



Removal of Special Purpose Financial Statements (SPFS)

What is changing?

Certain For-Profit entities will be required to prepare General Purpose Financial Statements (GPFS) and are no longer able to produce SPFS for reporting periods commencing on or after 1 July 2021.

Additionally, the current Tier 2 - Reduced Disclosure Requirements (RDR) will be replaced by the Simplified Disclosure Requirements (SDR) in accordance with AASB 1060 – ‘General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities’ at the same time. Therefore, Not-for-Profit entities preparing financial statements in accordance with RDR will also need to adopt Tier 1 or Tier 2 financial statements.

This change will increase the disclosures in your financial report. In addition, some further standards such as:

- Tax effect accounting;
- Lease accounting;
- Employee Benefits; and
- Consolidation accounting;

will need to be applied which may not have been applied in the past. The adoption of these standards may significantly impact the account balances in your financial statements in some cases. The impact will depend on each client’s circumstances.

Who is impacted?

For-Profit Entities

Current Financial Reporting Framework	New Financial Reporting Framework
Special Purpose Financial Statements	Tier 2 – Simplified Disclosure Requirements, or Tier 1 – General Purpose Financial Statements
Reduced Disclosure Requirements	Tier 2 – Simplified Disclosure Requirements, or Tier 1 – General Purpose Financial Statements
General Purpose Financial Statements	No change

Not-For-Profit Entities

Current Financial Reporting Framework	New Financial Reporting Framework
Special Purpose Financial Statements	No change
Reduced Disclosure Requirements	Tier 2 – Simplified Disclosure Requirements, or Tier 1 – General Purpose Financial Statements
General Purpose Financial Statements	No change



When will this happen?

Current Financial Reporting Framework	New Financial Reporting Framework	Timing of Change
Special Purpose Financial Statements or Reduced Disclosure Requirements	Tier 1 – General Purpose Financial Statements Tier 2 – Simplified Disclosure Requirements	For reporting periods commencing on or after 1 July 2021, then you must restate comparatives to comply with new requirements. For reporting periods commencing on or after 1 July 2021 then you must restate comparatives to comply with new requirements. Alternatively, you can early adopt Tier 2 – Simplified Disclosure Requirements early (i.e. for reporting periods commencing prior to 1 July 2021) then there is no need to restate comparatives. This is our recommendation.
General Purpose Financial Statements	Tier 1 – General Purpose Financial Statements	No change

Why the change?

The changes have occurred so that Tier 2 disclosure requirements can better mirror the requirements set by the International Financial Reporting Standards (IFRS) for small and medium sized enterprises (SMEs) and provide a minimum level of disclosure for all entities preparing financial statements in accordance with Australian Accounting Standards.

Further questions

If you would like to discuss your entity’s financial reporting requirements further, please contact any of the following people at our office on **(03) 9551 2822**, or via email:

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