

Effective communication through financial reporting



Three key matters of focus to ensure effective communication through financial reporting for the current reporting season are:

- Ongoing post-implementation issues for income recognition
- Removal of aged care bed licenses from 2024
- Cloud computing (Software-as-a-Service 'SaaS' arrangements) costs.

The application of **AASB 1058 Income of Not-for-Profit Entities** and **AASB 15 Revenue from Contracts with Customers** continues to prove challenging with key areas considered by the Australian Accounting Standard Board (AASB) in a narrow-scope amendments project.

AASB considerations include:

- A new illustrative example on accounting for upfront payments received
- Additional educational material regarding the assessment of sufficiently specific performance obligations and principal vs. agent considerations.

[AASB Action Alert No.210 \(September 2021\)](#)

[Clarity: Not-for-profit financial reporting for June 2020](#)

Experience in working through the post implementation issues shows these are complex standards that result in numerous areas of significant judgement. Entities should ensure that financial reports include relevant and transparent entity-specific disclosures regarding significant judgements and estimates.



Aged care providers should consider ASIC guidance on how the **discontinuation of the current bed licencing regime** may affect any bed licence intangible assets appearing on their statement of financial position in the lead up to 1 July 2024.

Considerations include:

- Whether to change the amortisation period
- Whether to impair the licences
- Whether there is a basis for any revaluations of licences
- Whether to disclose judgements and uncertainties.

[ASIC FAQs](#)

[Improving choice in residential aged care discussion paper](#)

Entities with cloud-based computing systems should assess the appropriateness of **SaaS implementation costs** (configuration and customisation costs) capitalised in light of the IFRIC decision issued in April 2021. Previously capitalised SaaS costs may need to be expensed if they have not been accounted for in line with the IFRIC guidance.

[Clarity: Software-as-a-Service arrangements](#)



Key developments that may affect future reporting periods include:

- ACNC legislative review
- AASB NFP private sector financial reporting framework
- AASB project on cost option for concessionary leases.

We will keep you abreast of NFP-specific emerging issues in our quarterly newsletters and future client financial reporting updates – [link](#) to view our NFP newsletters.

ACNC-registered charities should take note of the exposure draft (ED) regulations issued by Treasury in September 2021 and consider the potential impacts on their reporting obligations.

Key amendments include:

- New thresholds (from the 2021-22 financial year onwards) which may affect the requirement to prepare financial statements or to conduct an audit or review

| Charity size | Current thresholds | Revised thresholds |
|--------------|---|---|
| Small | Less than \$250,000 | Less than \$500,000 |
| Medium | \$250,000 or more and less than \$1 million | \$500,000 or more and less than \$3 million |
| Large | \$1 million or more | \$3 million or more |

- Related party transaction disclosures – for all medium and large registered entities preparing special purpose financial statements, the ED Regulations will prescribe compliance with AASB 124 Related Party Disclosures
- Key management personnel (KMP) compensation – the ED Regulations will provide an exemption for medium registered charities and large charities with only one remunerated KMP, from the requirement to disclose aggregated remuneration paid to responsible persons and senior executives
- Affected charities should be prepared to make new related party transaction disclosures which may involve tracking of comparatives. Consideration includes the identification of a 'related party', a 'KMP' and 'material transactions' that need to be reported.

[ED Regulations](#)



NFP private sector entities should continue to monitor the **AASB NFP financial reporting framework project** (which will involve the removal of special purpose financial statements). A consultation paper will be issued in Q3 of 2022.

The following three tiers of reporting are proposed:

- The existing reporting tiers (Tier 1 and Tier 2) would continue to be available for NFP entities preparing general purpose financial statements 'GPFS'
- AASB will develop a new Tier 3 reporting framework which will be GPFS, but consolidation will be optional.

[AASB project summary: NFP Private Sector Financial Reporting Framework](#)

NFP entities with **concessionary leases** (peppercorn leases) should keep track of the narrow-scope AASB project where the AASB will decide to either remove the cost option that was previously identified as a temporary available treatment or make it a permanent option.

[AASB Action Alert No.210 \(September 2021\)](#)

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