



Changes to Accounting Standards

Relevant to 2019-20 Financial Statements

Audience

This document is relevant to chief financial officers and officers of Commonwealth entities with responsibility for preparing 2019-20 financial statements.

At a glance

This document provides an overview of changes to Australian Accounting Standards (AAS) and AAS interpretations that are issued up until 30 June 2020. Entities must consider any further AAS issued after this date up until the sign-off date of their financial statements (useful link: [Australian Accounting Standards Board \(AASB\) Latest News](#)).

- Entities are required to assess the impact of these changes on their financial statements and make appropriate disclosures in the 'Overview' note of their financial statements in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- Under AASB 108, entities are required to make:
 - individual disclosures of AAS that have had, or are expected to have, a material effect on their financial statements; and/or
 - a statement regarding AAS that do not have material effect on their financial statements. A suggested format for the disclosures is in the 'Overview' note of Primary Reporting and Information Management Aid (PRIMA) Forms – *New Accounting Standards*.
- Entities will need to demonstrate to the Australian National Audit Office that they have considered the impact of each of AAS. The lists provided in this document can be used as a starting point in this process.

For further information, please email Accounting and Frameworks Branch at accountingpolicy@finance.gov.au.

Changes to Accounting Standards

Changes applicable to the 2019-20 financial year

AASB pronouncements and changes to AAS and relating to the 2019-20 financial year are provided in [List A](#). Those that are unlikely to have a material financial impact or do not apply to the operations of Commonwealth entities are marked with an 'X' in [List A](#).

All Commonwealth entities are required to assess the likely impact of new accounting standards, taking into consideration how changes to AAS impact their particular circumstances and business operations.

AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities are the new accounting standards that are likely to have a material impact on 2019-20 entity financial statements.

Changes applicable to future reporting periods

While not directly relevant to the 2019-20 financial reporting period (outside of the disclosure requirements for the 'Overview'), entities are advised that there are changes to AAS affecting future years (please refer to [List B](#)).

Consistent with the Reduced Disclosure Requirement concession provided under AusA1 of AASB 108, Tier 2 reporting entities are not required to disclose in their entity financial statements the details of new AAS that have been issued but are not yet effective.

The revised pronouncements with consequential amendments are regarded as unlikely to have a material impact on public sector entities. However, entities may wish to consider the impact of these consequential amendments in the preparation of their 'Overview' note.

[Attachment A](#) provides a summary of new and amending pronouncements that may have possible impact on 2019-20 and future years' financial reporting.

List A: 2019-20 Financial Year

The following new/revised/amending standards and/or interpretations are applicable to the <u>2019-20 financial year</u> :		Likely impact? ¹	
		Yes	No
New Accounting Standards			
AASB 15	Revenue from Contracts with Customers	<input checked="" type="checkbox"/>	<input type="checkbox"/>
AASB 16	Leases	<input checked="" type="checkbox"/>	<input type="checkbox"/>
AASB 1058	Income of Not-for-Profit Entities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Amending Pronouncements			
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
AASB 2017-1 (NFP)	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2017-4	Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2017-6	Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-3	Amendments to Australian Accounting Standards – Reduced Disclosure Requirements	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-4	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-5	Amendments to Australian Accounting Standards – Deferral of AASB 1059	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-8	Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities	<input checked="" type="checkbox"/>	<input type="checkbox"/>
AASB 2019-4	Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2019-6	Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2019-7	Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations (early adoption)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

¹ Items with likely impact marked as 'no' (i.e. an ✘ in the 'No' column) are those items that the Department of Finance would regard as unlikely to have an impact on public sector entities. However, entities must consider how changes to standards impact on their business operations and take into consideration their particular circumstances. Please note the assessment of 'possible impact' is broader than the requirements of AASB 108.28-31 as it considers issues such as disclosure requirements and the capturing of financial information.

The following new/revised/amending standards and/or interpretations are applicable to the 2019-20 financial year:		Likely impact? ¹	
		Yes	No
Amending Pronouncements (continued)			
AASB 2019-8	Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2020-4	Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions (if early adopted)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Interpretation			
Interp.23	Uncertainty over Income Tax Treatments	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Revised Accounting Standards (consequential amendments)			
AASB 1	First-time Adoption of Australian Accounting Standards	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 4	Insurance Contracts	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 11	Joint Arrangements	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 13	Fair Value Measurement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 102	Inventories	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 107	Statement of Cash Flows	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 123	Borrowing Costs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 136	Impairment of Assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 141	Agriculture	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1004	Contributions	<input type="checkbox"/>	<input checked="" type="checkbox"/>

List B: Future Reporting Periods

The following new/amending/revised standards and/or interpretations are applicable to <u>future reporting periods</u> :		Operative date	Likely impact?	
			Yes	No
New Accounting Standards				
AASB 1059	Service Concession Arrangements: Grantors	1-Jan-20	<input checked="" type="checkbox"/>	<input type="checkbox"/>
AASB 1060	General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	1-Jul-21	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Amending Pronouncements				
AASB 17	Insurance Contracts (Appendix D)	1-Jan-21	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-6	Amendments to Australian Accounting Standards – Definition of a Business	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2018-7	Amendments to Australian Accounting Standards – Definition of Material	1-Jan-20	<input checked="" type="checkbox"/>	<input type="checkbox"/>
AASB 2019-1	Amendments to Australian Accounting Standards – References to the Conceptual Framework	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2019-2	Amendments to Australian Accounting Standards – Implementation of AASB 1059	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2019-3	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2019-5	Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1-Jan-22	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2020-2	Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities	1-Jul-21	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1-Jan-22	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Revised Accounting Standards (consequential amendments)				
AASB 2	Share-based Payment	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 3	Business Combination	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 6	Exploration for and Evaluation of Mineral Resources	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 7	Financial Instruments: Disclosures	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 8	Operating Segments	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 9	Financial Instruments	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The following new/amending/revised standards and/or interpretations are applicable to <u>future reporting periods</u> :		Operative date	Likely impact?	
			Yes	No
Revised Accounting Standards (continued)				
AASB 10	Consolidated Financial Statements	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 12	Disclosure of Interests in Other Entities	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 14	Regulatory Deferral Accounts	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 17	Insurance Contracts	1-Jan-21	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 101	Presentation of Financial Statements	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 110	Events after the Reporting Period	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 112	Incomes Taxes	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 116	Property, Plant and Equipment	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 119	Employee Benefits	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 121	The Effects of Changes in Foreign Exchange Rates	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 124	Related Party Disclosures	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 128	Investments in Associates and Joint Ventures	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 132	Financial Instruments: Presentation	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 133	Earnings per Share	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 134	Interim Financial Reporting	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 137	Provisions, Contingent Liabilities and Contingent Assets	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 138	Intangible Assets	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 139	Financial Instruments: Recognition and Measurement	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 140	Investment Property	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1023	General Insurance Contracts	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1038	Life Insurance Contracts	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1048	Interpretation of Standards	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1051	Land Under Roads	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The following new/amending/revised standards and/or interpretations are applicable to <u>future reporting periods</u> :		Operative date	Likely impact?	
			Yes	No
Revised Accounting Standards (continued)				
AASB 1053	Application of Tiers of Australian Accounting Standards	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1054	Australian Additional Disclosures	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1055	Budgetary Reporting	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>
AASB 1057	Application of Australian Accounting Standards	1-Jan-20	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Attachment A

Possible impact for Australian Government reporting entities due to new Australian Accounting Standards (AAS) effective 2019-20 and future years

Note:

- The table below provides guidance on the possible impacts of AAS for Australian Government entities. However, it only considers those new or amending pronouncements in the Lists A and B that are not marked with an X. Entities will also need to assess the impact of changes to AAS for their own individual circumstances for all standards/interpretations that are issued up until the date that the financial statements are signed.
- The list does not consider the work that is involved to transition to the new requirements but rather, the possible impacts on the financial statements (e.g. the recognition and measurement of items) as per AASB 108.31.
- The entity's expected initial application date is when the accounting standard becomes operative at the beginning of the entity's reporting period (e.g. an effective date of 1 January 202X applies to the period beginning 1 July 202X for 'financial year' reporting entities, and the period beginning 1 January 202X for 'calendar year' reporting entities).
- All AAS applicable to the preparation of the 2019-20 financial reporting period have been reflected in [Resource Management Guide \(RMG\) 125 – Commonwealth Entities Financial Statements Guide](#) and the [Primary reporting and information management aid \(PRIMA\)](#) both available on the Department of Finance (Finance) website.

Accounting Standards	POSSIBLE IMPACT			Effective date	Possible impact
	Minimal	Moderate	High		
AASB 15 <i>Revenue from Contracts with Customers</i> (AASB 15)	<p>AASB 15 takes effect from 1 January 2019 for not-for-profit entities and provides guidance on the recognition of revenue with customers. Under AASB 15 revenue recognition is now based on when the control of goods or services transfer to the customer rather than when risks or rewards are transferred under <i>AASB 118 Revenue</i>.</p> <p>AASB 15 consolidates a range of guidance on revenue recognition previously provided in a number of standards and pronouncements. AASB 15 provides a five step model of revenue recognition.</p> <p>The five steps are:</p> <ol style="list-style-type: none"> 1. Identifying the contract with a customer 2. Identifying performance obligations in the contract 3. Determining the transaction price 4. Allocating the contract price to each stage of performance obligation 5. Recognition of revenue when (or as) performance obligations are satisfied. <p>More detailed disclosures of revenue are also required.</p>			1 January 2019 [NFP]	Moderate to High
AASB 16 <i>Leases</i> (AASB 16)	<p>AASB 16 takes effect from 1 January 2019 replacing AASB 117 <i>Leases</i> (AASB 117). AASB 16 requires lessees to account for all leases in a similar way to finance leases under AASB 117 by removing the distinction between operating and finance leases for lessees.</p> <p>Under AASB 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments, with recognition exemptions that allow a lessee to recognise lease payments as expenses for leases of 'low-value' assets and short-term leases.</p> <p>Lessor accounting is substantially unchanged and will continue to classify all leases using the same classification principles as in AASB 117.</p> <p>AASB 16 requires enhanced disclosures for both lessees and lessors to improve information disclosed about an entity's exposure to leases.</p>			1 January 2019	High

Accounting Standards	Summary of changes	Effective date	Possible impact
	For further information, please refer to RMG 110 – <i>Guide to Implementing AASB 16 Leases</i> and Finance Position Paper on <i>AASB 16 Measurement of Right-of-Use Assets</i> .		
<p>AASB 1058 <i>Income of Not-for-Profit Entities</i> (AASB 1058)</p> <p>AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> (AASB 2016-8)</p>	<p>AASB 1058 and AASB 2016-8 take effect from 1 January 2019 for non-for-profit (NFP) entities.</p> <p>Under the income recognition model, a NFP entity first considers whether AASB 15 applies (the performance obligation(s) arising from the transaction need to sufficiently specific and enforceable). If AASB 15 does not apply, the NFP entity should consider whether AASB 1058 applies.</p> <p>AASB 1058 applies when a NFP entity enters transactions where the consideration to acquire an asset is significantly less than the fair value of the asset, principally to enable the NFP entity to further its objectives; and/or receives voluntary services.</p> <p>Under AASB 1058, the timing of income recognition will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners.</p> <p>Consequently, AASB 1004 <i>Contributions</i> is also amended, with its scope effectively limited to issues specific to government entities and contributions by owners in a public sector entity context.</p>	1 January 2019	Moderate to High
<p>AASB 2018-8 <i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i></p>	<p>AASB 2018-8 amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>, AASB 16, AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i> and AASB 1058 to provide a temporary option for NFP entities to measure at cost (not fair value) on initial recognition for right-of-use assets arising under leases with significantly below market terms and conditions principally to enable the entity to further its objectives.</p> <p>For further information, please refer to RMG 110 – <i>Guide to Implementing AASB 16 Leases</i>.</p>	1 January 2019	Minimal
<p>AASB 2020-4 <i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions</i></p>	<p>Commonwealth entities subject to the PGPA Act (excluding Commonwealth-controlled companies which are not subject to the PGPA Act) are provided with a choice to early adopt the AASB 2020-4 in entity financial statements and in CFS from 1 July 2019.</p>	1 July 2019	Minimal

Accounting Standards	Summary of changes	Effective date	Possible impact
	<p>AASB 2020-4 amends AASB 16 <i>Leases</i> that allows a lessee to elect not to assess whether a rent concession is a lease modification if it meets the conditions in paragraph 46B. This practical expedient only applies to rent concessions as a direct consequence of the Covid-19 pandemic.</p>		
<p>AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i></p>	<p>The amendments to the definition of ‘material’ clarify that materiality will depend on the nature or magnitude of information or both.</p> <p>An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.</p> <p>AASB 2018-7 aligns the definition of ‘material’ across AASB 101 <i>Presentation of Financial Statements</i> and AAS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> and clarify certain aspects of the definition.</p>	<p>1 January 2020</p>	<p>Minimal</p>
<p>AASB 2019-2 <i>Amendments to Australian Accounting Standards – Implementation of AASB 1059</i></p>	<p>AASB 2019-2 amends AASB 16 and AASB 1059 primarily to provide a practical expedient to grantors of service concession arrangements so that AASB 16 needs not be applied to assets that would be recognised as service concession assets under AASB 1059.</p> <p>AASB 2019-2 clarifies measurement requirements of the liability of grantors that use the modified retrospective approach upon initial adoption of AASB 1059.</p>	<p>1 January 2020</p>	<p>Minimal</p>
<p>AASB 1059 <i>Service Concession Arrangements: Grantors</i></p>	<p>AASB 1059 takes effect from 1 January 2020. It addresses the accounting for a service concession arrangement by a grantor that is a public sector entity.</p> <p>The standard requires a grantor to:</p> <ul style="list-style-type: none"> • Recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor when the grantor controls the asset. • Reclassify an existing asset as a service concession asset when it meets the criteria for recognition as a service concession asset. • Initially measure a service concession asset at current replacement cost in accordance with the cost approach to fair value in AASB 13 and subsequent to the initial recognition 	<p>1 January 2020</p>	<p>Minimal</p>

Accounting Standards	Summary of changes	Effective date	Possible impact
	<p>or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 or AASB 138.</p> <ul style="list-style-type: none"> Recognise a corresponding liability measured initially at the fair value of the service concession asset, adjusted for any other consideration between the grantor and the operator, using either the financial liability model or the grant of a right to the operator model or both. 		
<p>AASB 1060 <i>General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities</i></p>	<p>AASB 1060 is the new simplified disclosure standard developed by the AASB based on IFRS for Small and Medium-sized Entities. It requires Tier 2 entities to follow the recognition and measurement requirements under Australian Accounting Standards but to apply the simplified disclosure requirements in AASB 1060.</p> <p>This standard will only apply to disclosures. Finance has yet to analyse the possible impact of this standard on entity financial statements.</p>	<p>1 January 2021</p>	<p>Minimal to Moderate (TBA)</p>