounts re the adoption of IFRS 9 & IFRS 15?



ASIC FOCUS AREAS & ENFORCEMENTS



IMPAIRMENT TESTING

- Further information can be found in **ASIC Information Sheet 203** *Impairment of Non-financial Assets: Materials for Directors*
- ASIC Information Sheet 203 discusses matters including:
 - The need for impairment testing
 - The process for assessing impairment
 - Common issues with impairment calculations
 - Questions that may be asked of external auditors



MATERIAL DISCLOSURES

- ASIC's surveillance continues to focus on material disclosures of information useful to investors and others using financial reports, such as:
 - Assumptions supporting accounting estimates
 - Significant accounting policy choices
 - The impact of new reporting requirements
- ASIC does not pursue immaterial disclosures that may add unnecessary clutter to financial reports

THE ROLE OF DIRECTORS

- Even though directors do not need to be accounting experts, they should **seek explanation and advice** supporting the accounting treatments chosen and, where appropriate, **challenge** the accounting estimates and treatments applied in the financial report
- Directors should particularly seek advice where a treatment does not reflect their **understanding of an agreement's substance**
- Further information can be found in:
 - ASIC Information Sheet 183 *Directors and Financial Reporting*; and
 - ASIC Information Sheet 203 *Impairment of Non-financial Assets: Materials for Directors*



ARE YOU READY FOR AASB 9, 15, 16 & 1058?

FOR-PROFIT ENTITIES

The Triple Threat Accounting Standards

Australian Accounting Standard	Effective Date - Years Beginning on or after ...	30 June Year-end
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2018	30 June 2019
AASB 9 <i>Financial Instruments</i>	1 January 2018	30 June 2019
AASB 16 <i>Leases</i>	1 January 2019	30 June 2020

NOT-FOR-PROFIT ENTITIES

Four New Accounting Standards

Australian Accounting Standard	Effective Date - Years Beginning on or after ...	30 June Year-end
AASB 15 <i>Revenue from Contracts with Customers</i>	1 January 2019	30 June 2020
AASB 1058 <i>Income of Not-for-Profit Entities</i>	1 January 2019	30 June 2020
AASB 9 <i>Financial Instruments</i>	1 January 2018	30 June 2019
AASB 16 <i>Leases, including peppercorn leases</i>	1 January 2019	30 June 2020

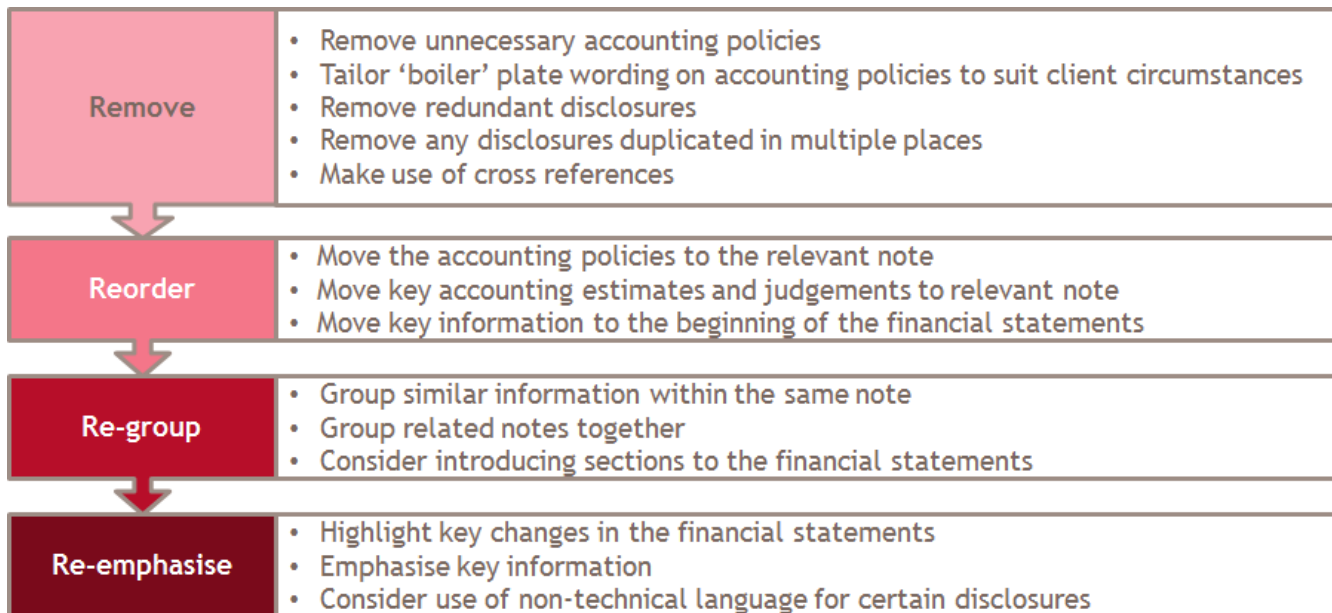
DISCLOSURE IN 30 JUNE 2018 FINANCIALS

AASB 108 paragraph 30

- When an entity has not applied a new Australian Accounting Standard that has been issued but is not yet effective, the entity shall disclose:
 - this fact; and
 - known or reasonably estimable information relevant to assessing the possible impact that application of the new Australian Accounting Standard will have on the entity's financial statements in the period of initial application

DISCLOSURE INITIATIVE

DISCLOSURE INITIATIVE



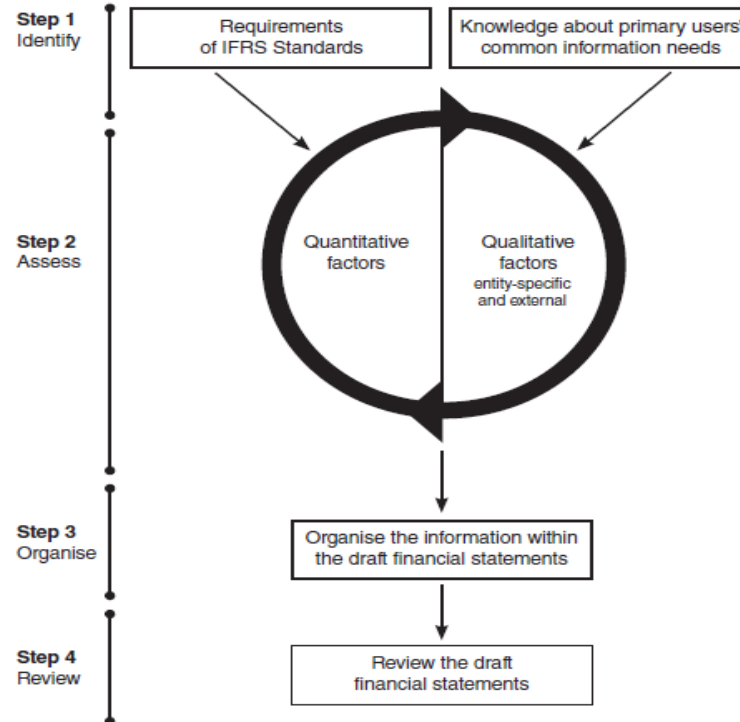


ASIC'S VIEW

- ASIC's surveillance continues to focus on material disclosures of information useful to investors and others using financial reports, such as:
 - Assumptions supporting accounting estimates
 - Significant accounting policy choices
 - The impact of new reporting requirements
- ASIC does not pursue immaterial disclosures that may add unnecessary clutter to financial reports

IFRS PRACTICE STATEMENT 2 *MAKING MATERIALITY JUDGEMENTS*

Four Step Process





BDO LEAD

BDO LEAD

- ▶ Our BDO Lease Management and IFRS 16 Tool
 - <https://www.bdo.com.au/en-au/services/audit-assurance/ifrs-advisory-services/aasb-16/lease-management-ifrs-16-tool>

- ▶ Are you interested in a demonstration of the functionalities of BDO Lead?
 - Register for a Webinar on Monday, 21 May 2018 at 11 am
 - <https://register.gotowebinar.com/register/1511393472208659970>



DO YOU NEED ASSISTANCE?

MONTHLY FINANCIAL REPORTING WEBINARS

- ▶ <https://www.bdo.com.au/en-au/insights/audit-assurance/webinars/2018-financial-reporting-accounting-standards>
- ▶ Next month's Webinar (20 June 2018)
 - Transition to IFRS 9

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https://www.bdo.com.au/en-au/services/audit-assurance/ifrs-advisory-services#main_content

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