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| FRD 101 |  |  | Application of Tiers of Australian Accounting Standards |
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| Purpose |  | 1.1 | To prescribe two tiers of reporting requirements for preparing general purpose financial statements in accordance with AASB 1053 *Application of Tiers of Australian Accounting Standards*. |
| Application |  | 2.1 | Applies to all entities defined as either a public body or a department under section 3 of the *Financial Management Act* *1994,* except universities. |
| Operative date |  | 3.1 | Annual reporting periods commencing on or after 1 July 2024. |
|  |  | 3.2 | Early adoption is permitted for annual reporting periods commencing on or after 1 January 2024 but before 1 July 2024. When an entity applies this Direction to such an annual reporting period, it shall disclose that fact. |
| Requirements |  | 4.1 | Tiers of general purpose financial statements  AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes two tiers of reporting requirements for preparing general purpose financial statements:   1. Tier 1: Australian Accounting Standards; and 2. Tier 2: Australian Accounting Standards – Simplified Disclosures.   Tier 1 financial statements comply with the full recognition, measurement and disclosure requirements of all Australian Accounting Standards.  Tier 2 financial statements comply with all the recognition and measurement requirements, however benefit from a reduced level of disclosures. Tier 2 disclosure requirements are contained in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.  Under AASB 1053, all Victorian public sector entity financial statements (other than the Whole of State Annual Financial Report) are eligible to be prepared using Tier 2 reporting requirements. AASB 1053 leaves the determination of the Tiers of reporting requirements under which public sector entities should report to relevant public sector regulators in each jurisdiction (DTF in the context of Victoria). DTF’s determination of the Tiers of reporting requirements for Victorian public sector entities is outlined in this Direction. |
|  |  | 4.2 | Tier 1 and Tier 2 classification criteria  An entity that meets the definition of a ‘significant entity’ (as defined in this Direction) shall prepare Tier 1 financial statements in accordance with Australian Accounting Standards.  An entity that does not meet the definition of a ‘significant entity’ shall prepare Tier 2 financial statements in accordance with Australian Accounting Standards – Simplified Disclosures. |
|  |  | 4.3 | Significant entity definition  An entity is a ‘significant entity’ if any of the following criteria is met:   * + 1. the entity is a Government Department or Public Financial Corporation;     2. the entity’s total expenses are greater than $1 billion for each of the two preceding financial years;     3. the entity’s total assets are greater than $4 billion for each of the two preceding financial years; or     4. the entity is deemed to be a significant entity by the DTF Deputy Secretary – Budget and Finance based on qualitative considerations. |
|  |  | 4.4 | An entity’s significant entity assessment in paragraph 4.3 shall be performed at the level at which the entity is required to prepare its financial statements. This means where an entity’s financial statements are prepared on a consolidated basis, the significant entity assessment must be performed at the consolidated level. |
|  |  | 4.5 | An entity that prepares Tier 1 or Tier 2 financial statements on the basis of the total expense or total asset thresholds in paragraphs 4.3.2 and 4.3.3 is required to self-assess its reporting status on an ongoing basis. Where the entity’s total expense or total asset amounts subsequently change (or are expected to change) for two consecutive financial years, impacting the entity’s significant entity status, the entity’s Chief Finance and Accounting Officer (CFAO) must consult with the DTF Principal Accounting Officer to assist DTF in determining whether the entity prepares Tier 1 or Tier 2 financial statements. |
|  |  | 4.6 | With respect to paragraph 4.3.4:   1. DTF Deputy Secretary – Budget and Finance will consider a range of factors such as an entity’s expected future growth, financial and operational complexity and risk factors in determining whether the entity needs to prepare Tier 1 financial statements; 2. DTF will maintain a register of all entities which are deemed by the Deputy Secretary to be Tier 1 and this register will be available upon request; and 3. entities are not required to perform any self-assessments or seek annual confirmations of their tiered reporting status from DTF. Where the DTF Deputy Secretary – Budget and Finance deems an entity as Tier 1, DTF will communicate this decision to the relevant entity’s Chief Finance and Accounting Officer (CFAO). |
|  |  | 4.7 | Entities that are newly established or with less than 2 years of operations  An entity that is newly established or with less than 2 years of financial operating history must consult with the DTF Principal Accounting Officer to assist DTF in determining whether the entity prepares Tier 1 or Tier 2 financial statements. |
|  |  | 4.8 | ‘Significant entity’ assessment information requests  When requested by DTF, the entity’s Chief Finance and Accounting Officer (CFAO) must provide DTF with the relevant information (such as the entity’s budgets and corporate plans) to support an appropriate determination of the entity’s reporting tier. |
|  |  | 4.9 | Whole of State Annual Financial Report  Notwithstanding paragraphs 4.2 and 4.3, the Whole of State Annual Financial Report must be prepared using Tier 1 reporting requirements as required by AASB 1053. |
|  |  | 4.10 | Information required for Whole of State Financial Statements  This section applies to information of an entity if the information:   1. is required for consolidation in the Victorian Whole of State Financial Statements; and 2. is not reported in the entity’s financial statements.   The reporting entity must:   1. prepare the information on the basis of accounts and records kept in accordance with the *Financial Management Act 1994* and *Standing Directions 2018*; 2. ensure that the information is reviewed, approved and authorised by the entity’s CFAO; and 3. make the information available to DTF at the time (as contained in the annual DTF information request) and in the format requested by DTF. |
|  |  | 4.11 | Disclosures under Tier 2 reporting requirements are the minimum disclosures required to be included in general purpose financial statements. Entities may include additional disclosures using Tier 1 reporting requirements as a guide if, in their judgement, such additional disclosures are consistent with the objective of general purpose financial statements. |
|  |  | 4.12 | Tier 2 general purpose financial statements must state compliance with Australian Accounting Standards - Simplified Disclosures. Entities preparing Tier 2 financial statements are unable to state compliance with International Financial Reporting Standards (IFRS). |
|  |  | 4.13 | Transitional requirements  An entity transitioning from Tier 1 to Tier 2 (or vice versa):   1. must adjust the relevant comparative period disclosures, as necessary, to ensure consistency between the current and comparative periods. Where such adjustment is impracticable, the entity’s Chief Finance and Accounting Officer (CFAO) must seek written approval from the DTF Principal Accounting Officer for not adjusting any comparative disclosures; 2. must disclose that fact the entity has changed its tiers for the reporting period and the reason for the change; and 3. shall not apply *AASB 1 First-time Adoption of Australian Accounting Standards* or *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* for the transition between tiers. |
| Definitions |  | 5.1 | **General purpose financial statements:** A financial report intended to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs |
|  |  | 5.2 | Australian Accounting Standards consist of two Tiers of reporting requirements for preparing general purpose financial statements:  **Tier 1: Australian Accounting Standards:** Incorporates International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and include requirements that are specific to Australian entities; and |
|  |  |  | **Tier 2: Australian Accounting Standards – Simplified Disclosures:** Comprises the recognition and measurement requirements of Tier 1 (including consolidation and the equity method of accounting) but substantially reduced disclosure requirements. |
|  |  | 5.3 | **Chief finance and accounting officer** – the officer responsible for the accounting and financial management of that department/entity in accordance with *the Financial Management Act 1994* and the *Standing Directions 2018* issued under the *Financial Management Act 1994.* |
| Guidance |  | 6.1 | Further guidance has been issued on the application of this FRD. Refer to *Guidance on the application of FRD 101 Application of Tiers of Australian Accounting Standards*. |
| Relevant pronouncements |  | 7.1 | AASB 1 *First-time Adoption of Australian Accounting Standards*  AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*  AASB 1053 *Application of Tiers of Australian Accounting Standards*  AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities.* |
| Background |  | 8.1 | Prior to 2013, general purpose financial reports (GPFRs) produced in Australia needed to comply with all requirements of Australian Accounting Standards (AAS). This meant GPFRs complied with all AAS recognition, measurement and disclosure requirements.  In July 2010, the Australian Accounting Standards Board (AASB) released a differential reporting framework (comprising two tiers of reporting), allowing eligible entities to adopt Tier 2: Reduced Disclosure Requirements (RDR). The RDR framework complied with all recognition and measurement requirements while offering reduced level of disclosures.  In March 2020, the AASB issued AASB 1060: *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, replacing RDR with a more refined and simpler Tier 2 reporting framework.  In May 2024, DTF approved the implementation of tiered financial reporting within the Victorian public sector by releasing FRD 101 (this Direction)*.* |