Year-end reminders for 31 December 2023

Here is a quick guide of things to think about for the 31 December 2023 reporting season

This document highlights the key areas that might impact companies for this year-end including areas of focus for ASIC, general hot topics in the market, accounting changes from standard setting and other regulatory changes. We recommend you scan through the list to identify what might be relevant and take a deeper dive through the relevant linked guidance where needed.

Note: Some of the PwC content available via the links provided below will require a free registration to Viewpoint. Follow this **link** to register for free.

What's the issue?	Points to consider and where to go for more help
	Focus Areas and **Hot Topics**
ASIC's areas of focus	ASIC has released its focus areas for Directors and Auditors for December 2023. The themes are consistent with previous reporting seasons. The focus areas are available in this media release: **23-343MR**.
Have you disclosed material business risks in your Operating and Financial Review?	An operating and financial review (OFR) is a key part of annual reporting by listed entities. It must set out information that users would reasonably require to assess an entity's operations, financial position, and business strategies and prospects for future financial years including material business risks that could adversely affect the achievement of the financial performance or financial outcomes described. Over the past few years, numerous companies have been required to include greater disclosure of business risks in their OFR, including remediation through separate market announcements, statements at AGMs or reissuing the director's report. See the following guidance for further information in this area **Material business risk disclosure** as well as **ASIC Regulatory Guide 247 – Effective disclosure in an operating and financial review**.
Do you use non-IFRS performance measures within or outside of your financial report?	Companies should remember the guidance provided in **ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information** that outlines the disclosures to be included where non-IFRS financial measures are used outside the financial report. The guide also highlights that ASIC does not consider presenting non-IFRS profit information as subtotals in the income statement to be permitted under Australia Accounting Standards.
What's the impact of rising inflation and interest rates?	Rising inflation and interest rates continue to impact many areas of accounting and financial reporting. We highlight these impacts in the attached: **Rising inflation and interest rates**
What should be remembered when assessing impairment of non-financial assets?	Impairment continues to be an area of focus for ASIC. Refer to this document for key impairment reminders **Non-financial asset key reminders for impairment reviews**. Refer also to the discussion of the impact of climate change on your financial report below.
Contingent liabilities and provisions – are they appropriately measured and disclosed?	ASIC has focused recently on the adequacy of provisions and clarity in the disclosures of the financial effects of contingent liabilities. It's important that entities not default to a conclusion that a provision cannot be reliably measured or that a cash outflow is not probable until near settlement. AASB 137 is clear that provisions should be recognised except in the **extremely rare circumstances** where no reliable estimate can be made. Where a contingent liability does exist, AASB 137 requires disclosure of the estimated financial effect. Companies should ensure completeness and appropriate measurement of other provisions such as make-good/restoration and legal provisions.
Are your receivables and deferred revenue inappropriately grossed up on the balance sheet?	If you bill customers in advance of providing service, it's important to consider when to recognise a receivable and deferred revenue. Where goods and services have not been transferred to a customer, AASB 15 is clear that deferred revenue is recognised when a payment is received or the payment is due from the customer (whichever is earlier).

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Do you have any off-balance sheet exposures?	ASIC continues to focus on off-balance sheet arrangements. Entities that have interests in non-consolidated entities should consider whether any off-balance sheet exposures should be recognised on-balance sheet. The accounting for assets, liabilities, income and expenses in registered scheme balance sheets and income statements, where individual scheme members have pooled interests in assets and returns with some or all other members, should be reconsidered where they are not recorded in the financial statements.
Have you considered the impact of climate change on your financial report?	Climate change is a business risk that not only impacts disclosure within the OFR but might have a more direct impact on the financial information. Refer to our publications: • **Impact of ESG matters on IFRS financial statements** • **IASB educational material: the effects of climate-related matters on financial statements prepared applying IFRS accounting standards** • **Impact of climate change on cash flow projections and IFRS impairment disclosures** • **ESMA's report on disclosures of climate-related matters in the financial statement**
What are the accounting implications of participating in a voluntary carbon offset arrangement?	Companies are increasingly participating in voluntary arrangements to offset emissions. This is a new and evolving area. See the attached In depth to understand the key accounting considerations for these voluntary arrangements: **IFRS considerations for entities participating in a voluntary carbon market**
Do you make statements about your products being environmentally friendly, sustainable or ethical?	ASIC has issued this information sheet (INFO 271) **How to avoid greenwashing when offering or promoting sustainability related products** where ASIC discusses its concerns relating to greenwashing. Greenwashing is where companies misrepresent how sustainable their products or investment strategies are.
Are you impacted by Pillar 2 tax obligations?	In October 2021, over 135 jurisdictions agreed to update the international tax system to ensure that large multinational enterprises pay a minimum level of tax (15%) on the income arising in each of the jurisdictions where they operate - referred to as Pillar Two. The AASB has amended AASB 112 and provided a temporary exception to the accounting for deferred taxes in relation to Pillar Two taxes. It also requires entities to disclose how they may be impacted by the taxes. See our Pillar Two guidance and tracker as to the status of enactment in countries around the world for more information: **Pillar Two Country Tracker**; **Global implementation of Pillar Two: Impact on deferred taxes and financial statement disclosures**
Do you do business with areas impacted by geopolitical conflict? What are the accounting implications?	Geopolitical conflict has continued to create significant shifts in the global risk landscape and is having a pervasive economic impact. Investors will want to understand if and how this is affecting an entity's operations, risk exposure and outlook. Entities must carefully consider the impact on their financial statements and disclosures. Refer to our In depth of the **Accounting implications of the Russian invasion of Ukraine** which includes considerations relevant to other geopolitical conflicts.
Is your subsidiary's functional currency hyper-inflationary? Recent additions are the Ghanaian Cedi, Sierra Leonean Leone and Haitian Gourde.	Ghana and Sierra Leone became a hyper-inflationary economy for financial reporting purposes from 31 December 2023, and Haiti from 31 March 2023. It is also expected that South Sudan will no longer be hyper-inflationary in 2023. AASB 129 requires financial statements of an entity whose functional currency is hyper-inflationary to be restated into the measuring unit current at the end of the reporting period. Refer to our **In brief** for a complete list of hyper-inflationary countries and those on the watch list as at 31 December 2023.
Have you missed any of these often overlooked items?	It is often easier to review accounting entries that have been posted rather than identifying entries that should have been posted but were not. Here is a list of key reminders on what not to miss to assist preparers in ensuring these accounting items are properly reflected in the financial statements. • Liabilities for financial guarantees especially in parent entities • Provisions for onerous contracts • Provisions for restoration • Liabilities for share repurchases • Structured entities – unconsolidated SPEs might exist that should be consolidated • Implied leases • Share-based payment charges in subsidiary financial statements See our In depth here: **Accounting items you cannot see**.

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	Developments in Standard Setting
What's new in standard-setting that is effective for 31 December 2023 year-ends?	A few amendments worth noting for 31 December 2023 year-ends: • AASB 17 Insurance Contracts – Remember that it's not only relevant to insurers. See how it might impact you in our publication: **IFRS 17 affects more than just Insurers** • AASB 112 Income Taxes was amended to: – specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. See guidance at **Deferred tax related to assets and liabilities arising from a single transaction** – introduce a mandatory exception from accounting for deferred taxes arising from the OECD's Pillar Two Model Rules and adding new disclosure requirements for both full and simplified disclosure financial statements. See guidance at **Global implementation of Pillar Two: Impact on deferred taxes and financial statement disclosures** • AASB 101 Presentation of Financial Statements now clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. This **PwC Practice Aid** provides guidance on how to decide whether accounting policy is material or not.
What's new in standard-setting that is effective for 31 December 2023 interims or for 30 June 2024 year-ends?	Other than the amendments noted above, there are no further new amendments affecting 31 December 2023 interims and 30 June 2024 year-ends. See section B of the **Reporting essentials** for pronouncements that are effective for annual periods beginning on or after 1 January 2024 and are available for early adoption. Some of those most relevant are in relation to: • Amendments to AASB 101 in relation to the classification of liabilities as current or non-current • Amendments to AASB 16 in relation to how to account for a sale leaseback transaction • Amendments to AASB 7 requiring new disclosures in relation to supplier finance arrangements
Are you impacted by any decisions made by the Interpretations Committee (IFRIC) over the last 12 months?	It's important not to forget the matters that are debated by the Interpretations Committee. If they are relevant to you, their discussions may provide clarity as to how matters should be considered. The agenda decisions over the past 12 months include the following topics: • Does your contract supplier have rights to substitute the asset supplied? If so, ensure you've considered if the contract contains a lease: **Definition of a Lease – Substitution Rights** • Are you an insurer using an intermediary to collect premiums? If so, the IFRIC provides their views on the accounting impacts here: **Premiums Receivable from an Intermediary**. Read our In brief on **IFRS Interpretations Committee concludes its latest insurance discussion: Premiums receivables from an intermediary** • Additionally, the IFRIC had discussed the following two topics and concluded that these matters do not have widespread effect: – **Homes and Home Loans Provided to Employees** – **Guarantee over a Derivative Contract** • If you are a parent entity that prepares separate financial statements for a merger transaction with your subsidiary, see the agenda decision: **Merger between a Parent and Its Subsidiary in Separate Financial Statements** which is expected to be published in January 2024.

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Where do I go if I want to learn more about global standard setting developments in the area of ESG?	Standard-setting in the area of ESG is developing rapidly. Preparers may be caught by a combination of the recently released IFRS Sustainability Disclosure Standards, European Sustainability Reporting Standards and the SEC's proposed climate rule. Our publication **Navigating sustainability reporting: Practical application and analysis** provides helpful insight and guidance on these three sustainability reporting frameworks. You can also refer to the following specific publications below to stay informed with the latest updates on ESG developments that may be relevant to you: • **European Union regulations beyond CSRD** • **Take the next step – decide how to report under CSRD** • **Navigating sustainability reporting: Practical application and analysis** • **IFRS Sustainability Disclosure Standards – Guidance, insights and where to begin** • **The European Sustainability Reporting Standards are finalised** • **California's climate disclosure laws will have global impact** • **European Union Corporate Sustainability Reporting Directive (CSRD) – a summary**
	Other Regulatory Considerations
Are you making your ASX lodgements on time?	The ASX has announced that from 31 January 2023, they will automatically suspend entities that fail to lodge documents before the market announcement office closes on the business day the document is due. Remember also that if a lodgement deadline falls on a day that is not a business day, the documents must be lodged by the preceding business day. You can find the 2024 reporting dates on the **ASX website**.
Are you not lodging accounts with ASIC because you are an 'exempt proprietary company'?	If yes, you should note that the Government passed a Bill to remove the lodgement relief that had been in place since 1995. This means: • All large proprietary companies will now have to lodge their financial statements with ASIC (unless they are covered by the wholly-owned subsidiary relief). • The change applies for financial years ending on or after 10 August 2022 and as such, applies to 30 June 2023 year-ends.

Contacts

Paul Shepherd
Partner, Assurance – Quality
M: +61 418 611 189
E: **paul.a.shepherd@au.pwc.com**

Erin Craike
Partner, Assurance – Quality
M: +61 415 598 440
E: **erin.craike@au.pwc.com**