



AASB 1053 APPLICATION OF TIERS OF AUSTRALIAN ACCOUNTING STANDARDS

FACT SHEET

This fact sheet is based on existing requirements as at 31 December 2015 and it does not take into account recent standards and interpretations that have been issued but are not yet effective.

IMPORTANT NOTE

This Standard is an Australian specific standard with no international equivalent. The application date included below is the effective date of the initial version of the Standard.

AASB APPLICATION DATE

AASB 1053 is applicable for annual reporting periods commencing on or after 1 July 2013.

OBJECTIVE

The objective of AASB 1053 is to set out the application of Tiers of Australian Accounting Standards to different categories of entities preparing general purpose financial statements.

APPLICATION

AASB 1053 applies to:

- each entity that is required to prepare financial reports in accordance with Part 2M.3 of the Corporations Act;
- general purpose financial statements of each reporting entity;
- financial statements that are, or are held out to be, general purpose financial statements; and
- financial statements of General Government Sectors (GGSs) prepared in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The differential reporting framework consists of two Tiers of reporting requirements for preparing general purpose financial statements:

- a. Tier 1: Australian Accounting Standards; and
- b. Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 1 incorporates International Financial Reporting Standards (IFRSs) and include requirements that are specific to Australian entities.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

A Tier 2 entity is a 'reporting entity' as defined in SAC 1 *Definition of the Reporting Entity* that does not have 'public accountability' as defined in AASB 1053 and is not otherwise deemed to be a Tier 1 entity by AASB 1053.

The following for-profit entities are deemed to have public accountability:

- disclosing entities, even if their debt or equity instruments are not traded in a public market or are not in the process of being issued for trading in a public market;
- co-operatives that issue debentures;
- registered managed investment schemes;
- superannuation plans regulated by the Australian Prudential Regulation Authority (APRA) other than Small APRA Funds as defined by APRA Superannuation Circular No. III.E.1 *Regulation of Small APRA Funds*, December 2000; and
- authorised deposit-taking institutions.

The application of the tiers to the various classes of entities within different sectors, is as follows:

	SECTOR		
	For-profit	Not-for-profit private	For-profit and not-for-profit public
TIER 1 Full IFRSs as adopted in Australia	Publicly accountable	All not-for-profit private sector entities have a choice of applying Tier 1 or Tier 2 requirements	The Australian Government, state, territory and local Governments (including whole of government and general government sector)
TIER 2 Reduced Disclosure Regime (entities may choose to apply Tier 1, that is, full IFRSs as adopted in Australia)	Non-publicly accountable		Entities other than Tier 1 entities noted above

DEFINITIONS

General purpose financial statements	Are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.
Public accountability	<p>Accountability to those existing and potential resource providers and others external to the entity who make economic decisions but are not in a position to demand reports tailored to meet their particular information needs.</p> <p>A for-profit private sector entity has public accountability if:</p> <ol style="list-style-type: none"> its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets); or it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks.
Reporting entity	An entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial statements for information that will be useful to them for making and evaluating decisions about the allocation of resources. A reporting entity can be a single entity or a group comprising a parent and all of its subsidiaries.

Transition

For details on the application of Tiers, and the transition between Tiers, of Australian Accounting Standards refer to the following flowcharts extracted directly from AASB 1053.

Chart 1: First-time Adoption of Tier 1 or Tier 2 Reporting Requirements

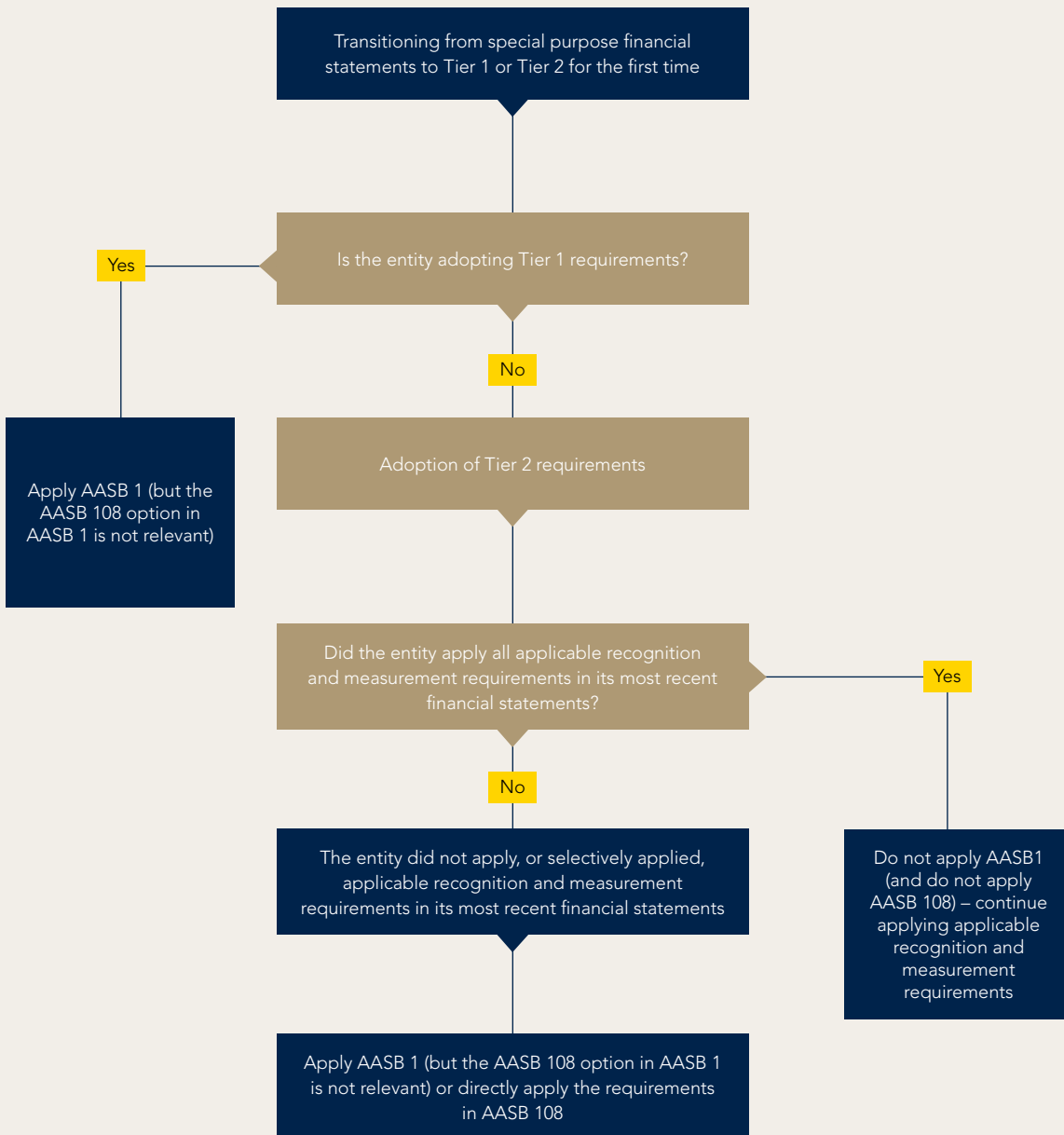


Chart 2: Re-application of Tier 1 Reporting Requirements

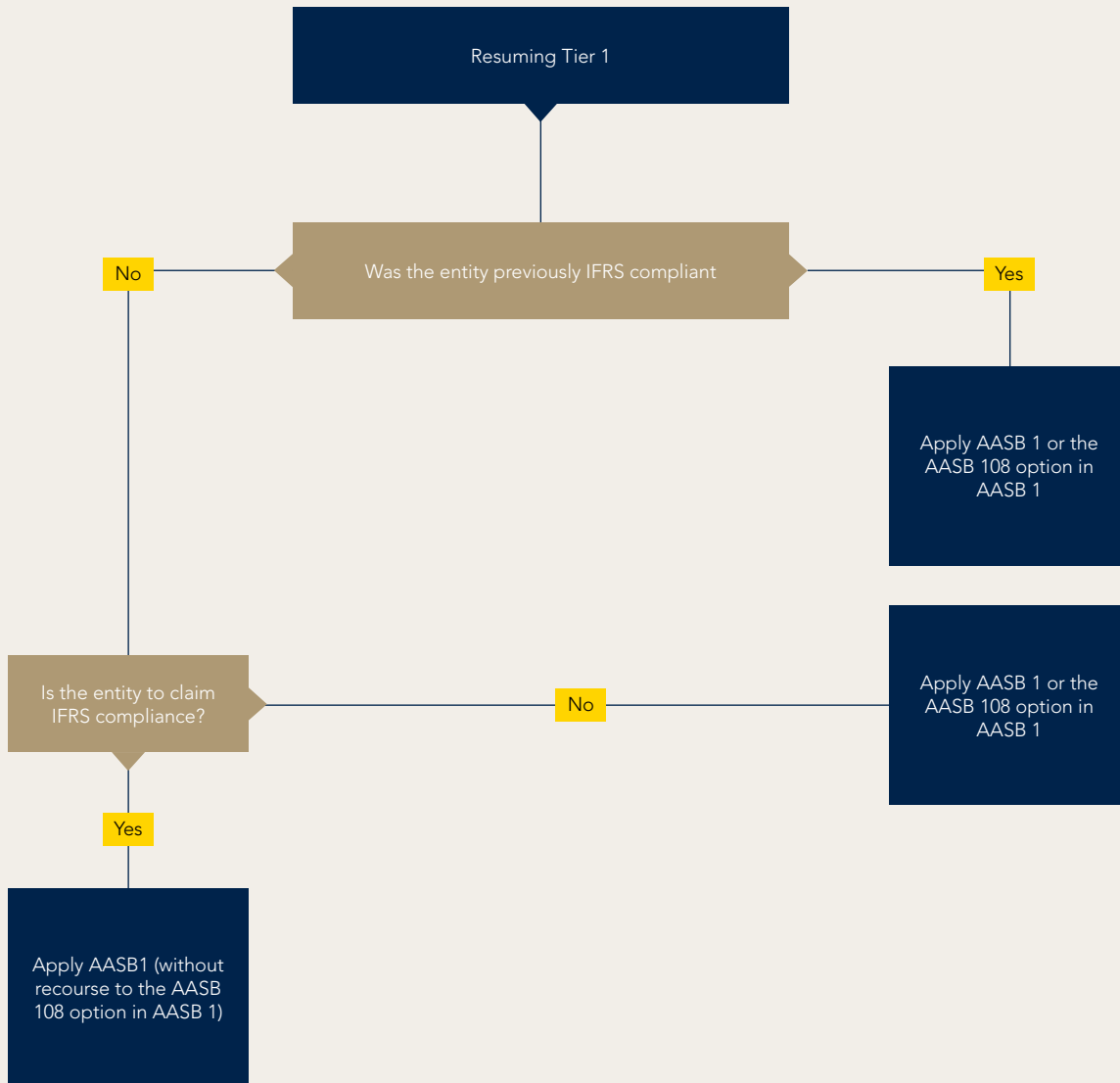


Chart 3: Re-application of Tier 2 Reporting Requirements

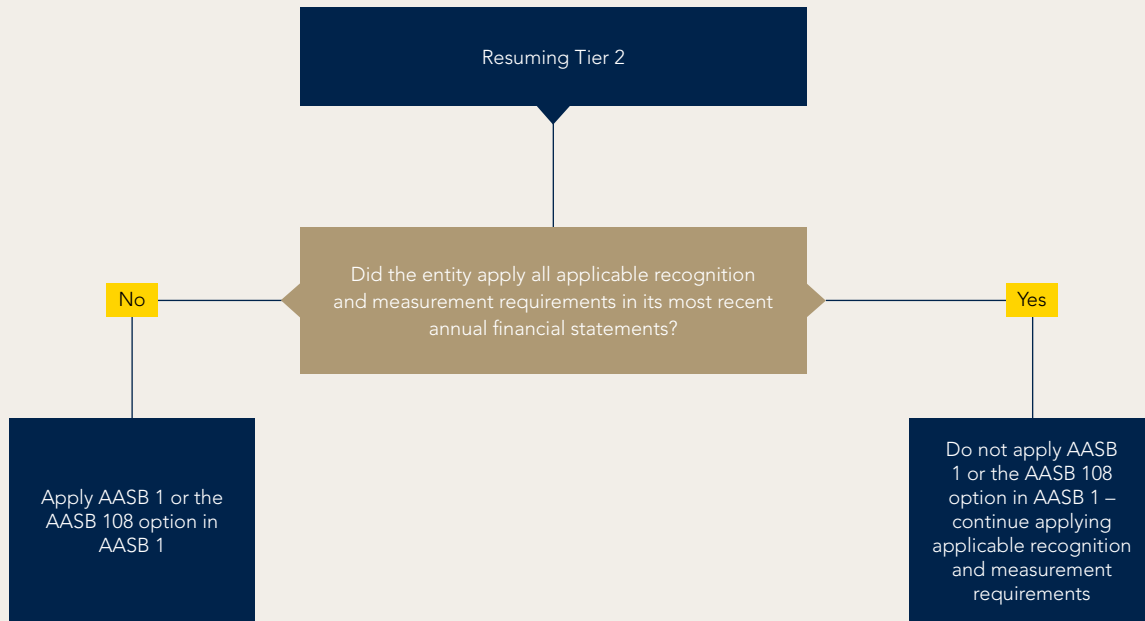
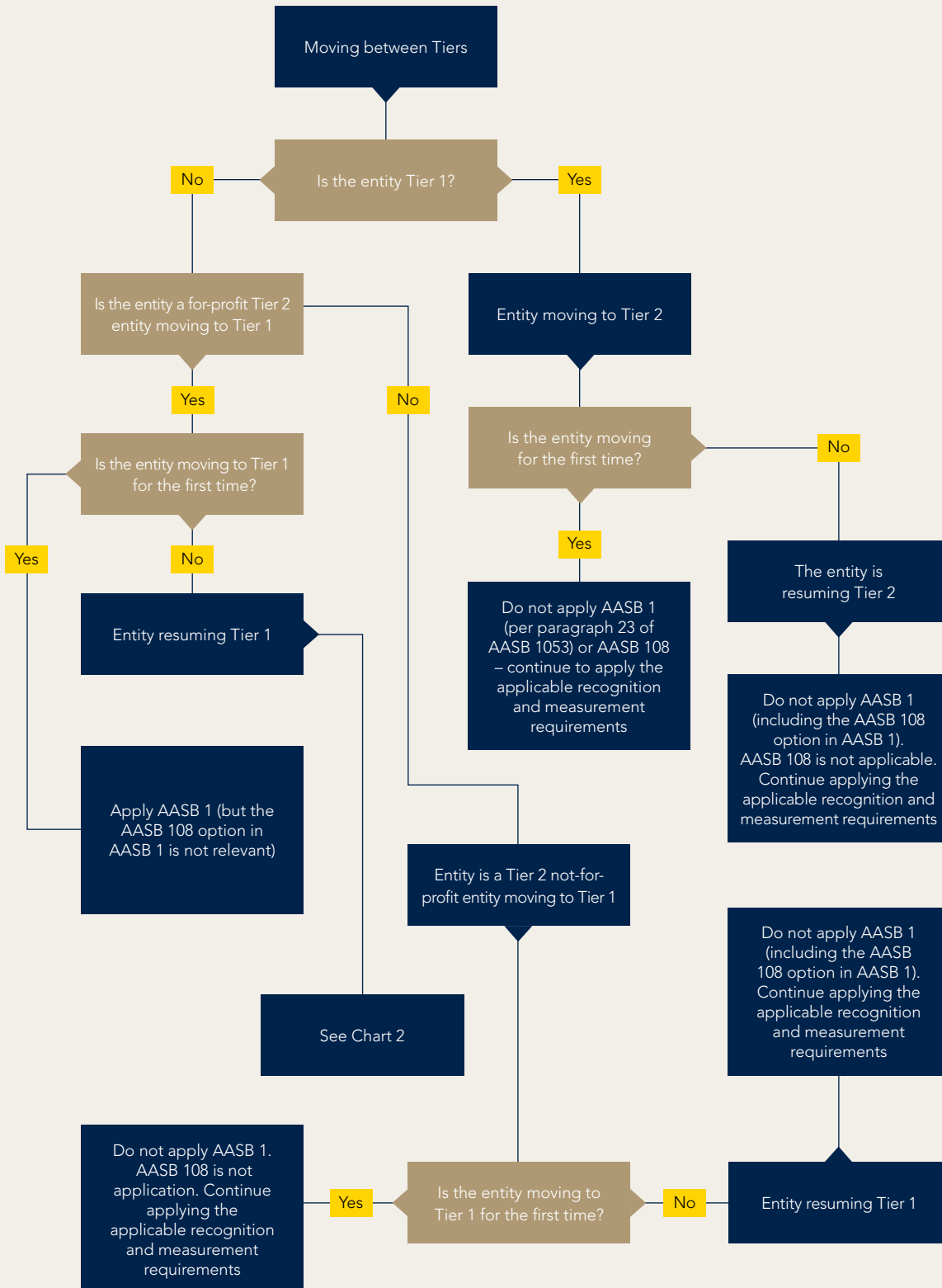


Chart 4: Moving between Tiers



OTHER MATTERS

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